

# ANNUAL REPORT 2016

HYUNDAI MOTOR COMPANY

RICHNESS IN SIMPLICITY

FOCUSING ON THE ESSENTIAL

Driving is  
living  
on modern  
premium.



CELEBRATING THE REFINED DETAILS

LIVING LIFE WITH A CONFIDENT OUTLOOK

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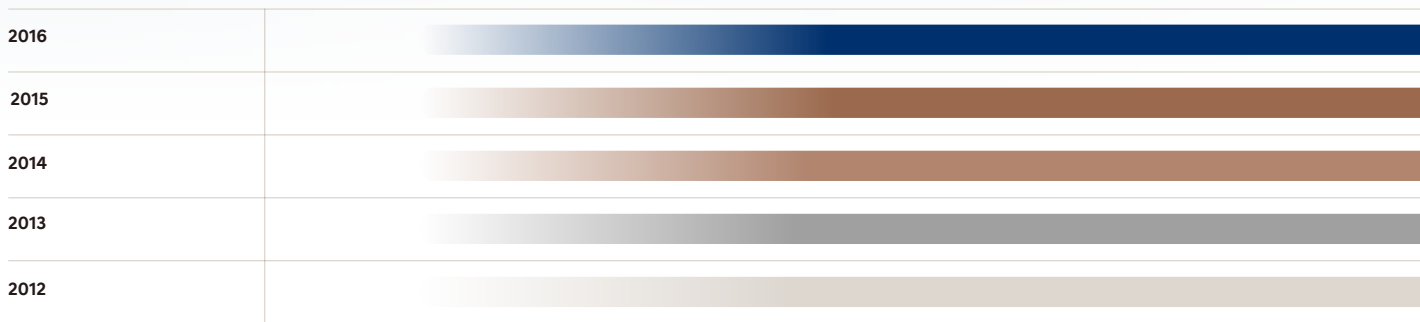
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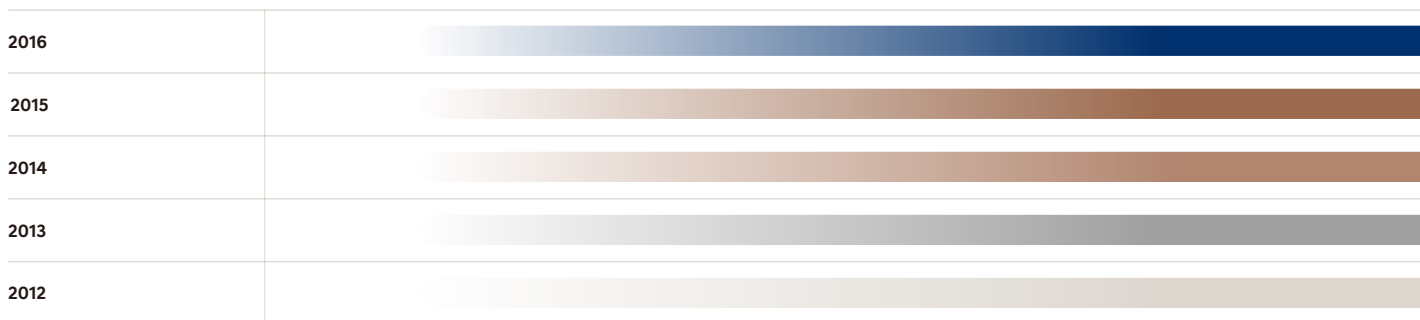
**Driving is living**  
on modern premium.



# SALES REVENUE



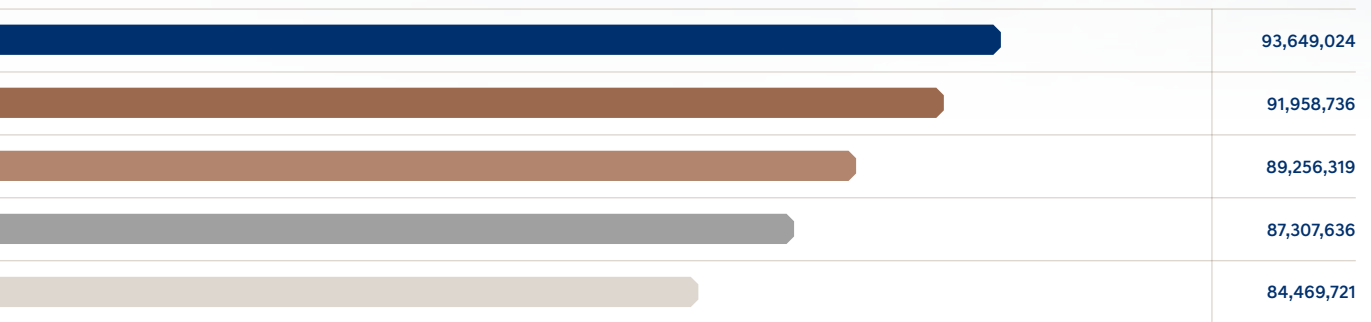
# GLOBAL RETAIL SALES





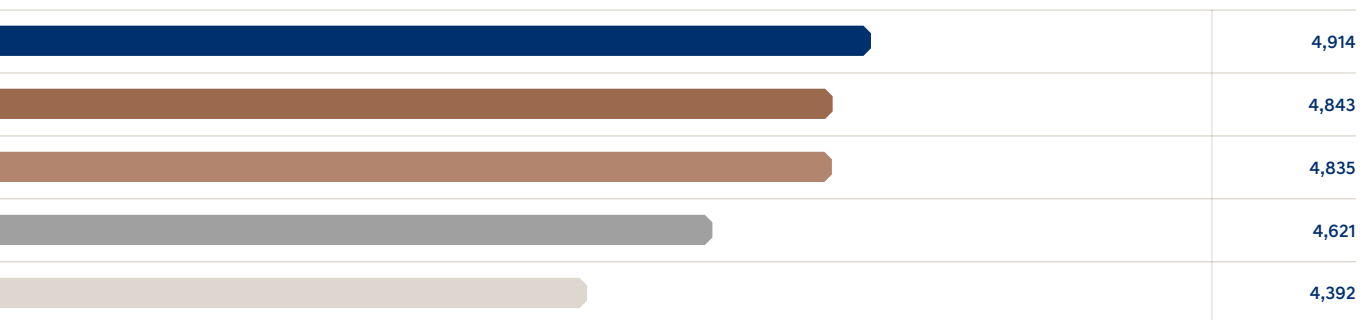
(Unit : KRW Million)

93,649,024



(Unit : Thousand)

4,914

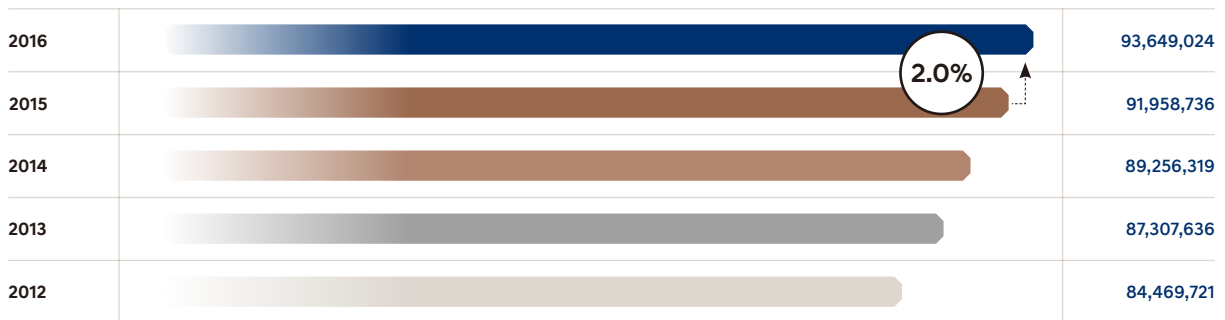


# FINANCIAL HIGHLIGHTS

## SALES REVENUE

(Unit : KRW Million)

# 93,649,024

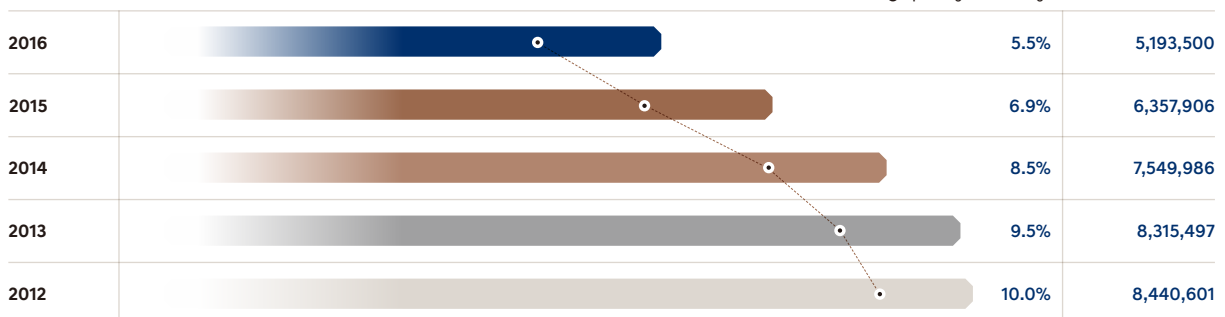


## OPERATING INCOME

(Unit : KRW Million)

# 5,193,500

● Operating Income Margin



## CONSOLIDATED STATEMENTS OF INCOME

(Unit : KRW Million)

For the Year	2012	2013	2014	2015	2016
Sales Revenue <sup>1</sup>	84,469,721	87,307,636	89,256,319	91,958,736	93,649,024
Operation Income	8,440,601	8,315,497	7,549,986	6,357,906	5,193,500
Margin(%)	10.0%	9.5%	8.5%	6.9%	5.5%
Net Income <sup>2</sup>	9,061,132	8,993,497	7,649,468	6,509,165	5,719,653
Margin(%)	10.7%	10.3%	8.6%	7.1%	6.1%
Basic EPS (KRW) <sup>3</sup>	31,532	31,441	27,037	23,861	20,118

1 Business results of BHMC is accounted in equity income accounting

2 Net income includes non-controlling interest

3 Basic earnings per common share attributable to the owners of the Parent Company

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unit : KRW Million)

At Year End	2012	2013	2014	2015	2016
Assets	121,537,814	133,421,479	147,225,117	165,222,844	178,835,928
Liabilities	73,620,239	76,838,690	84,604,552	98,341,443	106,491,350
Shareholder's Equity	47,917,575	56,582,789	62,620,565	66,881,401	72,344,578
Liab. to Eqt. Ratio(%)	153.6%	135.8%	135.1%	147.0%	147.2%

## CREDIT RATING

		2009	2010	2011	2012	2013	2014	2015	2016
Domestic	KIS	AA	AA+	AA+	AAA	AAA	AAA	AAA	AAA
	NICE	AA	AA+	AA+	AAA	AAA	AAA	AAA	AAA
	Korea Rating	AA	AA+	AA+	AAA	AAA	AAA	AAA	AAA
Overseas	S&P	BBB-	BBB	BBB	BBB+	BBB+	BBB+	A-	A-
	Moody's	Baa3	Baa2	Baa2	Baa1	Baa1	Baa1	Baa1	Baa1

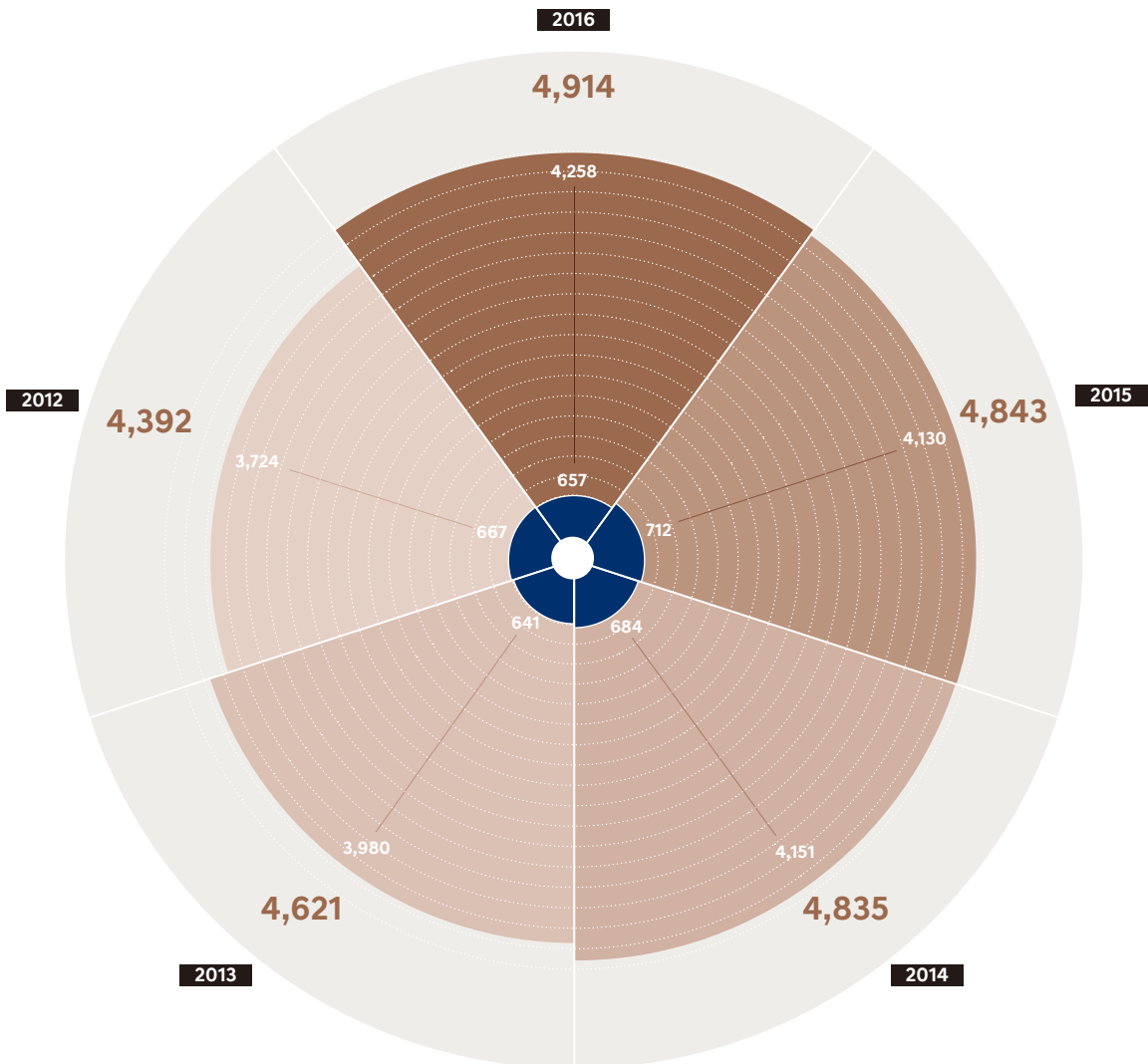
# BUSINESS HIGHLIGHTS

## GLOBAL RETAIL SALES

(Unit : Thousand)

 Korea  Overseas

# 4,914



SALES BY REGION

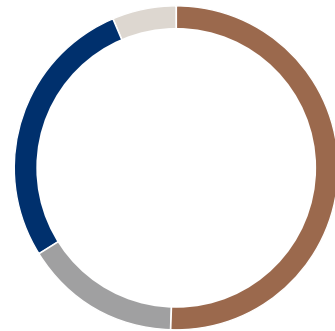
(Unit : Thousand)



1. Korea	657	13.4%
2. N. America	913	18.6%
3. Europe	667	13.6%
4. Asia	1,883	38.3%
5. Others	795	16.2%

SALES BY SEGMENT

(Unit : Thousand)



1. Small PC	2,490	50.7%
2. Mid-Large PC	764	15.5%
3. RV	1,357	27.6%
4. CV	303	6.2%

Total  
**4,914**

SALES BY PLANT

(Unit : Thousand)



Korea	1,667	34.3%
US	387	8.0%
China	1,142	23.5%
India	662	13.6%
Czech	358	7.4%
Russia	207	4.3%
Turkey	234	4.8%
Brazil	161	3.3%
China (CV)	39	0.8%

PRODUCTION BY PLANT

(Unit : Thousand)



Korea	1,680	34.7%
US	379	7.8%
China	1,142	23.6%
India	665	13.7%
Czech	358	7.4%
Russia	207	4.3%
Turkey	208	4.3%
Brazil	162	3.3%
China (CV)	38	0.8%

Total  
**4,839**

Total  
**4,858**



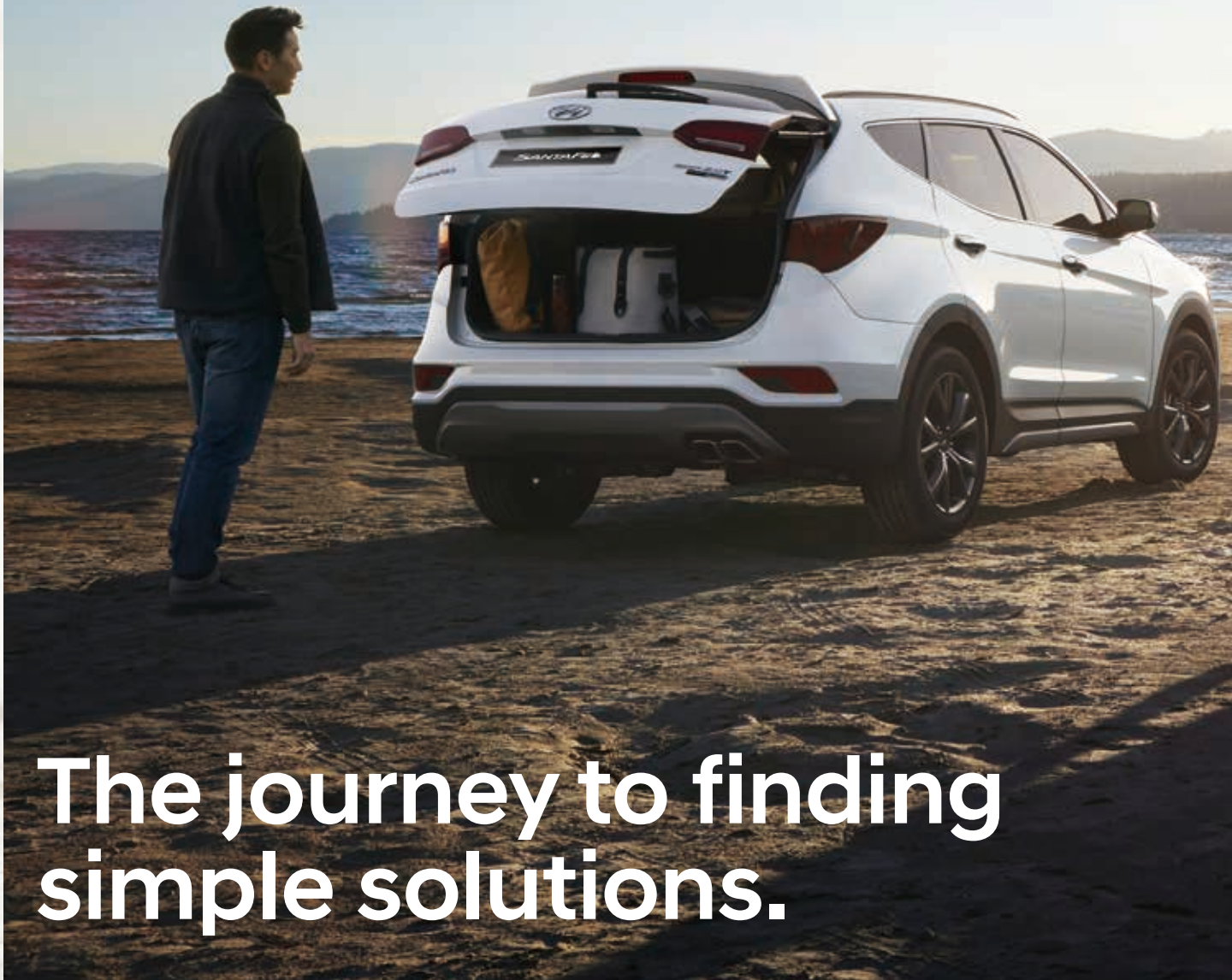
# Living well is about owning experiences, not things.

Modern Premium is a term that we use to refer to Hyundai Motor's brand direction. It reflects our commitment to offering the finest in automotive products that make our customers feel proud of their purchases and satisfied with their appearance and performance. When you buy a Hyundai product, you'll soon come to see that we build our cars to exceed your values and expectations. Modern Premium refers to the sense of satisfaction that we want all our customers to feel about our products and services. Hyundai Motor wants to be a part of its customers' lives and lifestyles. That's why the core identity of Modern Premium rests on three firm and solid foundations: Simplicity, Creativity, and Care.



Driving is living on modern premium





# The journey to finding simple solutions.

Feeling happy is simpler than most of us think. It means things like a sunny morning, a child's cheerful laughter, or a relaxing drive on the weekend. At Hyundai Motor, we know that things are really that simple and easy. Finding the best solutions to help make the driving lives of our customers easier and more convenient.







# The creative way comes from within.

Emotions are not momentary. They are lasting. That's why our cars are designed to look more beautiful every time you look at them. It's why their performance makes you sit back and grin. It's why our services make you feel safe, and satisfied. The reasoning behind Modern Premium lies in Hyundai Motors' commitment to offering creative solutions to the real needs of our customers through the entire range of their driving lives and experiences. We think of things that no one else has thought of before. We find ways of doing things that no one else has imagined before.



Driving is living on modern premium



# Caring for your mobility and beyond.

We don't know how much we're cared for until someone shows us. At Hyundai Motor, we lavish our care and concern on our customers. But we go even further than that. We think of the Earth too, and the future happiness of all the people living on it. Hyundai Motor's Modern Premium means that we are always thinking about the happiness of our customers and the quality of the cars that we sell them. We make automobiles that are loved and trusted worldwide, with an unending sincerity for people's safety and convenience and the well-being of the world and our future generations.

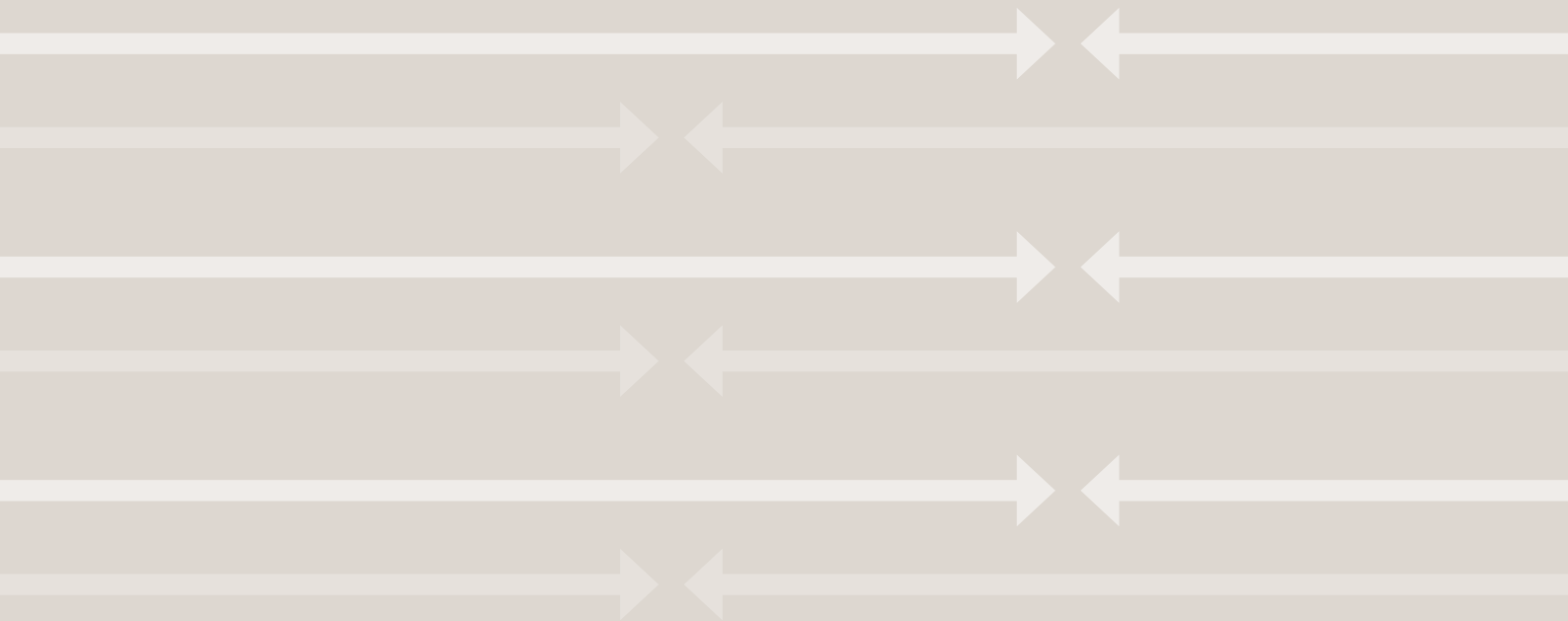






# Meeting modern premium.

Modern Premium is our way of delivering a wealth of new and amazing experiences to our customers. A brand that is loved and trusted throughout the world, Hyundai Motor enriches the lives of people everywhere through its ongoing commitment to culture, the arts, and sports.







# Meeting the most beloved brand.



## **Modern Premium, sharing in the lives of our customers**

Modern Premium helps Hyundai Motor share in the lives of its customers by offering them a world of exciting new experiences. We are constantly searching for new types of transportation innovations that drivers can enjoy, both now and in the future. This means that you are guaranteed that you're buying a highest-quality product made with industry-leading attention to details whenever you select a Hyundai Motor automobile.

We also carry out a wide array of activities that enrich the lives of people living in the communities in which we operate. This commitment to the larger society extends to culture and the arts, as well as to sports. In 2016, we ranked thirty-fifth out of one hundred in the Best Global Brands Rankings by Interbrand, a global brand consulting agency.



Hyundai Motor's  
brand website

# Meeting a new automotive lifestyle.





### The Modern Premium lifestyle

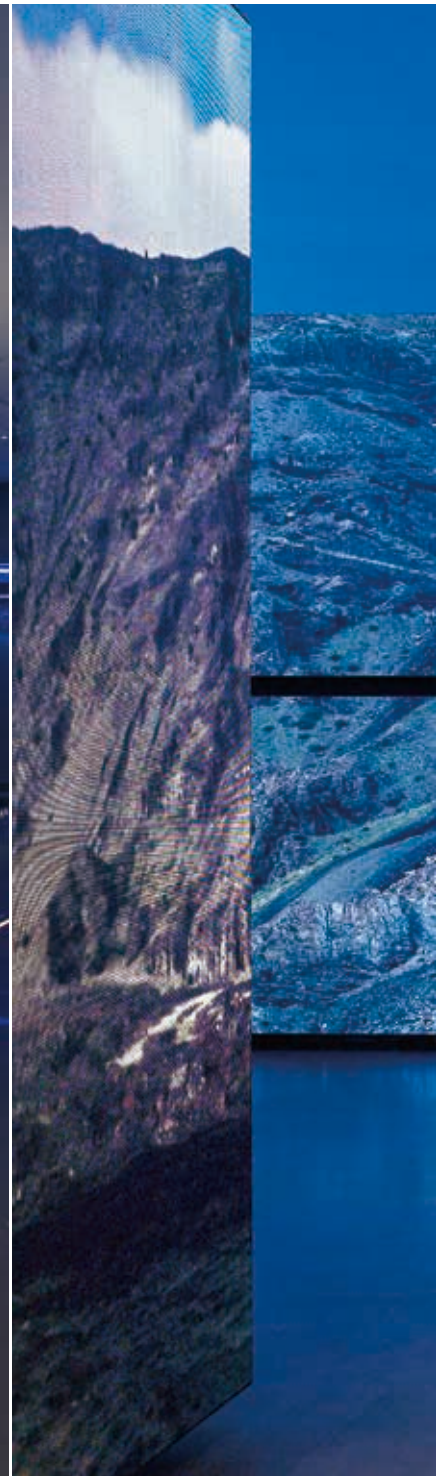
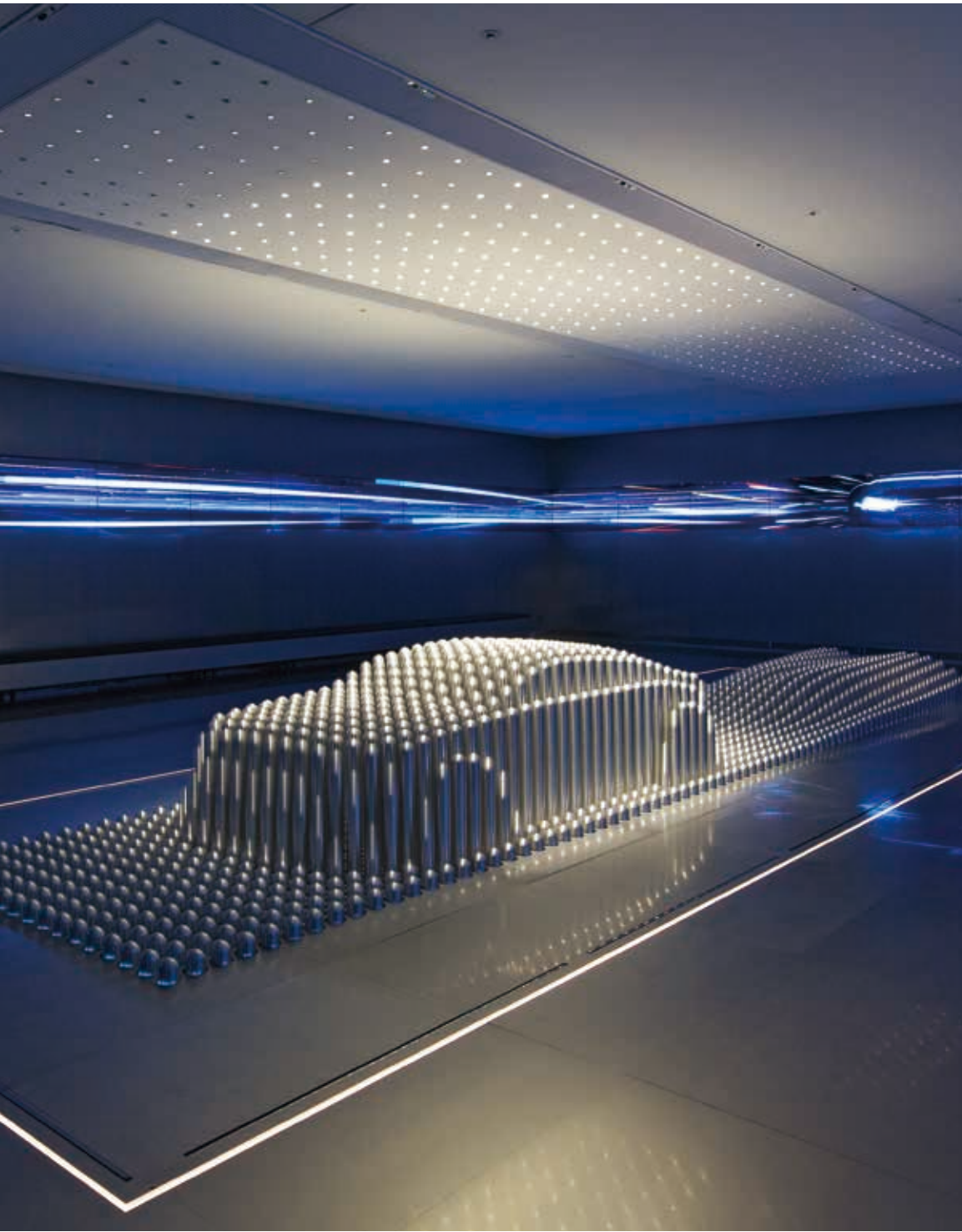
Hyundai Motorstudio is an automotive brand experience center in which visitors can experience new lifestyles unique to Modern Premium. Operating under the motto, "Experiments in Cars and Culture", the studio features a wide range of cultural and artistic experiments and experiences.

Staffed by automotive culture experts called "gurus" and a host of highly-trained staff people who serve as tour guides, the studio is a place in which visitors can enjoy a wealth of new experiences and participate in a broad spectrum of content. These range from brand experiences to artistic and cultural exhibitions and performances, and from a library specializing in books about automobiles to seminars and lectures featuring automotive industry leaders and experts. It's also a great place to rest and relax.



Hyundai Motorstudio

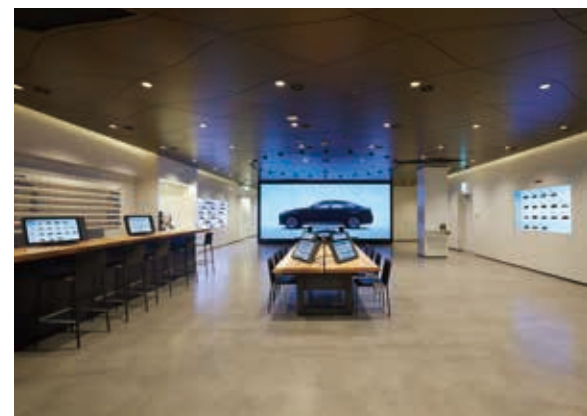




**Special spaces for communicating with automobile owners**

Hyundai Motorstudio is constantly expanding. After the opening of the first one in Seoul in 2014, we also introduced Hyundai Motorstudio Moscow and Hyundai Motorstudio Digital at the COEX in Seoul a year later. They were followed by Hyundai Motorstudio Hanam in 2016, and Hyundai Motorstudio Goyang in 2017.

Hyundai Motorstudio Hanam features a four-sided multimedia wall that lets visitors experience the entire range of Hyundai automobiles, including IO-NIQ. Hyundai Motorstudio Goyang is the first-ever and largest experiential automobile theme park in South Korea. We are also planning to open another Hyundai Motorstudio in Beijing.









# Meeting art as part of our lives.



## Partnering with world-famous art galleries

Hyundai Motor has established a number of long-term partnerships with high-ranking art galleries both at home and abroad. We have been hosting the MMCA Hyundai Motor Series featuring exhibitions by prominent South Korean artists since 2013. In 2016, we showcased a series of artworks called “Kimsooja - Archive of Mind”, by the multi-disciplinary conceptual artist Kimsooja.

We carried out a “Hyundai Commission” project in collaboration with London’s Tate Modern Gallery, exhibiting large-scale installations created by artists known throughout the world. The project for 2016 was called “Anywhen”, an exhibition challenging our usual perceptions of time and space. It was made by Philippe Parreno, an avant-garde creator from France. We are also collaborating with the Los Angeles County Museum of Art, with a major focus on the convergence of the arts and technology and the globalization of fine arts from South Korea. In 2015 and 2016, we hosted Rain Room, a 230-square-meter installation devised by a London-based artistic collective called Random International, as well as The Sympathetic Imagination by a media artist named Diana Thater.



Hyundai Motor Series 2016: Kimsooja - Archive of Mind  
© Kimsooja Studio. Photo provided by MMCA.





LACMA The Hyundai Project : Diana Thater <The Sympathetic Imagination>  
Installation Photograph, Diana Thater: The Sympathetic Imagination, Los Angeles County Museum of Art, November 22, 2015-February 21, 2016, © Diana Thater, photo © Fredrik Nilssen



LACMA The Hyundai Project : Random International <Rain Room>  
Random International, Rain Room (2012) at the Los Angeles County Museum of Art, gift of Restoration Hardware, Rain Room design, 2012 Hannes Koch, Florian Ortkrass, and Stuart Wood, photo Jan Bitter



### Helping to make culture and the arts part of our everyday lives

Hyundai Motors also helps to make culture and the arts more approachable to people in their everyday lives. This includes a program called “Brilliant Ideas”, which we present in collaboration with Bloomberg. The program provides people with an opportunity to understand how works of art are conceived and created through the inspirations and thoughts of world-renowned artists.

We make culture and the arts more approachable through a Facebook account called Hyundai Meets the Arts. It can be accessed at [facebook.com/hyundaimeetsart](https://facebook.com/hyundaimeetsart). Another of our projects is the Sejong Hyundai Motor Gallery, located in the Sejong Center for the Performing Arts. Designed to function as an “art gallery without walls”, it introduces visitors to a variety of video works through large media facades.

We also sponsor a number of global art festivals (also called biennales). In addition to participating in the Biennale of Sydney 2016, we will be sponsoring the Korean Pavilion at the Venice Biennale in 2017. Finally, our “Brilliant Memories” project is a special exhibition of artworks depicting memories of our customers in the form of a car. It has been held in South Korea, China, and Russia.



Brilliant Memories: with



Brilliant Memories: with



Hyundai Motor Art Project

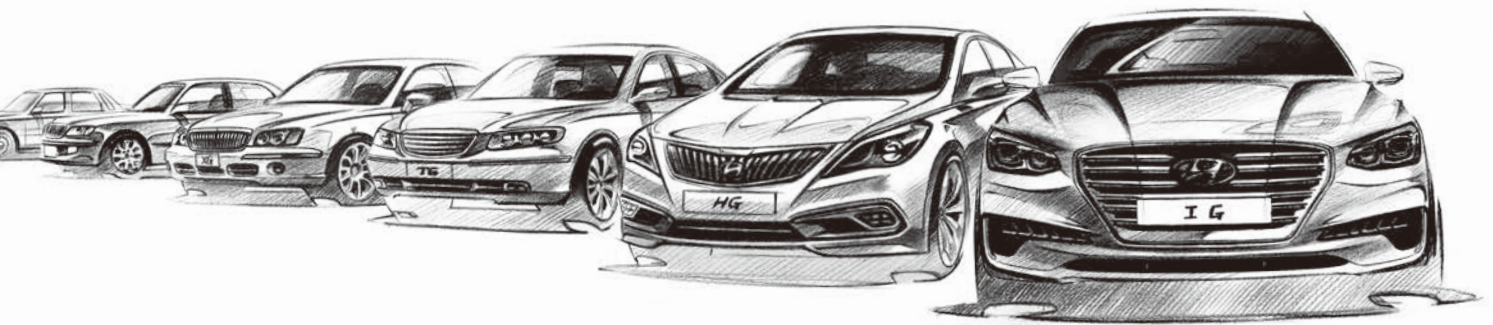


# Experiencing modern premium.

Hyundai Motor's Modern Premium makes driving and owning a car an exciting and never-to-be-forgotten experience. Whether it's automotive designs that reflect the beauty of nature, technologies that take performance levels to unprecedented heights, or the world's highest level of quality and service, Modern Premium's values go far beyond what's expected.



# Experiencing sensuous sculpture in design.



## Sculpturing automobiles to look like art

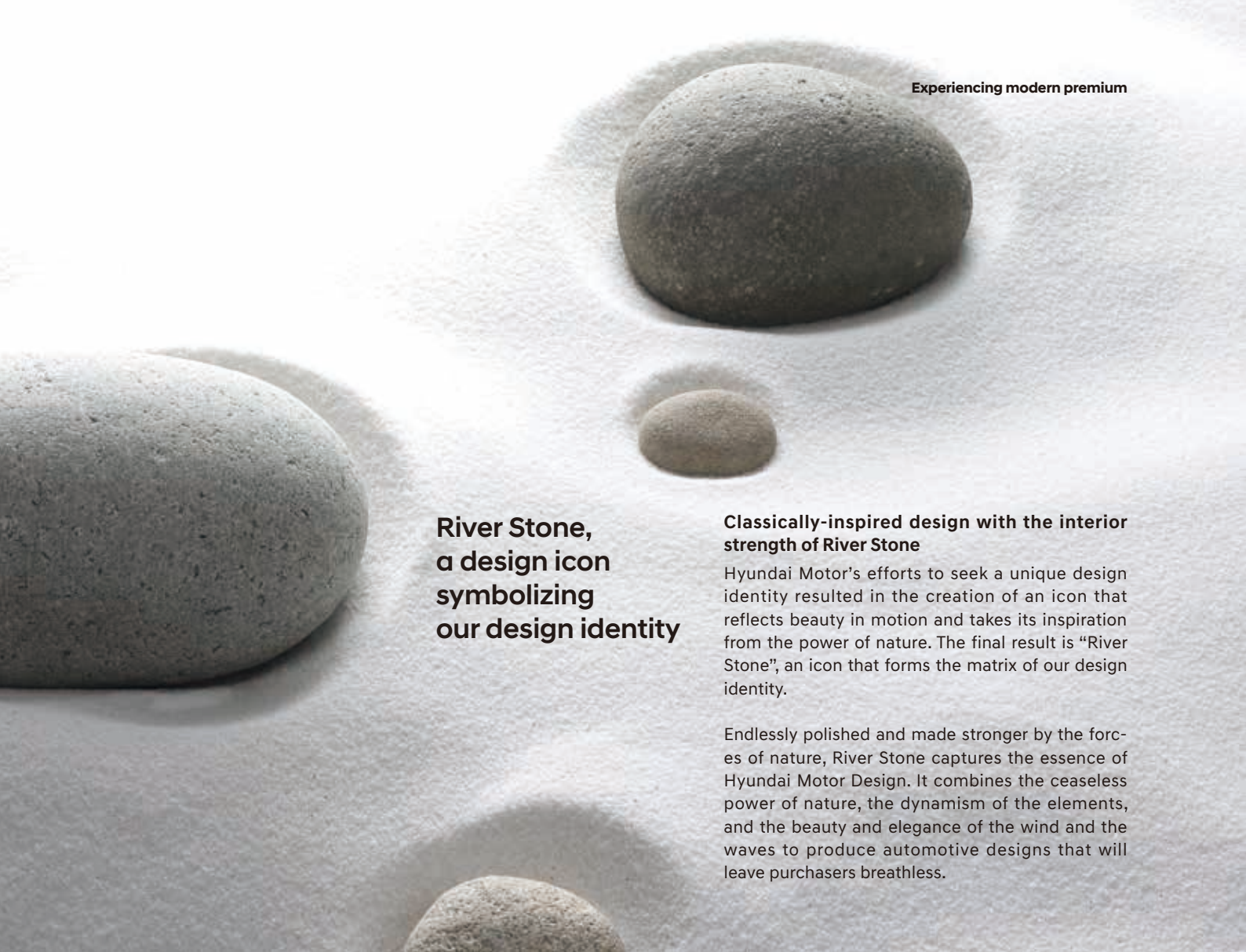
An artistic vision and philosophy are integral to the success of any brand. Hyundai Motor created its design philosophy, called “Fluidic Sculpture”, out of its commitment to introducing automotive designs that the world had never seen before.

The design of any car built by Hyundai Motor flows naturally from the front to the back, enabling our customers to experience automobiles that are almost like sculptures. Our never-ending research into automotive design and construction enables us to build cars of breathtaking beauty.



Hyundai Motors' Design  
Philosophy





**River Stone,  
a design icon  
symbolizing  
our design identity**

**Classically-inspired design with the interior strength of River Stone**

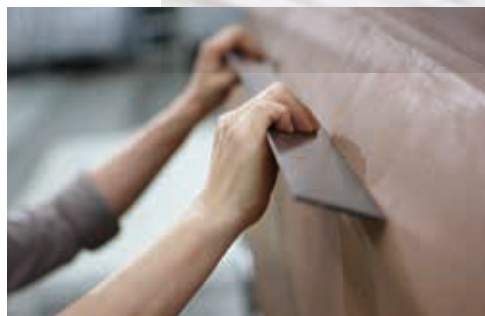
Hyundai Motor's efforts to seek a unique design identity resulted in the creation of an icon that reflects beauty in motion and takes its inspiration from the power of nature. The final result is "River Stone", an icon that forms the matrix of our design identity.

Endlessly polished and made stronger by the forces of nature, River Stone captures the essence of Hyundai Motor Design. It combines the ceaseless power of nature, the dynamism of the elements, and the beauty and elegance of the wind and the waves to produce automotive designs that will leave purchasers breathless.





**Sensuous Sportiness:  
The next level of  
Hyundai design**





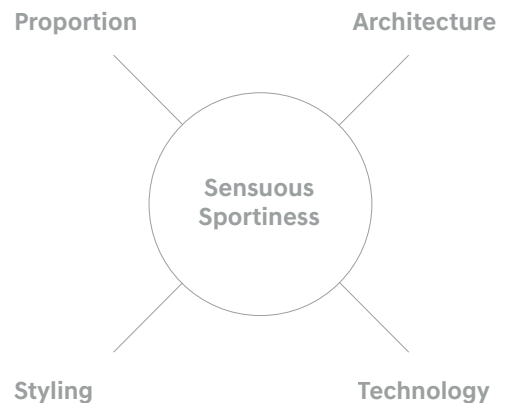


**The constant rebirth of Hyundai Motor Design**

Hyundai Motor Design is tasked with a continual process of evolution that is totally in keeping with rapidly changing trends and constantly new demands from our customers. The concept of “Sensuous Sportiness” is a means of incorporating our philosophy and vision of design that blends the intrinsic and intuitive beauty of automobiles with our unique design senses in terms of style, proportion, architecture, and technology.

A prime example of this thinking is the Hyundai Motor Design “Cascading Grille”, with its reflection of the pride and confidence that we take in all our vehicles. It was inspired by the flow of molten iron contained within a blast furnace, as well as the elegant lines of classical Korean pottery. In addition, the way that it narrows downward helps to create a sense of power and speed. We plan to apply the Cascading Grille to all our vehicles going forward, beginning with our new i30 and Grandeur models and the Sonata.

Hyundai Motor Design will never be content with merely reflecting the status quo. Instead, we will incorporate our unique design philosophy to continuously create new and innovative designs so that we can always answer the constantly changing expectations of our customers. Our elegant, dynamic, and environmentally conscious designs will continue to evolve, so that all our automobiles can be recognized even from a distance.



# Experiencing the power of technology.





### R&D that enhances the basics of automobiles

Hyundai Motor's R&D activities are devoted to capturing the essence of automobiles, with a primary emphasis on performance elements that form the unique properties of automobiles that people truly desire.

Hyundai Motor believes every automobile it builds should be faithful to the basic performance attributes of all truly renowned cars. With this commitment in mind, we will continue to create automobiles that boast the

world's highest levels of quality and safety. This will be done through the development of technologies that embody the five basic performance standards that form the underpinnings of every automobile: Ride and Handling; Noise, Vibration, and Harshness; Durability; Safety; and Powertrain and Fuel Efficiency. We are also dedicated to technological convergence and hyper-connectivity, including eco-friendly and autonomous cars.

Top five performance basics in R&D

Ride & Handling

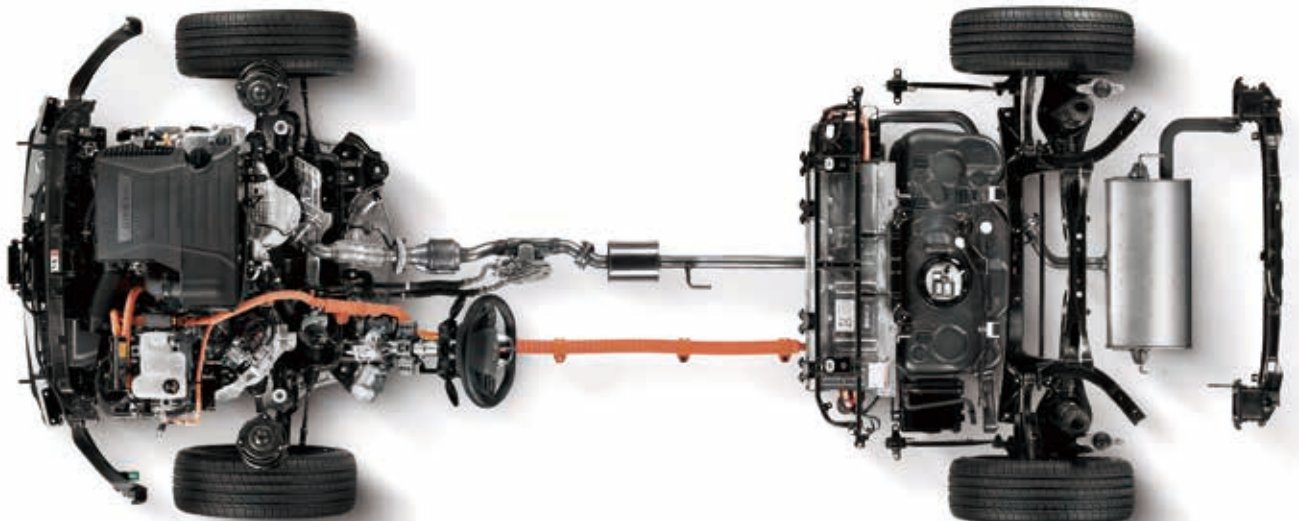
Noise, Vibration, & Harshness

Durability

Safety

Powertrain & Fuel Efficiency



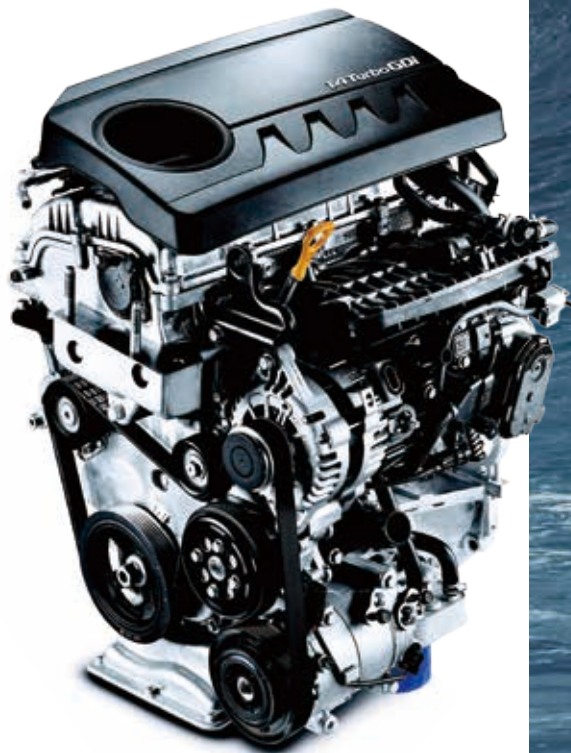






**1.4-LITER TURBOCHARGED  
FOUR-CYLINDER ENGINE**

Model: Elantra Eco  
Maximum Power Output: 130 ps  
Maximum Torque: 21.5 kgf-m



**Hyundai Motor's powertrains named in Ward's AutoWorld Ten Best Engines list for third consecutive year**

Hyundai Motor's Elantra Eco 1.4L turbocharged DOHC 4-cylinder motor made the 2017 Ward's Ten Best Engines list compiled by Ward's AutoWorld magazine, a world-leading, U.S.-based provider of automotive insights and analyses. This followed winning a listing in 2012 for the development of the 1.6L GDI 4-cylinder motor in the Hyundai Accent sub-compact.

Hyundai Motor has been named to this prestigious list seven times. This includes the Tau engine (from 2009 to 2011), the Gamma GDI engine (in 2012), the Fuel Cell Powertrain for the Tucson ix35 Fuel Cell (in 2015), and the Sonata Plug-in Powertrain (in 2016).

We will continue to enhance our competitiveness in our vehicles' powertrains by applying new engine technologies to improve their fuel economy and power. We will also keep developing new technologies for transmissions that will improve our cars' fuel economy, acceleration, and comfort levels.

**POWERTRAIN  
DEVELOPMENT**

- 1991: Alpha engine and transmission: Hyundai Motor's first-ever in-house powertrain
- 1995: Beta engine (1.6L, 1.8L, 2.0L) and transmission
- 1997: Epsilon engine and transmission
- 1998: High-performance/hi-tech V6 Delta engine
- 1999: GDi V8 Omega engine
- 2004: Eco-friendly Theta engine
- 2005: Lambda engine
- 2006: Gamma and S engines
- 2007: Diesel F, G, and H engines
- 2009: Tau engine named one of Ward's Ten Best Engines R-engine and 6-speed transmission  
First South Korean-made engine to meet Euro-5 emissions compliance specifications
- 2010: Nu engine
- 2011: Tau GDi engine and rear-wheel, 8-speed automatic transmission  
First South Korean automatic transmission to come equipped with rear-wheel-drive powertrain
- 2012: Gamma GDi engine named in Ward's Ten Best Engines list
- 2015: Fuel cell powertrain for Tucson ix35 fuel cell named in Ward's Ten Best Engines list  
Proprietary 7-speed, dual-clutch transmission
- 2016: Sonata plug-in powertrain named in Ward's Ten Best Engines list
- 2017: 1.4L turbocharged DOHC 4-cylinder motor named in Ward's Ten Best Engines list



# Experiencing superiority in automobiles.



## Customer-Centered Quality Management

Hyundai Motor's philosophy of quality management starts with the premise that we should always provide our customers with perfectly operating vehicles. We offer a number of customer-centered quality management activities in order to realize this goal. They include preemptive quality checks to ensure the ultimate in safety and performance from the moment that we start developing a vehicle. Then, once a vehicle has been sold and delivered, we do our best to prevent safety and quality issues from arising in advance by constantly adding to our ability to detect and address them.

As a result of these efforts, we ranked third among all automotive brands in the JD Power 2016 U.S. Initial Quality Study, and second in JD Power's IQS in China. We also ranked first in the 2016 Quality Report produced by Auto Bild, a leading German automotive magazine.

## Customer service that you've only dreamed of

Hyundai Motor offers its customers a wide range of exciting and innovative services that are guaranteed to leave them feeling happy and satisfied. They include "Preventative Service", which offers no-cost vehicle inspections and maintenance to stop problems before they appear; "At Your Home Service", which provides customers with convenient and timely vehicle pick-ups and deliveries; and our "Sunday Maintenance Service", offered at all Bluehands service centers.

We also add to the convenience of our customers with a full array of world-leading smart devices. These include our Service Center Automation Service, featuring digitally systematized service stages; the Hyundai Virtual Guide, a virtual reality user's manual; our Mobile-Based, Next-Generation Diagnostic System; and our Remote Diagnostic Service.

Our commitment to service innovation has been so highly-regarded by our customers that we ranked first in the 2016 Korea Service Quality Index survey conducted by the Korean Standards Association for the second year in a row. We also ranked first in the Automobile After-Sales category in the Korea Service Quality Index survey for the sixth straight year.



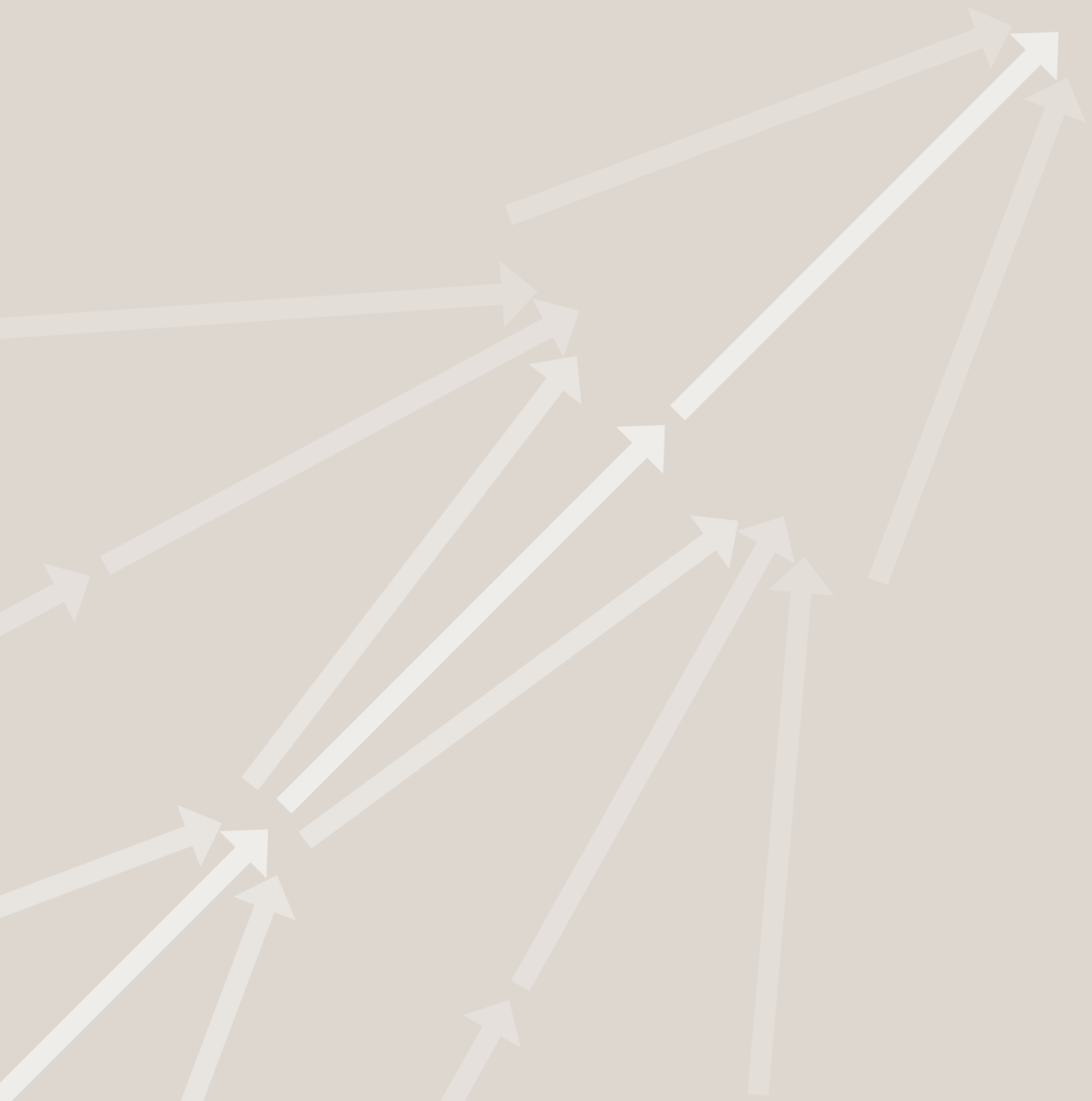






# Anticipating modern premium.

Hyundai Motor's Modern Premium foresees a world in which people add to their sense of satisfaction through their automobiles. The type of mobility that Hyundai Motor is preparing for will advance the concept of "Cars in Life", in which automobiles become a central part of our lives--including eco-friendliness, unlimited mobility, and connectivity.





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1

Anticipating  
a greener  
future,  
green car.



VISION  
2020.14

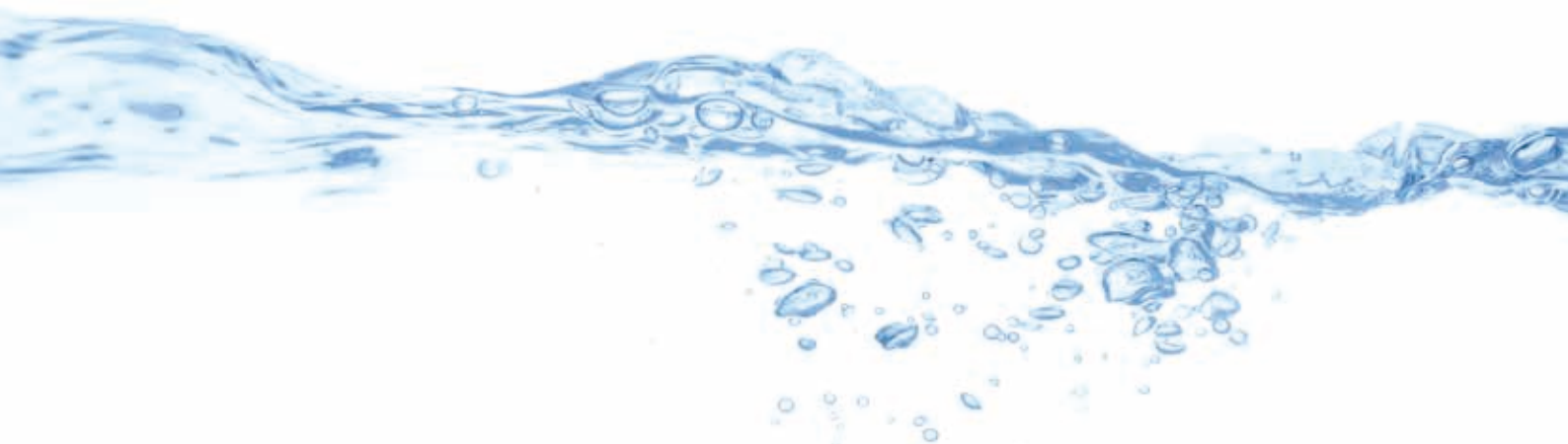
Build fourteen eco-friendly car models by 2020  
(Five hybrids, four plug-ins, four electric vehicles,  
one fuel cell electric vehicle)



**Creating new  
paradigms with  
alternative  
sources of energy.**



# Environmentally responsible cars



## BLUE-DRIVE

### Eco-friendly cars that help reduce pollution

Hyundai Motor's BLUE-DRIVE strategy is leading the search for eco-friendly cars that can lessen pollution to a minimum. To this end, we are putting efforts on R&D to develop technologies that will improve fuel economy and decrease our dependency on fossil fuels. We are also focusing on eco-friendly cars like electric vehicles, hybrid cars, plug-in hybrid cars, and fuel cell EVs that can dramatically reduce pollutants. Our goal is to continue creating healthier lives through "Clean Mobility".

#### \* BLUE-DRIVE

BLUE-DRIVE is an eco-friendly technology development strategy of Hyundai Motor that will lead an era of environmentally conscious mobility through our efforts to improve fuel economy and discover new sources of energy.



Hyundai Motor  
BLUE-DRIVE





**The IONIQ future mobility lineup**

Launched in 2016, IONIQ refers to the future mobility lineup of Hyundai Motor: hybrids, electric vehicles, and plug-ins.

IONIQ has drawn worldwide praise since its introduction for its aerodynamic design, dynamic performance, exceptional stability, and best-in-class fuel economy. In 2016, the IONIQ Hybrid enjoyed the highest rating for fuel efficiency among all vehicle models equipped with hybrid or combustion-powered engines sold in the United States. According to the U.S. Environmental Protection Agency, the IONIQ EV also recorded the highest figure for combined city and highway mileage among all EVs.





### Eco-friendly car lineup

Hyundai Motor is focusing its R&D activities on developing eco-friendly vehicles that will be as free as possible from environmental issues. In 2013, we became the first automaker in the world to succeed in the mass production of a fuel cell electric vehicle, the Tucson Fuel Cell Electric Vehicle, or FCEV. In 2015, we unveiled the Sonata Plug-in Hybrid Electric Vehicle (PHEV), the first of its kind in South Korea. In 2016, we launched our IONIQ eco-friendly model. In addition, the FE FCEV concept that we introduced at the Geneva International Motor Show in March 2017 boasts a fourth-generation fuel cell system that delivers a driv-

ing performance that is similar to that of gasoline-powered vehicles.

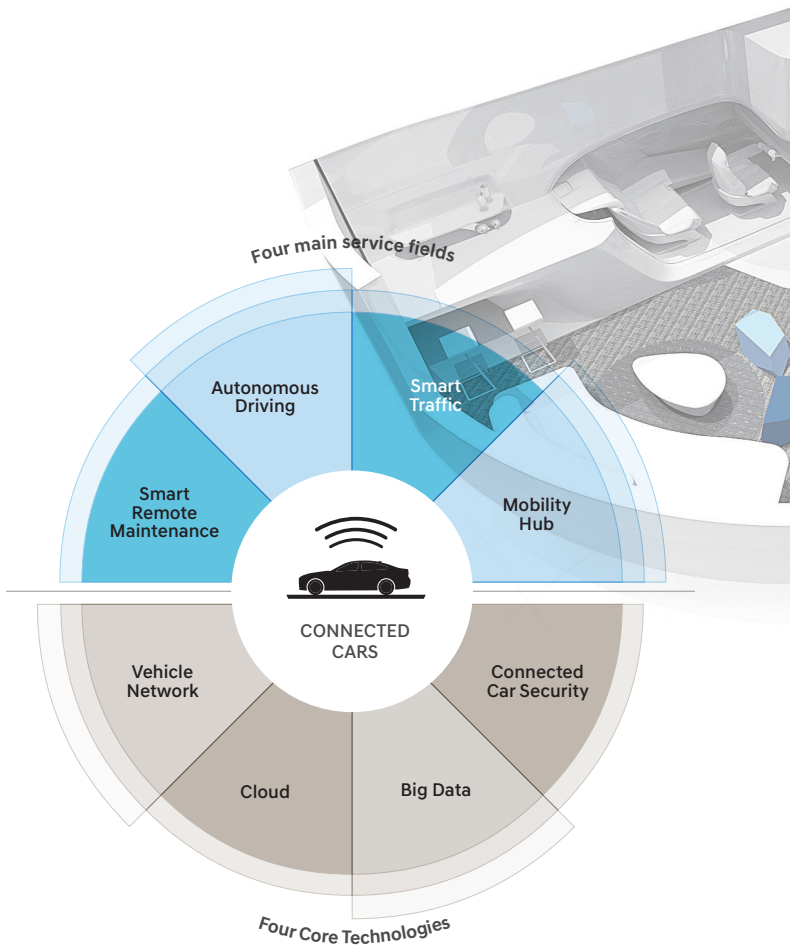
We began to test-run a Tucson FCEV Taxi in the city of Paris the same year. We also launched pilot projects for Tucson FCEV taxis and car-sharing operations in the cities of Ulsan and Gwangju in South Korea. In 2017, we joined The Hydrogen Council, an international initiative formed by leading global carmakers and energy companies to promote the use of fuel cell-powered vehicles. Going forward, we will continue with the production of eco-friendly cars through ongoing R&D and the expansion of our vehicle lineup.





# 2

## Anticipating a new era of Car to Life.




### Levels of Driving Automation

<b>LEVEL 0</b> No Automation	<b>LEVEL 1</b> Driver Assistance	<b>LEVEL 2</b> Partial Automation
<b>LEVEL 3</b> Conditional Automation	<b>LEVEL 4</b> High Automation	<b>LEVEL 5</b> Full Automation
	Achieved by Hyundai Motor	

\* As defined by Society of Automotive Engineers (SAE) International Standards



The image shows the interior of a futuristic vehicle. The seats are white with blue accents and are positioned in a way that suggests a spacious, open-plan layout. The dashboard is a large, curved digital display. The overall design is sleek and modern, with a focus on comfort and technology. The text "Creating new values for drivers and automobiles." is overlaid on the right side of the image.

**Creating new  
values for  
drivers and  
automobiles.**

MOBILITY VISION

# Future technologies that will make cars an even greater part of our lives.



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## Accelerating an era of “Cars in Life”

Hyundai Motor is promoting “Freedom in Mobility” and “Connected Mobility” to advance an era of “Cars in Life”, in which automobiles will become an even greater part of our lives. To reach this goal, we are accelerating the development of both autonomous and connected cars.

These efforts will lead to an era of hyper-connected mobility that is freed from all current restrictions. This will involve the production of autonomous cars employing a host of smart safety technologies, as well as the building of appropriate service platforms that are required for connected cars. When this happens, automobiles will become both information hubs and one of the main centers of our lives.

### \* Three directions for future mobility by Hyundai Motor

Hyundai Motor has chosen “Clean Mobility”, “Freedom in Mobility”, and “Connected Mobility” as the names of its three directions for future mobility that will be at the center of an upcoming era of hyper-conversion and super-connectivity. By developing an array of safe and efficient, eco-friendly cars, autonomous cars, and connected cars, we will become the constant helper and companion for our customers.



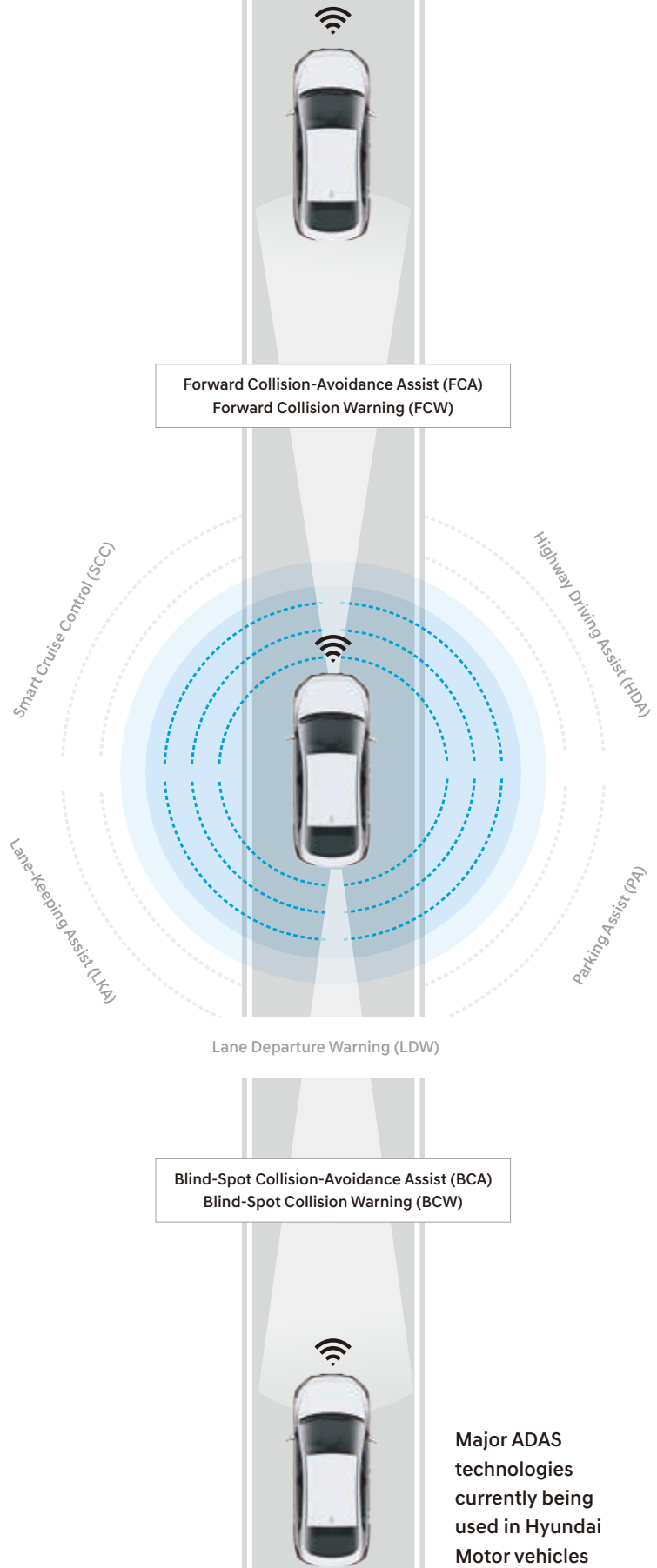
Hyundai Motor Autonomous  
Driving System



**Autonomous cars, delivering total Freedom in Mobility**

Hyundai Motor promotes Freedom in Mobility by eliminating many of the “fear factors” that people think they might encounter in autonomous cars. To this end, we are developing a wide number of easily-accessible, smart safety technologies that allow them to respond to unforeseen situations immediately. This includes the EV-based Autonomous IONIQ and its Advanced Driver Assistant System (ADAS) technology, which we unveiled at the Los Angeles Motor Show in 2016.

The Autonomous IONIQ boasts the very high degree of technological acumen that satisfies Level 4 (High Automation) of the five Driving Automation Levels as defined by the Society of Automotive Engineers (SAE). We proved the strength of these technologies by taking the vehicles and a number of automotive writers onto the streets of Las Vegas for real-world, day-and night-time testing. We are also seizing opportunities to let more people discover the benefits of autonomous car technologies. For example, we introduced our new Grandeur IG vehicle, controlled by the Hyundai “Smart Sense”, a unique package that fully integrates our ADAS technology.







**Connected cars, a central hub of the hyper-connected society of the future**

Connected cars now being developed by Hyundai Motor will function like high-performance “computers on wheels”. They will be one of the main aspects of our lives in our hyper-connected future society.

To facilitate their development, Hyundai Motor is building a service platform comprising four areas: Autonomous Driving, Smart Traffic, Smart Remote Maintenance, and Mobility Hub. This is being done in collaboration with a number of specialized partners both at home and abroad, including Cisco. Our goal is to provide customers with a wide choice of hyper-connected smart cars that can connect with people’s homes and offices, as well as with urban infrastructures.







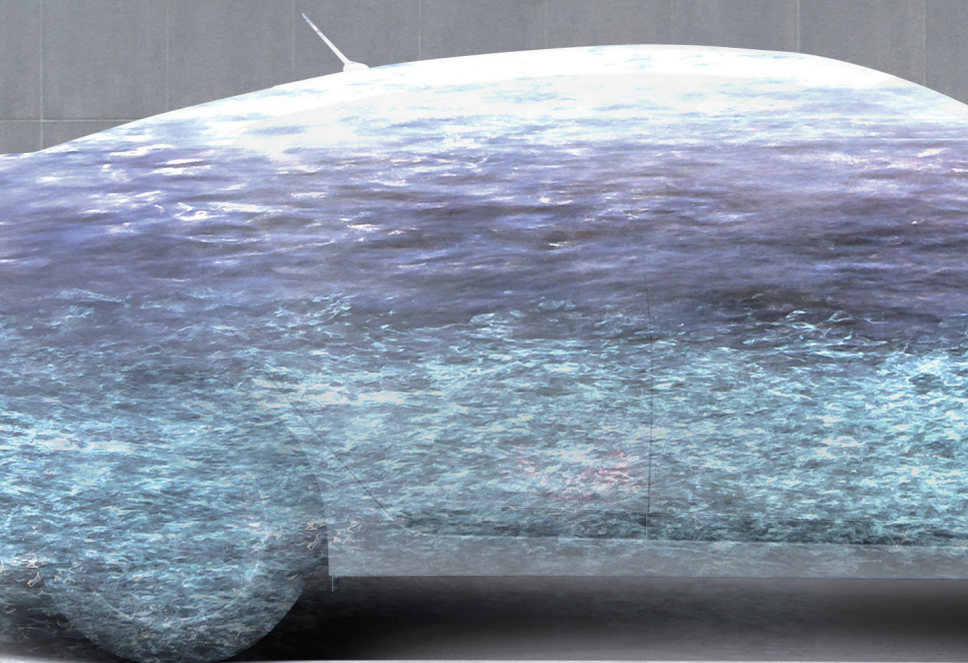
# 3

## Anticipating Freedom in mobility with Project IONIQ.





**Care-free  
driving with  
no limitations.**



# A future-oriented, lifestyle-changing mobility innovation project



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## PROJECT IONIQ

### Innovating for Future Mobility

Hyundai Motor launched its Project IONIQ innovation-incubating program to prepare for an era of future mobility that will overcome all restrictions and limitations currently placed on automobiles.

We carry out research into possible mid- to long-term transportation methods and lifestyle innovation technologies based on an in-depth understanding of society, culture, the arts and sciences, and architecture. Adopting an open innovation approach allows us to establish cooperative and collaborative research undertakings within an industry-academic-research networking context. Beginning with our dedicated “Green IONIQ” model, the project will concentrate on creating exciting new mobility functions, products, and services that will change our way of life.

#### \* Project IONIQ Lab

Hyundai Motor opened its Project IONIQ Lab in partnership with Seoul National University. It is located in South Korea’s Pangyo Techno Valley. The lab introduced a series of “2030 Future Megatrends” by selecting twelve future trends that are likely to affect the automobile industry. Based on these, it is carrying out research into the kinds of technologies and services that will be required for future transportation methodologies.



Hyundai Motor's  
Project IONIQ



## Project IONIQ

Four Key Directions of  
Hyundai Motor's  
Project IONIQ

Freedom from  
Accidents  
and Inconveniences

Freedom from  
Environmental Pollution  
and Energy Exhaustion

### Freedom from Accidents and Inconveniences

Automobiles are developing at an amazing speed, but there are also problems generated by them. They include traffic congestion, accidents, and physical and emotional burdens such as fatigue, and boredom. Project IONIQ is working to produce automobiles that can forecast changes in traffic volume, reduce the risk of accidents, and help drivers arrive at their destinations feeling calm and collected.

### Freedom from Environmental Pollution and Energy Exhaustion

Future mobility should not just focus on speed and convenience. The automobiles of tomorrow should be equipped with eco-friendly technologies that benefit the environment. A major goal of Project IONIQ is to create automobiles that severely limit pollution and energy waste.

### Freedom to Connect Everyday Life while on the Move

Thanks to the ongoing development of networking technologies, automobiles are no longer just a means of transportation, but a veritable "home and office on wheels." This means that the limitations that had previously separated driving from other aspects of our daily lives no longer exist. Project IONIQ is working to create optimal conditions for drivers to engage in their work and their play by converging driving and other aspects of everyday life into one, seamless reality.

### Freedom to Effortlessly Access Mobility Whenever and Wherever

The ways in which we use cars are changing rapidly. Project IONIQ is committed to providing innovative transportation methodologies that will transcend our stereotypical thinking about automobiles and how we use them. In the future, people will be able to enjoy true freedom while on the move, no matter where or when.





## Freedom in Mobility

Freedom to  
Connect Everyday Life  
while on the Move

Freedom to  
Effortlessly Access Mobility  
Whenever and Wherever

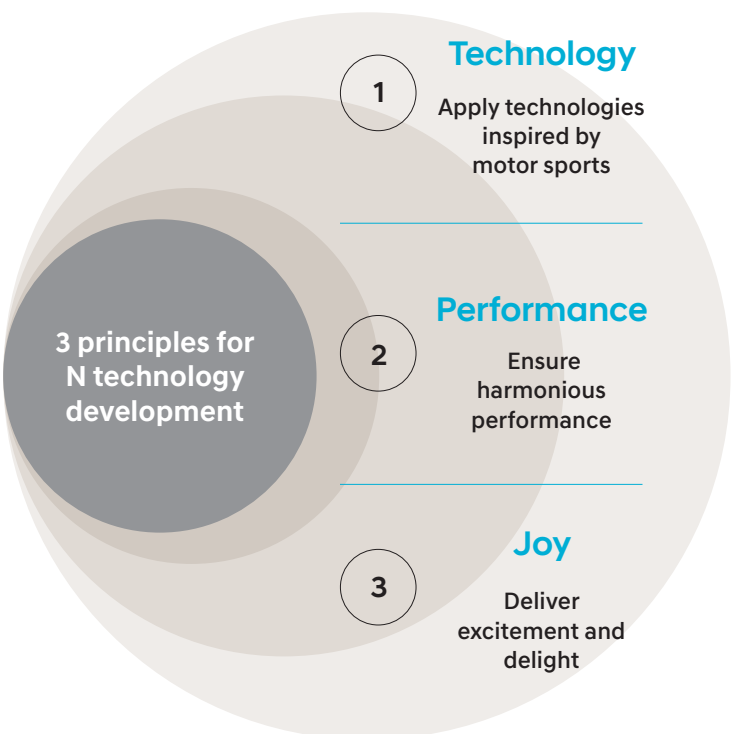






# 4

## Anticipating high performance with N.





Delivering  
the ultimate  
behind the wheel.



# “N” technology, promising a total connection with your car



Hyundai Motor's  
High-Performance N

## High-performance N

Hyundai Motor introduced its high-performance N lineup at the 2015 Frankfurt Motor Show, a major incubator of high-performance automobile technologies. The series was created to deliver outstanding driving performance and promote the joy of driving. All the company's N models have been designed by experts working at Hyundai Motor's Namyang Technology Research Center. After that, they underwent extensive testing at the grueling, high-speed Nürburgring race track in Germany. Hyundai Motor is preparing to make the first model available to the wider public in 2017.

### \* High-Performance N Excels at World Rally Championship

The World Rally Championship is a leading international motor sports competition. Hyundai Motor returned to the WRC stage with its i20 WRC, a race car that was basically a revamp of the i20 introduced in 2014. Cars produced by us ranked third in 2015 and second in 2016 in the manufacturers' standing races.





### Results for Hyundai Motor's World Rally Team

2016 2016 Manufacturers' Standing: Second  
On the podium: Twelve times

Sixth Rally, Italy  
Drivers' Standing: First

Fourth Rally, Argentina  
Drivers' and Manufacturers' Standing: First

### 2017 WRC Calendar

First Round: Monte Carlo, January 20 -22

Second Round: Sweden, February 10 -12

Third Round: Mexico, March 9-12

Fourth Round: France, April 6-9

Fifth Round: Argentina, April 27-30

Sixth Round: Portugal, May 18-21

Seventh Round: Italy, June 8-11

Eighth Round: Poland, June 29-July 2

Ninth Round: Finland, July 27-30

Tenth Round: Germany, August 17-20

Eleventh Round: Spain, October 5-8

Twelfth Round: Great Britain, October 26-29

Thirteenth Round: Australia, November 17 -19

### The RM Series: Hyundai Motor's Mobile High-Performance Lab

Hyundai Motor's RM (Racing Midship) series uses high-performance technologies to constantly challenge the limitations of automobile engines and powertrains and extend the potential of the Hyundai Motor N series. The RM14 model featured a midship structure that focused on speed and acceleration, while its follow-up, the RM15, came with a high-tensile body employing aluminum space frames and carbon fiber-reinforced, plastic body panels. This year's RM16 features technologies designed to improve the power and performance of the series. Hyundai Motor will continue using its RM automobiles as a mobile laboratory for its high-performance N R&D activities.

# RM16







**Anticipating modern premium  
The RN30 concept racing car**

Hyundai Motor introduced its RN30 concept racing car at the Paris Motor Show 2016. Boasting a 2.0-litre heavily turbocharged motor, it can easily power up to 374bhp and 333lb-ft. Featuring a wide range of advanced technologies that make it easy to steer and manoeuvre, it faithfully embodies the characteristics of high-performance cars that anyone can enjoy. The BBC's TopGear automotive review website even went so far as to call it "a steroidal preview of an i30N production car" for its sporty exterior design and race-quality interior layout.

# RN30









# ANTICIPATING AUTHENTIC AND RELEVANT LUXURY.

GLOBAL LUXURY BRAND: GENESIS

## **A truly amazing luxury**

Hyundai Motor's Genesis brand features automobiles that are intended for customers who prize such attributes as thoughtfulness, innovation, sophistication, and refinement. They are elegant to look at, powerful yet responsive to drive, and comfortable and relaxing to sit in. Genesis: an automotive wonder that is sure to change your life.





**REDEFINING  
LUXURY CARS**

**Thoughtfulness in Innovation**

Genesis automobiles have been designed for people who value thoughtfulness in details and bold technological innovations. Designed with the real needs of people in mind, its wide array of innovative technologies includes a smart safety system, a stress-free driving environment, and seamless connectivity between it and the world outside of it.

**Elegance in design**

Genesis automobiles are made with the intention of striking a perfect balance between functionality and aesthetic appeal. Subtle and understated, yet always present and at-hand, they boast an elegance that appeals both to the eyes and the emotions.



#### Power in performance

Genesis automobiles maximize driving ease and satisfaction by enabling the driver to feel both comfortable yet fully in command. In addition to boasting powertrains that increase their efficiency while also responding to their owners' needs for speed and power, their high-strength platform, rear-wheel drive layout, and All-Wheel-Drive maximize their driving stability.

#### Safety in driving

Genesis automobiles offer their owners a wide range of constant and caring services, so that they need never feel isolated and alone. A Genesis driver is only a push of a button away from immediate assistance from any number of Hyundai Motor customer contact points, many of them available on a 24/7 basis.



Genesis Brand



**A luxury lineup creating new standards for high-end automobiles**

The first Genesis model was called the EQ900, and the G90 outside of South Korea. Created in 2015, it boasted the world's highest product value along with a gracefully elegant design, creating new standards for prestige automobiles around the world. The 2016 G80, continued the Genesis legend of high quality and powerful performance, along with a new and even more refined design. It was followed in turn by the G80 Sport, a large luxury sports sedan boasting a powerful driving performance and an aggressive design.

**The Genesis Studio, a space for creativity and inspiration**

Genesis opened a dedicated brand space at the Starfield cultural complex in Hanam in 2016. Called The Genesis Studio, it features a one-stop, stress-free customer service experience, including test drives, customer advice and information, and a full lineup of Genesis models. Other attractions include a Design Dialogue Booth that illustrates Genesis models in detail, as well as a Digital Configurator that enables visitors to experience Genesis models and options through a large-sized 3D screen.







Genesis Studio

Lifetime partner  
in automobiles  
and beyond,  
Hyundai Motors.

CEO'S MESSAGE  
THE WAY OF HMC  
GLOBAL MARKETING  
COMMITMENT TO CSR  
MILESTONES OF HMC  
HMC NETWORK  
HMC PRODUCT LINEUP



## CEO'S MESSAGE



Hyundai Motor's corporate vision is to be the lifetime automobile partner of its millions of customers around the world. We are committed to bringing them the ultimate in high-quality automobile products and services.

## Leading changes in the global auto industry

The worldwide automobile industry is facing an era of rapid change, including an uncertain market environment and the emergence of new technologies leading to hyper-convergence and super-connectivity.

The way that people use their cars is also changing, largely due to government-mandated demands for greater fuel economy and stricter emissions controls. Other factors that are shaping the market include the emergence of new and renewable energy sources, the rapid growth of a sharing economy, and the advent of intelligent and autonomous cars.

Hyundai Motor is leading the response to these transformations, providing sustainable and stable foundations for its continuing growth by strengthening its competitiveness, both now and in the future.

We are especially committed to developing our core competencies in such areas as eco-friendly and unlimited mobility and hyper-connectivity. We will add to our worldwide leadership in all areas of environmentally-conscious automobiles, like hybrid cars, electric vehicles, and fuel cell EVs.

We also intend to be in the vanguard in the development of autonomous driving technologies that will result in the popularization of self-driving cars. Another of our major goals will be to advance the growth of smart cars through the production of advanced vehicle operating systems that will ensure total driver connectivity. Our commitment to future mobility in the automobile industry will help us become a true lifetime partner of our customers, making their lives safer and more convenient.

These goals will only come to fruition, of course, if we continue to cope with any and all future paradigm shifts within the automobile industry.

To ensure this, we will build a fully-integrated R&D system that will be constantly alive to new customer trends and demands. Our goal of staying ahead of the pack in such areas as new growth engines and emerging future technologies will transform Hyundai Motor into a recognized leader driving innovation within the industry.

It should almost go without saying that we will enhance the competitiveness of our products as well. This goal will particularly include our Genesis luxury car brand and our high-performance N lineup.

We will grow Genesis into a global high-end automobile market leader by adding to its number of models for sale, while our high-performance N lineup will help us to meet and exceed the expectations of customers who are seeking the advantages of state-of-the-art technologies and a joyful driving experience, all at the same time.

These efforts will go hand in hand with our goal of maintaining the world's highest level of car safety and quality. In addition, we are planning to gradually raise our worldwide production and sales capacities. This will include adding to our operations in China, the world's largest auto market, at our factory in the city of Chongqing.

Another of our highest priorities is to continue fulfilling our corporate social responsibilities, helping us to make the world a better place for everybody. Some of the ways that we will do this include enhancing the openness and transparency of our operations, increasing the range of our CSR activities around the world, and taking the lead in establishing mutually beneficial relationships with our partner companies.

Hyundai Motor is marking its fiftieth anniversary this year. I would like to express my gratitude to all our customers who have patronized us throughout the years that Hyundai Motor has been in business, helping us to grow into a truly global automaker with annual sales in the region of five million units. Going forward, we will try even harder to fulfill and even exceed the expectations of our customers around the world, based on our vision of being your lifetime automobile partner.

Thank you.

Chung Mong-koo  
CEO and Chairman

## CEO'S MESSAGE



Dedicated to becoming our customers'  
lifetime automotive partner



**Dear Valued Shareholders:**

In 2016, the global automotive industry faced many challenges, including lower demand due to ongoing currency fluctuations and a slower-than-expected recovery in oil prices in important markets such as Brazil, Russia, Africa, and the Middle East.

We were also adversely affected by a prolonged labor disruption in South Korea, while the world-wide glut in the number of automobiles led to intensifying competition in our major overseas markets. These factors forced us to undergo a year of unsatisfactory results, in terms of sales goals and operating profit.

Despite numerous challenges, Hyundai Motor continued efforts to become an industry leader and this led to a number of very meaningful achievements in various areas of our operations. First of all, we continued in our position as the world's highest-quality brand. We ranked among the top in the J.D. Power 2016 U.S. Initial Quality Study for the second consecutive year, and was selected as first-place in the 2016 Quality Report of *Auto Bild*, a renowned automotive magazine in Germany.

In addition, our first eco-friendly model, the IONIQ, was the leader in terms of combined city and highway mileage among all electric vehicles sold in the United States. It was also named Car of the Year in a number of European countries, including France, Norway, and Sweden.

Meanwhile, we have also strengthened our foundations in the global luxury car sector as we launched our Genesis brand in North America, Russia, and the Middle East.

In 2017, we expect the global economy to face a long list of uncertainties, such as low oil prices, business downturns in emerging markets, interest rate hikes in the United States, and various political risks.

We are also experiencing a paradigm shift in the automotive industry, fueled by a electrification, a stratospheric rise of connected cars and autonomous driving technologies, as well as the rapid growth of the sharing economy, most notably car sharing.

In the face of these many alterations in our operating environment, Hyundai Motor remains committed to strengthening the foundations for its successful and sustainable growth. We will meet this challenge by responding to the upcoming changes in the automobile industry in a positive and proactive manner. This includes making a concerted effort to produce and sell 5.08 million units this year. In order to reach this singular goal, we will focus on the following strategies.

First, we will continue the Grandeur (Azera overseas) sales momentum which was built in Korea to overseas. In addition, we will secure new markets and customers throughout the world, while also increasing sales by adding new compact SUVs and luxury compact passenger cars to our line-up.

Secondly, we will continue offering a fully differentiated luxury car experience as well as the joy of driving. We will introduce the Genesis brand to more markets, and enter the high-performance car market in Europe for the first time.

Hyundai Motor will become a leader in the production of electric vehicles and the convergence of automobiles and ICT. We will do this by increasing our investments in the development of EVs, next-generation fuel cell EVs, and advanced self-driving technologies. In addition, we will strengthen ties and collaboration with global ICT leaders.

Finally, we intend to celebrate the fiftieth anniversary of the founding of Hyundai Motor Company, by enhancing our already sterling reputation as one of the world's most trusted and respected brands.

Thank you.

Lee Won-hee  
President and CEO



# THE WAY OF HMC

## Management Philosophy

Helping to create a new automotive future through innovative thinking and the continuous challenging of the status quo

## Vision

Lifetime partner in automobiles and beyond

### CORE VALUES



Hyundai Motor's corporate philosophy comprises its core values, its vision, and its management philosophy. It is shared by all the company's employees.

### MANAGEMENT PHILOSOPHY

Hyundai Motor's management philosophy is to help to create a new automotive future through innovative thinking and the continuous challenging of the status quo. By following this credo, we will become a highly-respected global automaker that is renowned for its contributions to the well-being of people throughout the world.

### VISION

Hyundai Motor recognizes the importance and impact that automobiles have on society and mankind. We want to play a role that extends beyond being simply a car manufacturer to become our customers' lifetime partner. In addition, we are committed to making the world a better and healthier place for everyone living in it.

### CORE VALUES

Hyundai Motor's five core values serve as guidelines toward a better future for the company and the world as a whole.



CUSTOMER

### CUSTOMER

We promote a customer-driven corporate culture, providing the people who buy our products with the ultimate in quality and service.



CHALLENGE

### CHALLENGE

We will embrace the challenges of new ways of thinking and doing things, achieving our goals with unwavering passion and innovative thinking.



COLLABORATION

### COLLABORATION

We create synergies through open communications and the establishment of mutually beneficial relationships, both within the company and in tandem with our business partners.



PEOPLE

### PEOPLE

The present and future success of our organization lies in the hearts and the minds of our employees. We are committed to helping every one of them to develop their potential to the fullest possible degree.



GLOBALITY

### GLOBALITY

We respect and welcome the far-ranging diversity of cultures and customs throughout the world.



# GLOBAL MARKETING

## Sponsoring Major Soccer Competitions

Hyundai Motor has been as the official sponsor for many international soccer competitions, including the World Cup. We became an official FIFA sponsor in 1999, and have continued to participate in a number of FIFA-organized competitions including the 2002 World Cups in Korea/Japan, 2006 World Cups in Germany, 2010 World Cups in South Africa, 2014 World Cups in Brazil. We have also supported other FIFA events, such as the Euro FIFA Confederation Cup, the FIFA Women’s World Cup, and the FIFA U-20 World Cup.

In addition, we have been an official sponsor of the Union of European Football Associations (UEFA), carrying out a wide range of promotions at such events as the UEFA Champions Leagues held in 2000, 2004, 2008, 2012, and 2016 in Belgium/The Netherlands, Portugal, Austria/Switzerland, Poland/Ukraine, and France.

We will raise our brand value even further at the FIFA Confederations Cup Russia in 2017. This will include providing the official vehicles for the competition, holding test drive events, and participating in a number of FIFA digital marketing events.

## Other Sports Sponsorships

Hyundai Motor also sponsors a wide range of other sports, including golf, archery, and American football. This includes participating as an official sponsor for the PGA Championship every year since 2011, and the National Football League since 2015. We sponsored the PGA Genesis Open in Los Angeles, which took place in February 2017.

We also signed a three-year sponsorship deal with the World Archery Federation starting in 2016. We are planning to carry out a number of archery-related marketing programs in 2017, including the Hyundai World Archery Championships to be held in Mexico City and the Hyundai Archery World Cup.

## Attendance at Motor Shows in 2016

Detroit Motor Show	North American premiere of Genesis G90 luxury sedan
Geneva Motor Show	Unveiling of eco-friendly IONIQ lineup three models -EV, HEV & PHEV Introduction of Project IONIQ program for technological innovations in future mobility
New York Auto Show	World premiere of Genesis New York Concept, a 4-door sports sedan concept car North American premiere of IONIQ eco-friendly lineup - EV, HEV & PHEV
Shanghai Motor Show	Chinese premiere of IONIQ eco-friendly models, Verna sub-compact sedan
Paris Motor Show	World premiere of new generation i30 and RN30 Concept, new i30-based high performance racing concept car



Hyundai Motor sponsors many types of sports and sporting events, including golf, soccer, American football, and archery. We also showcase our vehicles at a wide range of high-ranking international automobile exhibitions.





## COMMITMENT TO CSR

9,000

Supporting Environmental Restoration Activities in China  
(Unit: in 10,000m<sup>2</sup>)

The Hyundai Green Zone Project is helping to restore an area of fifty million square meters and another measuring forty million square meters in areas of northern China that are being threatened by desertification.

1,460

“Looking for Three Leaf Clovers” Children's Campaign

Hyundai Motor has assisted a total of 1,460 children over the past eleven years who have been victims of traffic accident victims.

7,580,000

Number of Visitors to “Kids Hyundai” Website

The total number of visitors to the “Kids Hyundai” website had reached 7,580,000 as of December 2016.

8,000

Number of “Happy Move” Global Youth Volunteer Corps Members

8,000 members of the “Happy Move” Global Youth Volunteer Corps have participated in volunteer services in twenty-one countries around the world over the past nine years.

614,000

IONIQ LONGEST RUN campaign  
(in kilometers)

36,000 participants ran a total of 614,000 kilometers in an online/offline running campaign to help save the environment.





### Hyundai Motor's CSR Slogan

Hyundai Motor's CSR slogan is "Moving the World Together". The word "moving" represents our desire for continual change and development, while "world" means people everywhere and "together" represents the harmony of a shared vision.



Hyundai Motor is committed to fulfilling its corporate social responsibilities in its role as a truly global citizen. This commitment to a happier and healthier world is embodied in six "Move" campaign activities.



## SAFE MOVE

### Promoting Traffic Safety

Hyundai Motor's SAFE MOVE campaign was launched in an effort to promote traffic safety, especially among children and people with mobility issues. It includes our Robocar Poli Traffic Safety Campaign, an international program designed to help make automobile traffic easier for children and the disabled to deal with. It has several components, such as Robocar Poli Traffic Safety Classes, a Robocar Poli Children's Traffic Park, and a Children Safety First Experience Fair.

We also provide a wide range of traffic safety material on our "Kids' Hyundai" website. In addition, we are working with South Korea's Ministry of Public Safety and Security and the Citizen's Coalition for Safety to host Children's Safety-First Fairs, where children can get hands-on information on such topics as traffic safety, fires, natural disasters, and home safety. We also support a Zero School Traffic Accident Campaign, including supplying safety devices for school buses.

In 2016, we operated a Give-Driving Campaign in collaboration with CARIV, an app designed to promote good driving. Drivers accumulate points and then donate them to help buy traffic safety equipment, such as traffic lights in school zones. We also participate in a "Taxi Driver Health Improvement Project."



## EASY MOVE

### Helping People with Disabilities

Hyundai Motor assists people with disabilities in a number of ways. They include making improvements to facilities and structures, as well as helping to build playgrounds for disabled children. We also established a social enterprise called Easy Move Inc., which manufactures supportive and rehabilitation products for disabled people and senior citizens. In 2015, we opened a "Chaka Chaka Playground" at the Seoul Grand Park, where handicapped children can experience the joy of driving a car using self-driving technologies.

We also operate a Happy Dream Car program that provides social assistance facilities with vehicles.



## GREEN MOVE

### Helping to Keep the Planet Healthy

Hyundai Motor supports a wide range of programs to help protect the environment and cope with climate change. In 2008, for example, we launched the Hyundai Green Zone ecological restoration project in China, with a goal of transforming fifty million square meters of Inner Mongolia's Kunshantag Desert into green land and reduce the amount of yellow dust that arises there. The second phase of the project aims to create forty million square meters of grassland in the Zhenglan Qi. Scheduled to begin in 2018, it also has a goal of reducing the incidence of yellow dust that originates in the region. Hyundai Motor has been named the most socially responsible company in China for six years in a row for its support of this work.

In 2016, we launched the IONIQ LONGEST RUN campaign, in which participants accumulate points according to the distance they have run and then donate them using the IONIQ Running app. Thanks to the 36,000 or so people who have taken part in the campaign, we were able to develop a Dream Park-IONIQ Forest at a landfill site near Seoul. We also support the Korea Roadkill Prevention Association and other environmental protection projects, such as helping to paint the walls at the Onyangcheon Ecology Park in the city of Asan.



## HAPPY MOVE

### Helping People in Need

Hyundai Motor has helped its employee organize 134 volunteer groups that work in partnership with 168 South Korean social assistance centers. Approximately 10,000 employees of Hyundai Motor participated in these activities in 2016. Much of their assistance was directed at people in need.

We also formed alliances with seventy agriculture-based villages to help make them more prosperous. This included helping them to reduce their labor shortages during the busy growing and harvesting seasons in the spring and the fall. We also operate an "H-Weekend Family Voluntary Service" comprising Hyundai Motor employees and their family members, as well as an "H-Self Sharing Planner" program that covers part of the expenses that our employees incur while engaging in volunteer activities.

Another very worthwhile project that we are proud to assist is the Happy Move Global Youth Volunteer Corps. Inaugurated in 2008, the Corps sends members to a number of countries, including China, India, and Vietnam, to engage in volunteer services in such areas as community betterment, healthcare, the environment, and education. Approximately 8,000 volunteers have visited twenty-one countries during the last nine years.





## DREAM MOVE

### Helping Young People Prepare for the Future

Hyundai Motor's DREAM MOVE campaign supports the hopes and dreams of young people in such ways as career development planning for teenagers and supporting the work of young social innovators. Our main program is called "Looking for Three-Leaf Clovers". It provides children who have lost their parents in traffic accidents with opportunities to further their career interests through one-on-one mentoring sessions with university students and Hyundai Motor employees. Approximately 1,460 young children have benefited from the program over the past eleven years.

The program doubled in size in 2015, providing opportunities for eighty advisors to meet with an equal number of young people once a month. We also provided them with funding support to help them reach their educational goals. The program was extended again the next year, offering the recipients more hands-on academic and work experience in partnership with leading companies and institutions.

Hyundai Motor also operates an "H-Social Creator" program to foster the development of youthful social innovators. Last year, thirty college-aged students took part in a six-month series of workshops, helping to devise solutions to social problems and issues. They used their creativity to find ways of making the world a better place through mentoring by our employees and by sharing their own expertise and experiences.



## NEXT MOVE

### Helping to Create a Better Future

The ultimate goal of Hyundai Motor's NEXT MOVE campaign is to enhance corporate and social values by utilizing our technologies, services, and infrastructures. It includes the Hyundai-KOICA Dream Center, which offers young people in developing countries professional-level training opportunities in various aspects of the automobile industry.

The Hyundai-KOICA Dream Center in Vietnam is our fourth Dream Center, following in the footsteps of others in Ghana, Indonesia, and Cambodia. A vocational school established in collaboration with Hyundai E&C, the Korea International Cooperation Agency, and Plan International, its goal is to train Vietnamese students in automobile repair and assembly and help them to find jobs in the industry. It is the first Creating Shared Values project ever to be carried out in partnership with a non-automotive member of the Hyundai Motor Group.

We are also proud to have sponsored the Korea Archery Association every year since 1985, using technologies developed at our research centers to help improve the performance levels of our athletes. This assistance helped South Korean archers win medals in all the events at the 2016 Summer Olympics in Rio de Janeiro, Brazil.





## CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

HYUNDAI MOTOR HAS BOARD OF DIRECTORS AND THREE SUBCOMMITTEES INCLUDING AUDIT COMMITTEE, EXTERNAL DIRECTOR CANDIDATE RECOMMENDATION COMMITTEE AND CORPORATE GOVERNANCE & COMMUNICATION COMMITTEE UNDER THE BOARD OF DIRECTORS.

### THE BOARD OF DIRECTORS (BOD)

The BOD makes decisions on matters stipulated by law and the Articles of Incorporation, as well as issues delegated to it through shareholders' meetings. The BOD sets guidelines for the company's management and makes important decisions related to the execution of projects. The BOD supervises the work of executives and management. The BOD consists of four internal and five external directors. The BOD convenes regular board meetings as well as extraordinary meetings whenever necessary.



BOD Members (as of end May 2017)

Name	Title/Affiliation	Joint Positions Held			
		External Director Candidate Recommendation Committee	Audit Committee	Corporate Governance & Communication Committee	
Internal	Chung Mong-koo	Chairman & CEO	o	-	-
	Chung Eui-sun	Vice Chairman	-	-	-
	Lee Won-hee	President & CEO	o	-	-
	Yoon Gap-han	President & CEO	-	-	-
External	Choi Eun-soo	LAWYER, DR&AJU International Law Group LLC	o	o	o
	Nam Sung-il	Professor of Economics, Sogang University	o	o	-
	Yi You-jae	Professor of Business Administration, Seoul National University	o	-	o
	Lee Dong-kyu	Advisor of Kim and Chang Law Group	-	o	o
	Lee Byung-kook	Chairman of e-Chon Tax Accounting Corp.	-	o	o

\* Detailed information on the directors can be found at Hyundai Motor's homepage (Korean: <http://pr.hyundai.com>; English: [http://worldwide.hyundai.com/worldwide\\_index.html](http://worldwide.hyundai.com/worldwide_index.html)) or the Financial Supervisory Service (FSS)'s electronic disclosure system (<http://dart.fss.or.kr>).

## Key Activities of the BOD in 2016

Meetings	Date	Agenda
Extraordinary	Jan. 04, 2016	Approval of the repurchase of shares and 1 other item
1st General	Jan. 26, 2016	Approval of the 48th Financial Statement and 6 other items
Extraordinary	Feb. 04, 2016	Approval of pre-negotiation with Seoul city
Extraordinary	Feb. 18, 2016	Approval of agenda of the 47th General Meeting of Shareholders and 2 other items
Extraordinary	Mar. 11, 2016	Appointment of Recommendation Committee on Candidates for Outside Directors member and 3 other items
2nd General	Apr. 26, 2016	Approval of transaction with company owned by major shareholders and 1 other item
Extraordinary	Jun. 14, 2016	Closure of shareholder registry for interim dividends
3rd General	Jul. 26, 2016	Approval of transaction with company owned by major shareholders and 3 other items
Extraordinary	Sep. 21, 2016	Issuance of corporate bond
4th General	Oct. 26, 2016	Approval of transaction with affiliates and 3 other items

\* Detailed information can be found at Hyundai Motor's homepage (<http://pr.hyundai.com>) or the FSS's electronic disclosure system (<http://dart.fss.or.kr>).

## THE AUDIT COMMITTEE AND THE EXTERNAL DIRECTOR CANDIDATE RECOMMENDATION COMMITTEE

The Audit Committee consists of four external directors. Its duties include auditing the company's management and accounting, requesting business reports from executives, and monitoring the company's financial status. The Audit Committee can raise discussions on matters related to general shareholders' meetings, directors and the BOD, and auditing issues. Internal systems to enable members' access to management information necessary for proper auditing are in place.

The External Director Candidate Recommendation Committee consists of two internal directors and three external directors. All external directors are appointed after being recommended by the Recommendation Committee. Compensation for directors was capped at KRW 15 billion at the 2016 General Shareholders' Meeting. Total compensation for internal and external directors from January 1 to December 31, 2016 amounted to KRW 9 billion. Average compensation for internal directors was KRW 2.1 billion and KRW 88 million for external directors.

## THE CORPORATE GOVERNANCE & COMMUNICATION COMMITTEE

Hyundai Motor changed the name of the committee from ETHICS COMMITTEE to CORPORATE GOVERNANCE & COMMUNICATION COMMITTEE and reorganized the committee to promote shareholders' rights in April, 2015. The Ethics Committee was established in 2007 to improve transparency of internal transactions and to ensure ethical management of the company. Ethical management and internal transaction restriction were further reinforced in 2012 when the Committee was reorganized as a subcommittee of the BOD. The Corporate Governance & Communication Committee consists of four external directors.

# FINANCIAL STATEMENTS

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

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# INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 2, 2017

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

We have audited the accompanying consolidated financial statements of Hyundai Motor Company (the "Company") and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2016 and December 31, 2015, respectively, and the consolidated statements of income, comprehensive income, statements of changes in equity and statements of cash flows, all expressed in Korean Won, for the years then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

## Auditors' Responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audits in accordance with Korean Standards on Auditing ("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2016 and December 31, 2015, respectively, and its financial performance and its cash flows for the years then ended in accordance with K-IFRS.

March 2, 2017

## Notice to Readers

This report is effective as of March 2, 2017, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the financial statements and may result in modifications to the auditors' report.

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016 AND 2015

(In millions of Korean Won)

	NOTES	December 31, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	19	₩ 7,890,089	₩ 7,331,463
Short-term financial instruments	19	7,361,735	6,904,917
Other financial assets	5,19	12,723,993	10,334,803
Trade notes and accounts receivable	3,19	4,437,552	4,468,351
Other receivables	4,19	3,181,030	3,846,104
Inventories	6	10,523,812	9,198,999
Current tax assets		46,924	57,022
Financial services receivables	13,19	24,865,594	23,777,277
Non-current assets classified as held for sale	8	29,068	47,643
Other assets	7,19	1,389,803	1,562,631
<b>Total current assets</b>		<b>72,449,600</b>	<b>67,529,210</b>
<b>Non-current assets:</b>			
Long-term financial instruments	19	99,484	71,545
Other financial assets	5,19	2,560,550	2,804,842
Long-term trade notes and accounts receivable	3,19	138,105	67,591
Other receivables	4,19	1,301,059	1,163,566
Property, plant and equipment ("PP&E")	9	29,405,716	28,698,927
Investment property	10	211,671	291,424
Intangible assets	11	4,586,172	4,298,088
Investments in joint ventures and associates	12	18,070,121	16,909,943
Deferred tax assets	32	1,116,774	764,733
Financial services receivables	13,19	26,918,009	24,559,123
Operating lease assets	14	21,317,260	17,719,606
Other assets	7,19	661,407	489,348
<b>Total non-current assets</b>		<b>106,386,328</b>	<b>97,838,736</b>
<b>Total assets</b>		<b>₩ 178,835,928</b>	<b>₩ 165,367,946</b>

(Continued)

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016 AND 2015 (CONTINUED)

(In millions of Korean Won)

	NOTES	December 31, 2016	December 31, 2015
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Trade notes and accounts payable	19	₩ 6,985,942	₩ 7,081,124
Other payables	19	4,946,723	4,711,494
Short-term borrowings	15,19	8,760,678	9,384,165
Current portion of long-term debt and debentures	15,19	14,836,967	10,788,049
Income tax payable		540,909	1,000,763
Provisions	16	1,925,562	1,710,342
Other financial liabilities	17,19	138,106	675,437
Other liabilities	18,19	5,474,906	5,862,146
<b>Total current liabilities</b>		<b>43,609,793</b>	<b>41,213,520</b>
<b>Non-current liabilities:</b>			
Long-term other payables	19	22,586	2,054
Debentures	15,19	36,456,392	36,207,504
Long-term debt	15,19	13,389,983	8,552,622
Net defined benefit liabilities	33	492,173	604,433
Provisions	16	5,047,078	5,031,558
Other financial liabilities	17,19	23,454	145,282
Deferred tax liabilities	32	4,622,226	4,257,834
Other liabilities	18,19	2,827,665	2,471,738
<b>Total non-current liabilities</b>		<b>62,881,557</b>	<b>57,273,025</b>
<b>Total liabilities</b>		<b>106,491,350</b>	<b>98,486,545</b>
<b>Equity:</b>			
Capital stock	20	1,488,993	1,488,993
Capital surplus	21	4,202,597	3,520,395
Other capital items	22	(1,640,096)	(1,588,697)
Accumulated other comprehensive loss	23	(1,223,244)	(1,431,821)
Retained earnings	24	64,361,408	60,035,088
<b>Equity attributable to the owners of the Company</b>		<b>67,189,658</b>	<b>62,023,958</b>
<b>Non-controlling interests</b>		<b>5,154,920</b>	<b>4,857,443</b>
<b>Total equity</b>		<b>72,344,578</b>	<b>66,881,401</b>
<b>Total liabilities and equity</b>		<b>₩ 178,835,928</b>	<b>₩ 165,367,946</b>

(Concluded)

See accompanying notes to consolidated financial statements



## CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In millions of Korean Won, except per share amounts)

	NOTES	2016	2015
Sales	25,38	₩ 93,649,024	₩ 91,958,736
Cost of sales	30	75,959,720	73,701,296
<b>Gross profit</b>		<b>17,689,304</b>	<b>18,257,440</b>
Selling and administrative expenses	26,30	12,495,804	11,899,534
<b>Operating income</b>		<b>5,193,500</b>	<b>6,357,906</b>
Gain on investments in joint ventures and associates, net	27	1,729,447	1,930,675
Finance income	28	1,111,238	831,376
Finance expenses	28	678,037	713,452
Other income	29	1,177,887	1,255,105
Other expenses	29,30	1,226,963	1,202,237
<b>Income before income tax</b>		<b>7,307,072</b>	<b>8,459,373</b>
Income tax expense	32	1,587,419	1,950,208
<b>Profit for the year</b>		<b>₩ 5,719,653</b>	<b>₩ 6,509,165</b>
Profit attributable to:			
Owners of the Company		5,406,435	6,417,303
Non-controlling interests		313,218	91,862
Earnings per share attributable to the owners of the Company:	31		
Basic earnings per share:			
<b>Common stock</b>		<b>₩ 20,118</b>	<b>₩ 23,861</b>
<b>1st preferred stock</b>		<b>₩ 20,156</b>	<b>₩ 23,909</b>
Diluted earnings per share:			
<b>Common stock</b>		<b>₩ 20,118</b>	<b>₩ 23,861</b>
<b>1st preferred stock</b>		<b>₩ 20,156</b>	<b>₩ 23,909</b>

See accompanying notes to consolidated financial statements

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	(In millions of Korean Won)	
	2016	2015
Profit for the year	₩ 5,719,653	₩ 6,509,165
Other comprehensive income (loss):		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	(2,601)	68,670
Changes in retained earnings of equity-accounted investees, net	12,433	(15,571)
	<b>9,832</b>	<b>53,099</b>
Items that may be reclassified subsequently to profit or loss:		
Loss on available-for-sale ("AFS") financial assets, net	(152,755)	(59,422)
Gain on valuation of cash flow hedge derivatives, net	37,066	8,297
Changes in share of earnings of equity-accounted investees, net	(114,037)	(11,585)
Gain on foreign operations translation, net	475,636	630
	<b>245,910</b>	<b>(62,080)</b>
<b>Total other comprehensive income (loss)</b>	<b>255,742</b>	<b>(8,981)</b>
<b>Total comprehensive income</b>	<b>₩ 5,975,395</b>	<b>₩ 6,500,184</b>
Comprehensive income attributable to:		
Owners of the Company	5,614,509	6,384,881
Non-controlling interests	360,886	115,303
<b>Total comprehensive income</b>	<b>₩ 5,975,395</b>	<b>₩ 6,500,184</b>

See accompanying notes to consolidated financial statements

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In millions of Korean Won)

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive loss	Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
Balance at January 1, 2015	₩ 1,488,993	₩ 4,134,550	₩ (1,273,752)	₩ (1,344,826)	₩ 54,649,863	₩ 57,654,828	₩ 4,965,737	₩ 62,620,565
Comprehensive income:								
Profit for the year	-	-	-	-	6,417,303	6,417,303	91,862	6,509,165
Gain (loss) on AFS financial assets, net	-	-	-	(62,845)	-	(62,845)	3,423	(59,422)
Gain (loss) on valuation of cash flow hedge derivatives, net	-	-	-	(640)	-	(640)	8,937	8,297
Changes in valuation of equity-accounted investees, net	-	-	-	(12,967)	(15,552)	(28,519)	1,363	(27,156)
Remeasurements of defined benefit plans	-	-	-	-	70,125	70,125	(1,455)	68,670
Gain (loss) on foreign operations translation, net	-	-	-	(10,543)	-	(10,543)	11,173	630
<b>Total comprehensive income (loss)</b>	-	-	-	<b>(86,995)</b>	<b>6,471,876</b>	<b>6,384,881</b>	<b>115,303</b>	<b>6,500,184</b>
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(1,085,983)	(1,085,983)	(266,583)	(1,352,566)
Increase in subsidiaries' stock	-	-	-	-	-	-	15,646	15,646
Purchases of subsidiaries' stock	-	-	-	-	-	-	11,104	11,104
Disposals of subsidiaries' stock	-	7,067	-	-	-	7,067	17,065	24,132
Reclassification to other financial liabilities	-	(621,267)	-	-	-	(621,267)	-	(621,267)
Purchases of treasury stock	-	-	(314,945)	-	-	(314,945)	-	(314,945)
Others	-	45	-	-	(668)	(623)	(829)	(1,452)
<b>Total transactions with owners, recorded directly in equity</b>	-	<b>(614,155)</b>	<b>(314,945)</b>	-	<b>(1,086,651)</b>	<b>(2,015,751)</b>	<b>(223,597)</b>	<b>(2,239,348)</b>
<b>Balance at December 31, 2015</b>	<b>₩ 1,488,993</b>	<b>₩ 3,520,395</b>	<b>₩ (1,588,697)</b>	<b>₩ (1,431,821)</b>	<b>₩ 60,035,088</b>	<b>₩ 62,023,958</b>	<b>₩ 4,857,443</b>	<b>₩ 66,881,401</b>

(Continued)



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (CONTINUED)

(In millions of Korean Won)

	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
Balance at January 1, 2016	₩ 1,488,993	₩ 3,520,395	₩ (1,588,697)	₩ (1,431,821)	₩ 60,035,088	₩ 62,023,958	₩ 4,857,443	₩ 66,881,401
Comprehensive income:								
Profit for the year	-	-	-	-	5,406,435	5,406,435	313,218	5,719,653
Loss on AFS financial assets, net	-	-	-	(150,181)	-	(150,181)	(2,574)	(152,755)
Gain on valuation of cash flow hedge derivatives, net	-	-	-	34,725	-	34,725	2,341	37,066
Changes in valuation of equity-accounted investees, net	-	-	-	(108,205)	12,390	(95,815)	(5,789)	(101,604)
Remeasurements of defined benefit plans	-	-	-	-	(12,893)	(12,893)	10,292	(2,601)
Gain on foreign operations translation, net	-	-	-	432,238	-	432,238	43,398	475,636
<b>Total comprehensive income</b>	-	-	-	<b>208,577</b>	<b>5,405,932</b>	<b>5,614,509</b>	<b>360,886</b>	<b>5,975,395</b>
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(1,079,544)	(1,079,544)	(5,002)	(1,084,546)
Increase in subsidiaries' stock	-	(684)	-	-	-	(684)	26,721	26,037
Purchases of subsidiaries' stock	-	15,273	-	-	-	15,273	(111,868)	(96,595)
Disposals of subsidiaries' stock	-	1,438	-	-	-	1,438	26,785	28,223
Reclassification from other financial liabilities	-	621,267	-	-	-	621,267	-	621,267
Purchases of treasury stock	-	-	(261,552)	-	-	(261,552)	-	(261,552)
Disposals of treasury stock	-	44,908	210,153	-	-	255,061	-	255,061
Others	-	-	-	-	(68)	(68)	(45)	(113)
<b>Total transactions with owners, recorded directly in equity</b>	-	<b>682,202</b>	<b>(51,399)</b>	-	<b>(1,079,612)</b>	<b>(448,809)</b>	<b>(63,409)</b>	<b>(512,218)</b>
<b>Balance at December 31, 2016</b>	<b>₩ 1,488,993</b>	<b>₩ 4,202,597</b>	<b>₩ (1,640,096)</b>	<b>₩ (1,223,244)</b>	<b>₩ 64,361,408</b>	<b>₩ 67,189,658</b>	<b>₩ 5,154,920</b>	<b>₩ 72,344,578</b>

(Concluded)

See accompanying notes to consolidated financial statements

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In millions of Korean Won)

	NOTES	2016	2015
Cash flows from operating activities:			
Cash generated from operations:	34		
Profit for the year		₩ 5,719,653	₩ 6,509,165
Adjustments		11,165,345	9,495,809
Changes in operating assets and liabilities		(13,565,128)	(13,497,418)
		<b>3,319,870</b>	<b>2,507,556</b>
Interest received		486,709	712,853
Interest paid		(1,670,859)	(1,458,498)
Dividend received		932,038	1,149,100
Income tax paid		(2,070,794)	(1,662,596)
<b>Net cash provided by operating activities</b>		<b>996,964</b>	<b>1,248,415</b>
Cash flows from investing activities:			
Proceeds from purchases of short-term financial instruments, net		(419,325)	(2,874,548)
Proceeds from (purchase) disposal of other financial assets (current), net		(1,580,624)	4,340,226
Proceeds from disposals of other financial assets (non-current)		595,927	171,985
Receipts from other receivables		147,797	63,025
Disposals of long-term financial instruments		14	383
Proceeds from disposals of property, plant and equipment		133,286	62,698
Proceeds from disposals of intangible assets		10,613	15,165
Proceeds from disposals of investments in subsidiaries		-	99,013
Proceeds from disposals of investments in joint ventures and associates		12,477	-
Acquisitions of other financial assets (non-current)		(244,563)	(156,792)
Increases in other receivables		(168,083)	(78,076)
Purchases of long-term financial instruments		(11,146)	(30,811)
Acquisitions of property, plant and equipment		(2,971,161)	(8,141,729)
Acquisitions of intangible assets		(1,406,352)	(1,218,136)
Cash outflows from business combinations		(2,370)	(86,613)
Acquisitions of investments in joint ventures and associates		(431,517)	(256,624)
Other cash receipts from investing activities, net		23,277	30,546
<b>Net cash used in investing activities</b>		<b>(6,311,750)</b>	<b>(8,060,288)</b>

(Continued)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (CONTINUED)

(In millions of Korean Won)

	NOTES	2016	2015
Cash flows from financing activities:			
(Repayment of) proceeds from short-term borrowings, net		₩ (1,369,186)	₩ 1,887,238
Proceeds from long-term debt and debentures		27,509,144	28,132,100
Paid-in capital increase of subsidiaries		25,536	15,646
Purchases of subsidiaries' stock		(96,595)	11,104
Disposals of subsidiaries' stock		34,206	27,153
Repayment of long-term debt and debentures		(19,015,198)	(21,142,350)
Purchases of treasury stock		(261,552)	(314,945)
Dividends paid		(1,084,546)	(1,352,510)
Other cash payments from financing activities, net		(50,391)	(49,769)
<b>Net cash provided by financing activities</b>		<b>5,691,418</b>	<b>7,213,667</b>
Effect of exchange rate changes on cash and cash equivalents		181,994	(166,844)
Net increase in cash and cash equivalents		558,626	234,950
Cash and cash equivalents, beginning of the year		7,331,463	7,096,513
<b>Cash and cash equivalents, end of the year</b>		<b>₩ 7,890,089</b>	<b>₩ 7,331,463</b>

(Concluded)

See accompanying notes to consolidated financial statements



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### 1 — GENERAL:

Hyundai Motor Company (the “Company” or “Parent Company”) was incorporated in December 1967, under the laws of the Republic of Korea. The Company and its subsidiaries (the “Group”) 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 December 31, 2016, the major shareholders of the Company are Hyundai MOBIS (45,782,023 shares, 20.78%) and Chung, Mong Koo (11,395,859 shares, 5.17%).

#### (1) The Company's consolidated subsidiaries as of December 31, 2016 are as follows:

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Capital Services, Inc.	Financing	Korea	59.68%	
Hyundai Card Co., Ltd. (*)	“	“	36.96%	
Hyundai Rotem Company (Hyundai Rotem) (*)	Manufacturing	“	43.36%	
Hyundai KEFICO Corporation (Hyundai KEFICO)	“	“	100.00%	
Green Air Co., Ltd.	“	“	51.00%	Hyundai Rotem 51.00%
Hyundai Auto Electronics Company Ltd.	R&D	“	60.00%	
Hyundai Partecs Co., Ltd.	Manufacturing	“	56.00%	
Hyundai NGV Tech Co., Ltd.	Engineering	“	53.66%	
Maintrans Company	Services	“	80.00%	Hyundai Rotem 80.00%
Jeonbuk Hyundai Motors FC Co., Ltd.	Football club	“	100.00%	
Hyundai Motor America (HMA)	Sales	USA	100.00%	
Hyundai Capital America (HCA)	Financing	“	80.00%	HMA 80.00%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	“	100.00%	HMA 100.00%
Hyundai Translead, Inc. (HT)	“	“	100.00%	
Stamped Metal American Research Technology, Inc. (SMARTI)	Holding company	“	72.45%	HMA 72.45%
Stamped Metal American Research Technology LLC	Manufacturing	“	100.00%	SMARTI 100.00%
Hyundai America Technical Center, Inc. (HATCI)	R&D	“	100.00%	
Hyundai Rotem USA Corporation	Manufacturing	“	100.00%	Hyundai Rotem 100.00%
Hyundai Auto Canada Corp. (HACC)	Sales	Canada	100.00%	HMA 100.00%
Hyundai Auto Canada Captive Insurance Inc. (HACCI)	Insurance	“	100.00%	“
Hyundai Capital Canada Inc. (HCCA)	Financing	“	60.00%	
Hyundai Capital Lease Inc. (HCLI)	“	“	100.00%	HCCA 100.00%
HK Lease Funding LP	“	“	100.00%	HCLI 99.99%, HCCA Funding Inc. 0.01%
HCCA Funding Inc.	“	“	100.00%	HCLI 100.00%
Hyundai Motor India Limited (HMI)	Manufacturing	India	100.00%	
Hyundai Motor India Engineering Private Limited (HMIE)	R&D	“	100.00%	HMI 100.00%
Hyundai Capital India Private Limited (HCI)	Financing	“	100.00%	Hyundai Capital Services 100.00%

Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Motor Japan Co., Ltd. (HMJ)	Sales	Japan	100.00%	
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	R&D	"	100.00%	
Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	China	100.00%	
Beijing Jingxianronghua Motor Sale Co., Ltd.	"	"	100.00%	BJMSS 100.00%
Beijing Xinhuaqiyuetong Motor Chain Co., Ltd.	"	"	100.00%	"
Hyundai Millennium (Beijing) Real Estate Development Co., Ltd.	Real estate development	"	99.00%	CMEs 99.00%
Rotem equipments (Beijing) Co., Ltd.	Sales	"	100.00%	Hyundai Rotem 100.00%
KEFICO Automotive Systems (Beijing) Co., Ltd.	Manufacturing	"	100.00%	Hyundai KEFICO 100.00%
KEFICO Automotive Systems (Chongqing) Co., Ltd.	"	"	90.00%	Hyundai KEFICO 90.00%
KEFICO VIETNAM COMPANY LIMITED	"	Vietnam	100.00%	Hyundai KEFICO 100.00%
Hyundai Motor Company Australia Pty Limited (HMCA)	Sales	Australia	100.00%	
Hyundai Capital Australia Pty Limited	Financing	"	100.00%	Hyundai Capital Services 100.00%
Hyundai Motor Manufacturing Czech, s.r.o. (HMMC)	Manufacturing	Czech	100.00%	
Hyundai Motor Czech s.r.o (HMCZ)	Sales	"	100.00%	
Hyundai Motor Europe GmbH (HME)	Marketing and sales	Germany	100.00%	
Hyundai Motor Deutschland GmbH (HMD)	Sales	"	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R&D	"	100.00%	
Hyundai Motor Sport GmbH (HMSG)	Marketing	"	100.00%	HME 100.00%
Hyundai Capital Europe GmbH	Financing	"	100.00%	Hyundai Capital Services 100.00%
Hyundai Capital Bank Europe GmbH	"	"	85.00%	Hyundai Capital Services 85.00%
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 EUrotam Mahmutbey Projesi ORTAK GIRISIMI	"	"	100.00%	Hyundai Rotem 85.00%, Hyundai EURotem A.S. 15.00%
Hyundai Motor UK Limited (HMUK)	"	UK	100.00%	
Hyundai Motor Company Italy S.r.l (HMCI)	"	Italy	100.00%	
Hyundai Motor Espana. S.L.U. (HMES)	"	Spain	100.00%	
Hyundai Motor France SAS (HMF)	"	France	100.00%	

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Motor Poland Sp. Zo. O (HMP)	Sales	Poland	100.00%	
Hyundai Motor DE Mexico S DE RL DE CV (HMM)	"	Mexico	100.00%	HT 0.01%
Hyundai de Mexico, SA DE C.V., (HYMEX)	Manufacturing	"	99.99%	HT 99.99%
HYUNDAI 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%
China Millennium Corporations (CMEs)	Holding company	Cayman Islands	59.60%	
KyoboAXA Private Tomorrow Securities Investment Trust No.12	Investment	Korea	100.00%	
UBS Hana Dynamic Balance Private Investment Trust 1	"	"	100.00%	
Shinhan BNPP Private Corporate Security Investment Trust No.34	"	"	100.00%	
Miraeasset Triumph Private Equity Security Investment Trust No.15	"	"	100.00%	
Autopia Forty-Sixth Asset Securitization Specialty Company (*)	Financing	"	0.90%	Hyundai Capital Services 0.90%
Autopia Forty-Ninth ~ Fifty-Second Asset Securitization Specialty Company (*)	"	"	0.50%	Hyundai Capital Services 0.50%
Autopia Fifty-Fourth ~ Sixty-Third Asset Securitization Specialty Company (*)	"	"	0.50%	"
Privia the Fourth ~ Fifth Securitization Specialty Co., Ltd. (*)	"	"	0.50%	Hyundai Card 0.50%
Super Series First ~ Third Securitization Specialty Co., Ltd. (*)	"	"	0.50%	"
Hyundai Rotem First Co., Ltd. (*)	"	"	0.00%	Hyundai Rotem 0.00%
Bluewalnut Co., Ltd.	"	"	100.00%	Hyundai Card 100.00%
Hyundai CHA Funding, LLC	"	USA	100.00%	HCA 100.00%
Hyundai Lease Titling Trust	"	"	100.00%	"
Hyundai HK Funding, LLC	"	"	100.00%	"
Hyundai HK Funding Two, LLC	"	"	100.00%	"
Hyundai HK Funding Three, LLC	"	"	100.00%	"
Hyundai ABS Funding, LLC	"	"	100.00%	"
HK Real Properties, LLC	"	"	100.00%	"
Hyundai Auto Lease Offering, LLC	"	"	100.00%	"
Hyundai HK Lease, LLC	"	"	100.00%	"
Extended Term Amortizing Program, LLC	"	"	100.00%	"
Hyundai Protection Plan, Inc.	Insurance	"	100.00%	"
Hyundai Protection Plan Florida, Inc.	"	"	100.00%	"
Hyundai Capital Insurance Services, LLC	"	"	100.00%	"
Hyundai Capital Insurance Company	"	"	100.00%	"
Power Protect Extended Services, Inc.	"	"	100.00%	"
Power Protect Extended Services Florida, Inc.	"	"	100.00%	"

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



(2) Summarized financial position and results of operations of the Company's major consolidated subsidiaries as of and for the year ended December 31, 2016 are as follows:

(In millions of Korean Won)

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the year
Hyundai Capital Services, Inc. (*)	₩ 25,157,406	₩ 21,371,809	₩ 2,781,848	₩ 300,702
Hyundai Card Co., Ltd. (*)	14,596,987	11,903,178	2,754,223	189,966
Hyundai Rotem Company (*)	4,473,160	3,005,993	2,984,783	23,144
Hyundai KEFICO Corporation (*)	1,408,766	815,468	2,011,606	143,692
HCA (*)	43,204,606	40,108,057	8,632,667	89,208
HMA	8,742,487	6,277,835	17,322,391	(341,860)
HMMA	4,513,528	1,803,552	8,217,390	294,350
HMMC	3,260,750	1,534,684	6,786,623	389,376
HMI (*)	2,851,771	1,300,333	5,981,155	330,280
HAOSVT	1,561,301	1,230,706	3,319,664	18,165
HME (*)	1,445,054	1,428,705	8,419,927	6,218
HMMR	1,312,789	900,607	2,041,115	81,480
HACC (*)	1,170,157	652,995	2,721,444	26,878
HMB	1,128,327	725,411	1,635,641	(8,076)
HMCA	675,267	498,955	1,895,400	(46,232)

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

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Summarized financial position and results of operations of the Company's major consolidated subsidiaries as of and for the year ended December 31, 2015 are as follows:

(In millions of Korean Won)

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the year
Hyundai Capital Services, Inc. (*)	₩ 24,307,583	₩ 20,812,697	₩ 2,939,138	₩ 276,714
Hyundai Card Co., Ltd. (*)	13,351,438	10,857,406	2,652,891	186,762
Hyundai Rotem Company (*)	5,043,947	3,606,282	3,309,109	(304,495)
Hyundai KEFICO Corporation (*)	1,275,832	754,598	1,805,984	24,298
HCA (*)	37,447,867	34,533,886	7,012,831	214,868
HMA	7,800,728	5,065,377	17,079,229	(162,823)
HMMA	3,675,429	1,344,568	7,509,545	282,045
HMMC	3,157,780	1,357,009	5,793,632	267,587
HMI (*)	2,334,518	1,133,387	5,403,944	190,455
HAOSVT	1,466,820	1,150,703	3,185,992	(16,093)
HME (*)	1,540,119	1,529,807	7,334,788	4,406
HMMR	958,083	703,679	1,930,074	(17,626)
HACC (*)	1,033,652	571,390	2,809,899	54,326
HMB	797,064	447,185	1,710,186	16,525
HMCA	778,638	560,469	1,903,433	30,695

(\*) 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 year ended December 31, 2016 are as follows:

(In millions of Korean Won)

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
Cash flows from operating activities	₩ (517,926)	₩ (666,946)	₩ 611,077
Cash flows from investing activities	(342,741)	(72,361)	55,617
Cash flows from financing activities	516,661	778,359	(343,474)
Effect of exchange rate changes on cash and cash equivalents	(3)	-	3,710
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>₩ (344,009)</b>	<b>₩ 39,052</b>	<b>₩ 326,930</b>

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group for the year ended December 31, 2015 are as follows:

(In millions of Korean Won)

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
Cash flows from operating activities	₩ (1,211,629)	₩ (491,197)	₩ (564,482)
Cash flows from investing activities	(27,584)	(65,691)	(55,275)
Cash flows from financing activities	1,493,870	894,933	764,150
Effect of exchange rate changes on cash and cash equivalents	-	-	(6,827)
<b>Net increase in cash and cash equivalents</b>	<b>₩ 254,657</b>	<b>₩ 338,045</b>	<b>₩ 137,566</b>

(5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of December 31, 2016 are as follows:

(In millions of Korean Won)

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
Ownership percentage of non-controlling interests	40.32%	63.04%	56.64%
Non-controlling interests	₩ 1,530,795	₩ 1,698,277	₩ 909,309
Profit attributable to non-controlling interests	117,348	119,762	21,782
Dividends paid to non-controlling interests	-	-	4,955

Details of non-wholly owned subsidiaries of the Company that had material non-controlling interests as of December 31, 2015 are as follows:

(In millions of Korean Won)

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
Ownership percentage of non-controlling interests	43.53%	63.04%	56.64%
Non-controlling interests	₩ 1,525,106	₩ 1,572,331	₩ 886,119
Profit (loss) attributable to non-controlling interests	117,536	117,742	(171,742)
Dividends paid to non-controlling interests	108,794	157,511	230



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### (6) Financial support provided to consolidated structured entities

As of December 31, 2016, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., subsidiaries of the Company, have agreements that provide counterparties with rights to claim themselves in the event of default on the derivatives relating to asset-backed securities issued by consolidated structured entities, Autopia Forty-Sixth, Forty-Ninth, Fifty-Second, Fifty-Seventh, Fifty-Ninth and sixtieth Asset Securitization Specialty Company, Privia the Fourth Securitization Specialty Co., Ltd., Super Series First and Third Securitization Specialty Co., Ltd..

As of December 31, 2016, Hyundai Rotem Company, subsidiary of the Company, has an agreement that provides creditors with a liability to reimburse themselves in the event of trigger clause condition on the underlying asset of asset-backed securities issued by a consolidated structured entity, Hyundai Rotem First Co., Ltd.. Hyundai Rotem Company has a cash deficiency agreement with Hyundai Rotem First Co., Ltd..

### (7) The nature and the risks associated with interests in unconsolidated structured entities

1) Nature of interests in an unconsolidated structured entity of the Group as of December 31, 2016 is as follows:

(In millions of Korean Won)

Description	Purpose	Nature of business	Method of funding	Total assets
Asset securitization SPC	Fund raising through asset-securitization	Fund collection	Corporate bond and others	₩ 827,967
Investment fund	Investment in beneficiary certificate and others, Development trust, Unspecified monetary trust, Principal unsecured trust, Operation of trust investment	Fund management and operation and others, Trust management and operation, Payment of trust fee, Distribution of trust benefit	Sales of beneficiary certificates, Sales of trust investment product	8,564,510
Structured Finance	Fund raising through project financing	Project financing for construction project and ship investment	Project financing and others	6,656,185

Nature of interests in an unconsolidated structured entity of the Group as of December 31, 2015 is as follows:

(In millions of Korean Won)

Description	Purpose	Nature of business	Method of funding	Total assets
Asset securitization SPC	Fund raising through asset-securitization	Fund collection	Corporate bond and others	₩ 325,752
Investment fund	Investment in beneficiary certificate and others, Development trust, Unspecified monetary trust, Principal unsecured trust, Operation of trust investment	Fund management and operation and others, Trust management and operation, Payment of trust fee, Distribution of trust benefit	Sales of beneficiary certificates, Sales of trust investment product	8,823,385
Structured Finance	Fund raising through project financing	Project financing for construction project and ship investment	Project financing and others	2,800,091

2) Risks associated with interests in an unconsolidated structured entity of the Group as of December 31, 2016 are as follows:

(In millions of Korean Won)

Description	Book value in the structured entity (*)	Financial support provided to the structured entity		Maximum amount of exposure to loss of the structured entity
		Method	Purpose	
Asset securitization SPC	₩ 94,307	Mezzanine debt and others	Credit facility, Loan agreement (Credit line)	₩ 121,965
Investment fund	194,705	Beneficiary certificates, Investment trust	Invest agreement	194,705
Structured Finance	314,065	Loan obligation	Loan agreement (Credit line)	475,100

(\*) Interest in structured entities is recognized as AFS financial assets and others according to K-IFRS 1039.

Risks associated with interests in an unconsolidated structured entity of the Group as of December 31, 2015 are as follows:

(In millions of Korean Won)

Description	Book value in the structured entity (*)	Financial support provided to the structured entity		Maximum amount of exposure to loss of the structured entity
		Method	Purpose	
Asset securitization SPC	₩ 54,880	Mezzanine debt and others	Credit facility, Loan agreement (Credit line)	₩ 59,897
Investment fund	178,582	Beneficiary certificates, Investment trust	Invest agreement	178,582
Structured Finance	225,897	Loan obligation	Loan agreement (Credit line)	336,500

(\*) Interest in structured entities is recognized as AFS financial assets and others according to K-IFRS 1039.

### (8) Significant restrictions of the subsidiaries

1) As of December 31, 2015, Hyundai Card Co., Ltd. subsidiary of the Company has significant restrictions that require it to obtain consent from directors appointed by non-controlling shareholders in the event of merger, investment in stocks, transfer of the whole or a significant part of assets, borrowing, guarantee or disposal of assets beyond a certain amount, acquisition of treasury stock, payment of dividend.

2) As of December 31, 2016, Hyundai Rotem Company, subsidiary of the Company, is required to obtain consent from directors appointed by non-controlling shareholders in the event of significant changes in the capital structure of the entity, excluding transactions according to the business plan or the regulation of the Board of Directors, such as issue, disposal, repurchase or retirement of stocks or options, increase or decrease of capital.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### (9) Changes in consolidated subsidiaries

Subsidiaries newly included in or excluded from consolidation for the year ended December 31, 2016 are as follows:

Changes	Name of subsidiaries	Description
Included	Hyundai Capital Australia Pty Limited	Acquisition
"	Hyundai Truck And Bus Rus LLC (HTBR)	"
"	HYUNDAI KEFICO MEXICO S DE RL DE CV	"
"	Bluewalnut Co., Ltd.	"
"	Autopia Sixtyth Asset Securitization Specialty Company	"
"	Autopia Sixty-First Asset Securitization Specialty Company	"
"	Autopia Sixty-Second Asset Securitization Specialty Company	"
"	Autopia Sixty-Third Asset Securitization Specialty Company	"
"	Hyundai Rotem First Co., Ltd.	"
"	Super Series Second Securitization Specialty Co., Ltd.	"
"	Super Series Third Securitization Specialty Co., Ltd.	"
"	Hyundai Rotem Company - Hyundai EURotem Demiryolu Araclari SAN. VE TIC. A.S ORTAK GIRISIMI	"
"	Hyundai Rotem Company - Hyundai EUrotem Mahmutbey Projesi ORTAK GIRISIMI	"
"	Rosarito Property Management company (RPM)	"
Excluded	Autopia Forty-Fourth Asset Securitization Specialty Company	Liquidation
"	Autopia Forty-Fifth Asset Securitization Specialty Company	"
"	Autopia Forty-Seventh Asset Securitization Specialty Company	"
"	HB the Fourth Securitization Specialty Company	"
"	Rosarito Property Management company (RPM)	Merger

### (10) Major changes in the Group's ownership interests in its subsidiaries and the consequent effects on the equity attributable to the owners of the Company for the year ended December 31, 2016 is as follows:

(In millions of Korean Won)

Description	Hyundai Capital Services, Inc. (*1)	HAOSVT (*2)
Ownership percentage before transaction	56.47%	78.54%
Ownership percentage after transaction	59.68%	70.00%
Amount received (paid) for transaction of shares	₩ (96,595)	₩ 34,206
Changes in non-controlling interests	(111,868)	27,285
Changes in capital surplus	15,273	1,438

(\*1) The ownership percentage of the Group increased as the Group acquired its shares partially from owner of non- controlling interests for the year ended December 31, 2016.

(\*2) The ownership percentage of the Group decreased as the Group disposed of its shares partially for the year ended December 31, 2016.



## 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### (1) Basis of consolidated financial statements preparation

The Group has prepared the consolidated financial statements in accordance with K-IFRS.

The significant accounting policies used for the preparation of the consolidated financial statements are summarized below. These accounting policies are consistent with those applied to the consolidated financial statements for the year ended December 31, 2015, except for the adoption effect of the new accounting standards and interpretations described below.

1) New and revised standards that have been applied from the year beginning on January 1, 2016 are as follows:

#### - K-IFRS 1001 (Amendment): 'Disclosure Initiative'

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

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

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

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

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

#### - K-IFRS 1111 (Amendment): 'Accounting for Acquisitions of Interests in Joint Operations'

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

#### - Annual Improvements to K-IFRS 2012-2014 Cycle

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

The above mentioned changes in accounting policies did not have any material impact on the Group's consolidated financial statements.

2) New and revised standards that have been issued but are not yet effective as of the authorization date for issue of financial statements, and that have not been applied earlier by the Group are as follows:

#### - K-IFRS 1007 (Amendment): 'Statement of Cash Flows'

The amendments require that changes in liabilities arising from financial activities are disclosed. The amendments are effective for annual periods beginning on or after January 1, 2017.

#### - K-IFRS 1012 (Amendment): 'Income Taxes'

The amendments clarify that unrealized losses on fixed-rate debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt instrument by sale or by use and that the estimate of probable future taxable profits may include the recovery of some of assets for more than their carrying amount. When the Group assesses whether there will be sufficient taxable profit, the Group should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

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

The amendments 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 sell-

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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ing 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. The amendments are effective for annual periods beginning on or after January 1, 2018.

The general impact of the new standard on the consolidated financial statement is as follows :

Business model	Contractual cash flow characteristic	
	Solely payments of principal and interest	Otherwise
Objective is to hold financial assets in order to collect contractual cash flows	Measured at amortised cost (*1)	FVTPL (*2)
The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets	FVOCI (*1)	
Objective is to sell financial assets and others	FVTPL	

(\*1) An entity may designate as measured at FVTPL to eliminate or significantly reduce an accounting mismatch (irrevocable).

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

The Group has loans and receivables of ₩75,373,670 million, AFS financial assets of ₩2,312,733 million and financial assets at FVTPL of ₩12,559,029 million in the consolidated statements of financial position as of December 31, 2016.

### 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 an entity's credit risk to be recognised in other comprehensive income. The amounts presented in other comprehensive income are not subsequently transferred to profit or loss unless this treatment of the credit risk component creates or enlarges a measurement mismatch.

As of December 31, 2016, the Group has financial liabilities measured at amortised cost of ₩88,151,389 million and financial liabilities with changes in fair value recognised in profit or loss of ₩18,089 million.

### A. Classification and measurement of financial assets

When the Group adopts new standard of K-IFRS 1109, 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 ("FVTPL"). 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.

### 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 fair value through other comprehensive income.

In 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 12-month 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	The loss allowance
Stage 1	Non-significant increase in credit risk since initial recognition	12-month 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 12 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 over the expected life of a financial instrument.
Stage 3	Credit-impaired financial assets	

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

As of December 31, 2016, the Group has loans, receivables and AFS financial assets and the loss allowance for these assets are ₩1,157,495 million.

#### D. Hedge Accounting

The new standard, K-IFRS 1109, retains the mechanics of hedge accounting in K-IFRS 1039. Under the new model, it is possible for an entity to reflect its risk management activities on the financial statements by focusing on principle-based hedge effectiveness assessment instead of simply complying with a rule-based approach under the K-IFRS 1039. The new model introduced greater flexibility to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and overhauling the quantitative hedge effectiveness (80 – 125%) test.

In accordance with the transition requirements, entities with initial application may continue to retain the existing requirements under K-IFRS 1039 as their accounting policy.

As of December 31, 2016, the Group applies hedge accounting and has a deferred net profit of ₩3,722 million in accumulated other comprehensive income in relation to cash flow hedging instruments.

With the introduction of K-IFRS 1109, necessary implementation procedures include preparation of the financial impact analysis, establishment of accounting policies and system and its stabilization. The financial statements of the year of adoption is affected not only by the accounting policies judgementally set-forth by the management, but also by the economic conditions of the Group during the period.

The Group is assessing preliminary financial impact of adoption of K-IFRS 1109 on other financial assets, trade notes, accounts receivable and financial services receivables on the consolidated financial statements.

#### - 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 will supersede K-IFRS 1011 - Construction Contracts, K-IFRS 1018 - Revenue, K-IFRS 2113 - Customer Loyalty Programmes, K-IFRS 2115 - Agreements for the Construction of Real Estate, K-IFRS 2118 - Transfers of Assets from Customers, and K-IFRS 2031 - Revenue-Barter Transactions Involving Advertising Services. The amendments are effective for annual periods beginning on or after January 1, 2018.

The general impact of the new standard on the consolidated financial statements is as follows :

#### A. Identify the performance obligations in the contract

The Group manufactures and distributes motor vehicles and parts, operates vehicle financing and credit card processing, and manufactures trains. In 2016, sales of vehicle segment is ₩72,683,570 million which is approximately 78% of the Group's total sales.



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Upon application of K-IFRS 1115, 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

Upon application of K-IFRS 1115, the Group allocates the transaction price of multiple performance obligation identified in one contract based on relative standalone selling price. The Group plans to use an expected cost plus margin approach by estimating the expected costs for each transaction and adding an appropriate profit margin.

### C. Variable consideration

Upon application of K-IFRS 1115, 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

As of December 31, 2016, the Group has set up a preliminary analysis team in preparation of the adoption of K-IFRS 1115. Based on the information available at the end of the current period, the Group is currently evaluating the potential impact of the K-IFRS 1115 on the financial statements, and specifically, on sales and warranty provision. The Group is planning to disclose the financial impact of the adoption of the standard on the financial statements for the year ending December 31, 2017.

The Group is currently evaluating the impact of above mentioned enactments and amendments on the Group's consolidated financial statements.

The consolidated financial statements as of and for the year ended on December 31, 2016, to be submitted at the ordinary shareholders' meeting were authorized for issuance at the board of directors' meeting on February 22, 2017.

### (2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except as otherwise stated in the accounting policies below. Historical cost is usually measured at

the fair value of the consideration given to acquire the assets.

### (3) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (or its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intragroup transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the Company. The carrying amount of non-controlling

interests consists of the amount of those non-controlling interests at the initial recognition and the changes in shares of the non-controlling interests in equity since the date of the acquisition. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if the non-controlling interest has a deficit balance.

Changes in the Group's ownership interests in subsidiaries, without a loss of control, are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings as specified by applicable K-IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under K-IFRS 1039 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

#### (4) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The consideration includes any asset or liability resulting from a contingent consideration arrangement and is measured at fair value. Acquisition-related costs are recognized in profit or loss as incurred. When a busi-

ness combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at its fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Prior to the acquisition date, the amount resulting from changes in the value of its equity interest in the acquiree that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were directly disposed of.

#### (5) Revenue recognition

##### 1) Sale of goods

The Group recognizes revenue from sale of goods when all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the Group

The Group grants award credits, which the customers can redeem for awards such as free or discounted goods or services. The fair value of the award credits is estimated by considering the fair value of the goods granted, the expected rate and period of collection. The fair value of the consideration received or receivable from the customer is allocated to award credits and sales transaction. The consideration allocated to the award credits is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

##### 2) Rendering of services

The Group recognizes revenue from rendering of services based on the percentage of completion when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group.

##### 3) Royalties

The Group recognizes revenue from royalties on an accrual basis in accordance with the substance of the relevant agreement.

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### 4) Dividend and interest income

Revenues arising from dividends are recognized when the right to receive payment is established. Interest income is recognized using the effective interest method as time passes.

### 5) Construction contracts

Where the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs associated with the construction contract are recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the end of reporting period.

The percentage of completion of a contract activity is reliably measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, by surveys of work performed or by completion of a physical proportion of the contract work. Variations in contract work, claim and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

### (6) Foreign currency translation

The individual financial statements of each entity in the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions occurring in currencies other than their functional currency (foreign currencies) are recorded using the exchange rate on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated using the exchange rate at the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was deter-

mined. Exchange differences resulting from settlement of assets or liabilities and translation of monetary items denominated in foreign currencies are recognized in profit or loss in the period in which they arise except for some exceptions.

For the purpose of presenting the consolidated financial statements, assets and liabilities in the Group's foreign operations are translated into Won, using the exchange rates at the end of reporting period. Income and expense items are translated at the average exchange rate for the period, unless the exchange rate during the period has significantly fluctuated, in which case the exchange rates at the dates of the transactions are used. The exchange differences arising, if any, are recognized in equity as other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate at the end of reporting period.

Foreign exchange gains or losses are classified in finance income (expenses) or other income (expenses) by the nature of the transaction or event.

### (7) Financial assets

The Group classifies financial assets into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") financial assets, loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### 1) Financial assets at FVTPL

Financial instruments classified as financial assets at FVTPL include contingent consideration that may be paid by an acquirer as part of business combination to which K-IFRS 1103 applies or financial assets classified as held for trading or designated as FVTPL upon initial recognition. A financial asset is classified as FVTPL, if it has been acquired principally for the purpose of selling or repurchasing in near term. All derivative assets, except for derivatives that are designated and effective hedging instruments, are classified as held for trading financial assets which



are measured at FVTPL. Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

#### 2) HTM financial assets

HTM financial assets are non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. HTM financial assets are presented at amortized cost using the effective interest rate, less accumulated impairment loss, and interest income is recognized using the effective interest rate method.

#### 3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and measured at amortized cost. Interest income is recognized using the effective interest rate method, except for short-term receivables for which the discount effect is not material.

#### 4) AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM financial assets nor financial assets at FVTPL. AFS financial assets are measured at fair value. However, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

A gain or loss on changes in fair value of AFS financial assets is recognized in other comprehensive income, except for impairment loss, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets. Accumulated other comprehensive income is reclassified to profit or loss from equity at the time of impairment recognition or elimination of related financial assets. Dividends on an AFS equity instrument are recognized in profit or loss when the Group's right to receive payment is established.

### (8) Impairment of financial assets

#### 1) Financial assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Group determines the amount of any impairment loss. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate computed at initial recognition. The carrying amount of the asset is reduced either directly or through use of an allowance account, and the amount of the loss is recognized in profit or loss.

Certain financial assets, such as trade receivables and financial services receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

#### 2) Financial assets carried at cost

The amount of the impairment loss on financial assets that are carried at cost because their fair value cannot be reliably measured is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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### 3) AFS financial assets

If there is objective evidence of impairment on AFS financial assets, the cumulative loss that has been recognized in other comprehensive income, less any impairment loss previously recognized in profit or loss is reclassified from equity to profit or loss. In the case of equity instruments, objective evidence of impairment is taken to exist if there is a significant or prolonged decline in the fair value of each investment below its cost. Impairment losses recognized in profit or loss for investments in equity instruments classified as AFS are not reversed through profit or loss. Meanwhile, if, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

### (9) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and, substantially, all the risks and rewards of ownership of the asset to another entity. If the Group neither retains substantially all the risks and rewards of ownership nor transfers and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

### (10) Inventory

Inventory is measured at the lower of cost or net realizable value. Inventory cost, including the fixed and variable manufacturing overhead cost, is calculated, using the moving average method, except for the cost for inventory in transit, which is determined by the identified cost method.

### (11) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The investment in an associate or a joint venture is initially recognized at cost and accounted for using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. The entire carrying amount of the investment, including goodwill is tested for impairment and presented at the amount less accumulated impairment losses. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS 1039. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis we would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other

comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when it loses significant influence over that associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Group applies K-IFRS 1105 to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

Unrealized gains from transactions between the Group and its associates or joint ventures are eliminated up to the shares in associate (joint venture) stocks. Unrealized losses are also eliminated, unless evidence of impairment in assets transferred is produced. If the accounting policy of associates or joint ventures differs from the Group, financial statements are adjusted accordingly before applying equity method of accounting. If the Group's ownership interest in an associate or a joint venture is reduced, but the significant influence is continued, the Group reclassifies to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

## (12) Property, plant and equipment

Property, plant and equipment is to be recognized if, and only if it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably. After the initial recognition, property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. In addition, in case the recognition criteria are met, the subsequent costs will be added to the car-

rying amount of the asset or recognized as a separate asset, and the carrying amount of what was replaced is derecognized.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets. The representative useful lives are as follows:

Representative useful lives (years)	
Buildings and structures	12 – 50
Machinery and equipment	6 – 15
Vehicles	6 – 15
Dies, molds and tools	4 – 6
Office equipment	3 – 15
Other	2 – 30

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

## (13) Investment property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost and transaction costs are included in the initial measurement. After initial recognition, the book value of investment property is presented at the cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized as the carrying amount of the asset when, and only when it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably, or recognized as a separate asset if appropriate. The carrying amount of what was replaced is derecognized.

Land is not depreciated, and other investment properties are depreciated using the straight-line method over the period from 20 to 50 years. The Group reviews the depreciation method, the estimated useful lives and residual values at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.



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### (14) Intangible assets

#### 1) Goodwill

Goodwill arising from a business combination is recognized as an asset at the time of obtaining control (the acquisition date). Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the Group's previously held equity interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortized, but tested for impairment at least annually. For purposes of impairment tests, goodwill is allocated to those cash-generating units ("CGU") of the Group expected to have synergy effect from the business combination. CGU that goodwill has been allocated is tested for impairment every year or when an event occurs that indicates impairment. If recoverable amount of a CGU is less than its carrying amount, the impairment will first decrease the goodwill allocated to that CGU and the remaining impairment will be allocated among other assets relative to its carrying value. Impairment recognized for goodwill may not be reversed. When disposing a subsidiary, related goodwill will be included in gain or loss from disposal.

#### 2) Development costs

The expenditure on research is recognized as an expense when it is incurred. The expenditure on development is recognized as an intangible asset if, and only if, all of the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other re-

sources to complete the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria above and the carrying amount of intangible assets is presented as the acquisition cost less accumulated amortization and accumulated impairment losses.

#### 3) Intangible assets acquired separately

Intangible assets that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method based on the estimated useful lives.

The Group reviews the estimated useful life and amortization method at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

Amortization is computed using the straight-line method based on the estimated useful lives of the assets. The representative useful lives are as follows:

	Representative useful lives (years)
Development costs	3
Industrial property rights	5 - 10
Software	2 - 7
Other	5 - 40

Club membership included in other intangible assets is deemed to have an indefinite useful life, as there is no foreseeable limit on the period over which the membership is expected to generate economic benefit for the Group; therefore, the Group does not amortize it.

### (15) Impairment of tangible and intangible assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable

amount of the asset to determine the extent of the impairment loss. Recoverable amount is the higher of fair value, less costs to sell and value in use.

If the cash inflow of individual asset occurs separately from other assets or group of assets, the recoverable amount is measured for that individual asset; otherwise, it is measured for each CGU to which the asset belongs. Except for goodwill, all non-financial assets that have incurred impairment are tested for reversal of impairment at the end of each reporting period.

Intangible assets with indefinite useful lives or intangible assets not yet available for use are not amortized, but tested for impairment at least annually.

#### **(16) Non-current assets classified as held for sale**

The Group classifies a non-current asset (or disposal group) as held for sale, if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. The management must be committed to a plan to sell the asset (or disposal group), and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

#### **(17) Lease**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### **1) The Group as lessor**

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease interest income is allocated to accounting periods so as to reflect an effective interest rate on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognized on a straight-

line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as expenses on a straight-line basis over the lease term.

##### **2) The Group as lessee**

Assets held under finance leases are initially recognized as assets and liabilities of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rents for operating lease are recognized as expenses in the periods in which they are incurred.

#### **(18) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of those assets, until they are ready for their intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### **(19) Retirement benefit plans**

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation, less the fair value of plan assets.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Defined benefit obligations are calculated by an actuary using the Projected Unit Credit Method.

The present value of the defined benefit obligations is measured by discounting estimated future cash outflows by the interest rate of high-quality corporate bonds, with similar maturity as the expected post-employment benefit payment date. In countries where there is no deep market in such bonds, the market yields at the end of the reporting period on government bonds are used.

The remeasurements of the net defined benefit liabilities (assets) comprising actuarial gain or loss from changes in actuarial assumptions or differences between actuarial assumptions and actual results, the effect of the changes to the asset ceiling and return on plan assets, excluding amounts included in net interest on the net defined benefit liabilities (assets), are recognized in other comprehensive income of the consolidated statements of comprehensive income, which is immediately recognized as retained earnings. Those recognized in retained earnings will not be reclassified in profit or loss. Past service costs are recognized in profit and loss when the plan amendment occurs, and net interest is calculated by applying the discount rate determined at the beginning of the annual reporting period to the net defined benefit liabilities (assets). Defined benefit costs are composed of service cost (including current service cost, past service cost, as well as gains and losses on settlements), net interest expense (income), and remeasurements.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

### (20) Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the present value of the cash flows estimated to settle the present obligation. The increase in provision due to passage of time is recognized as interest expense.

The Group generally provides a warranty to the ultimate consumer for each product sold and accrues warranty expense at the time of sale based on actual claims history. Also, the Group accrues probable expenses, which may occur due to product liability suit, voluntary recall campaign and other obligations at the end of the reporting period. In addition, the Group recognizes provisions for the probable losses of unused loan commitment, construction contracts, precontract sale or service contract due to legal or constructive obligations.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### (21) Taxation

Income tax expense is composed of current and deferred tax.

#### 1) Current tax

The current tax is computed based on the taxable profit for the current year. The taxable profit differs from the income before income tax as reported in the consolidated statements of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax expense is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets shall be generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities shall not be recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except when the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that taxable profit will be available against which the temporary difference can be utilized and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority. Also, they are offset when different taxable entities that intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, or items arising from initial accounting treatments of a business combination. The tax effect arising from a business combination is included in the accounting for the business combination.

### (22) Treasury stock

When the Group repurchases its equity instruments (treasury stock), the incremental costs and net of tax effect are deducted from equity and recognized as other capital item deducted from the total equity in the consolidated statements of financial position. In addition, profits or losses from purchase, sale or retirement of treasury stocks are directly recognized in equity and not in current profit or loss.

### (23) Financial liabilities and equity instruments

Debt instruments and equity instruments issued by the Group are recognized as financial liabilities or equity depending on the contract and the definitions of financial liability and equity instrument.

#### 1) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at issuance amount, net of direct issuance costs.

#### 2) Financial guarantee liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognized less, cumulative amortization recognized in accordance with the K-IFRS 1018 *Revenue*

### 3) Financial liabilities at FVTPL

Financial instruments classified as financial liabilities at FVTPL include contingent consideration that may be paid by an ac-

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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quirer as part of a business combination to which K-IFRS 1103 applies or financial liability classified as held for trading or designated as FVTPL upon initial recognition. FVTPL is stated at fair value, and the gains and losses arising on remeasurement and the interest expenses paid in financial liabilities are recognized in profit and loss.

#### 4) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

#### 5) Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the Group's obligations are discharged, cancelled or they expire.

#### (24) Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in such case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedges) and the risk of changes in cash flow of a highly probable forecast transaction and the risk of changes in foreign currency exchange rates of firm commitment (cash flow hedges).

##### 1) Fair value hedges

The Group recognizes the changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it is no longer qualified for hedge accounting. The fair value adjust-

ment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

##### 2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. If the forecast transaction results in the recognition of a non-financial asset or liability, the related gain and loss recognized in other comprehensive income and accumulated in equity are transferred from equity to the initial cost of related non-financial asset or liability. Cash flow hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or it no longer qualifies for the criteria of hedging. Any gain or loss accumulated in equity at that time remains in equity, and is recognized as profit or loss when the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

##### (25) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of K-IFRS 1017 *Leases*, and measurements that have some similarities to fair value, but are not fair value, such as net realisable value in K-IFRS 1002 *Inventories* or value in use in K-IFRS 1036 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 19.

## **(26) Accounting Treatment related to the Emission Rights Cap and Trade Scheme**

The Group classifies the emission rights as intangible assets. Emission rights allowance the government allocated free of charge are measured at nil, and emission rights allowance purchased are measured at cost, which the Group paid to purchase the allowances. If emission rights the government-allocated free of charge are sufficient to settle the emission rights allowances allotted for vintage year, the emissions liabilities are measured at nil. However, for the emissions liabilities that exceed the allowances allocated free of charge, the shortfall is measured at best estimate at the end of the reporting period.

## **(27) Significant accounting estimates and key sources of estimation uncertainties**

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that cannot be identified from other sources. 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 estimates and underlying assumptions are continually evaluated. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The main accounting estimates and assumptions related to the significant risks that may make significant changes to the carrying amounts of assets and liabilities after the reporting period are as follows:

### **1) Goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

### **2) Warranty provision**

The Group recognizes provisions for the warranties of its products as described in Note 2.(20). The amounts are recognized based on the best estimate of amounts necessary to settle the present and future warranty obligation.

### **3) Defined benefit plans**

The Group operates defined retirement benefit plans. Defined benefit obligations are determined at the end of each reporting period using an actuarial valuation method that requires management assumptions on discount rates, rates of expected future salary increases and mortality rates. The characteristic of post-employment benefit plan that serves for the long term period causes significant uncertainties when the post-employment benefit obligation is estimated.

### **4) Taxation**

The Group recognizes current tax and deferred tax based on the best estimates of income tax effect to be charged in the future as the result of operating activities until the end of the reporting period. However, actual final income tax to be charged in the future may differ from the relevant assets and liabilities recognized at the end of the reporting period and the difference may affect income tax charged or credited, or deferred tax assets and liabilities in the period in which the final income tax determined.

### **5) Fair value of financial instruments**

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain type of financial instruments. The Group makes judgements on the choice of various valuation methods and assumptions based on the condition of the principal market at the end of the reporting period.

### **6) Measurement and useful lives of property, plant, equipment or intangible assets**

If the Group acquires property, plant, equipment or intangible assets from business combination, it is required to estimate the fair value of the assets at the acquisition date and determine the useful lives of such assets for depreciation and amortization.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 3 – TRADE NOTES AND ACCOUNTS RECEIVABLE:

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

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Trade notes and accounts receivable	₩ 4,487,352	₩ 146,262	₩ 4,527,881	₩ 73,500
Allowance for doubtful accounts	(49,800)	-	(59,530)	-
Present value discount accounts	-	(8,157)	-	(5,909)
	<b>₩ 4,437,552</b>	<b>₩ 138,105</b>	<b>₩ 4,468,351</b>	<b>₩ 67,591</b>

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

As of December 31, 2016 and 2015, total trade notes and accounts receivable that are past due, but not impaired, amount to ₩335,516 million and ₩415,702 million, respectively; of which ₩298,775 million and ₩370,450 million, respectively, are past due, less than 90 days, but not impaired. As of December 31, 2016 and 2015, the impaired trade notes and accounts receivable amount to ₩49,800 million and ₩59,530 million, respectively.

#### (3) Transferred trade notes and accounts receivable that are not derecognized

As of December 31, 2016 and 2015, total trade notes and accounts receivable (including inter-company receivables within the Group) which the Group transferred to financial institutions but did not qualify for derecognition, amount to ₩1,472,786 million and ₩1,320,446 million, respectively. Cash and cash equivalents received as consideration for the transfer are recognized as short-term borrowings due to the fact that the risks and rewards were not transferred substantially.

(4) The changes in allowance for doubtful accounts for the years ended December 31, 2016 and 2015 are as follows:

(In millions of Korean Won)

Description	2016	2015
Beginning of the year	₩ 59,530	₩ 58,706
Impairment loss (gain)	(5,197)	3,572
Write-off	(4,649)	(2,492)
Effect of foreign exchange differences	116	(256)
End of the year	<b>₩ 49,800</b>	<b>₩ 59,530</b>



#### 4 – OTHER RECEIVABLES:

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

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Accounts receivable – others	₩ 1,939,269	₩ 925,524	₩ 1,978,471	₩ 818,401
Due from customers for contract work	1,220,582	-	1,837,280	-
Lease and rental deposits	27,957	336,425	24,962	319,446
Deposits	3,366	35,770	3,157	26,566
Others	557	3,895	13,409	-
Allowance for doubtful accounts	(10,701)	-	(11,175)	-
Present value discount accounts	-	(555)	-	(847)
	<b>₩ 3,181,030</b>	<b>₩ 1,301,059</b>	<b>₩ 3,846,104</b>	<b>₩ 1,163,566</b>

#### 5 – OTHER FINANCIAL ASSETS:

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

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Financial assets at fair value through profit or loss (“FVTPL”)	₩ 12,454,530	₩ 104,499	₩ 10,112,034	₩ 23,194
Derivative assets that are effective hedging instruments	185,114	142,107	42,455	178,369
AFS financial assets	3,911	2,308,822	7,111	2,598,706
Loans	80,438	5,122	173,203	4,573
	<b>₩ 12,723,993</b>	<b>₩ 2,560,550</b>	<b>₩ 10,334,803</b>	<b>₩ 2,804,842</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015
	Acquisition cost	Book value	Book value
Debt instruments	₩ 269,608	₩ 266,800	₩ 186,713
Equity instruments	1,689,791	2,045,933	2,419,104
	<b>₩ 1,959,399</b>	<b>₩ 2,312,733</b>	<b>₩ 2,605,817</b>

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

(In millions of Korean Won)

Name of the company	Ownership percentage (%)	December 31, 2016		December 31, 2015
		Acquisition cost	Book value	Book value
Hyundai Steel Company (*1)	6.87	₩ 1,110,704	₩ 798,843	₩ 745,221
Hyundai Heavy Industries Co., Ltd.	2.88	56,924	318,645	192,282
Korea Aerospace Industries, Ltd. (*2)	-	73,331	316,979	761,281
Hyundai Glovis Co., Ltd.	4.88	210,688	282,880	353,371
Hyundai Oilbank Co., Ltd.	4.35	53,734	143,957	137,266
Hyundai Green Food Co., Ltd.	2.36	15,005	35,539	57,231
Hyundai Development Company	0.60	9,025	20,228	17,460
Hyundai M Partners Co., Ltd (*3)	9.29	9,888	11,470	11,487
NICE Information Service Co., Ltd.	2.25	3,312	9,466	14,001
NICE Holdings Co., Ltd.	1.30	3,491	8,653	10,693
KT Corporation	0.09	8,655	7,059	6,783
Hyundai Asan Corporation	1.88	22,500	2,117	2,117
Doosan Capital Corporation	4.30	10,000	1,790	1,944
Hyundai Merchant Marine Company	0.29	9,161	669	2,862
Nesscap Energy Inc.	1.76	1,997	272	599
Others		91,376	87,366	104,506
		<b>₩ 1,689,791</b>	<b>₩ 2,045,933</b>	<b>₩ 2,419,104</b>

(\*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. Its partial shares were disposed of for the year ended December 31, 2016.

(\*2) The Group entered into a total return swap agreement to transfer total shares to a third party for the year ended December 31, 2016.

(\*3) Name of the company has been changed from Hyundai Finance Corporation to Hyundai M Partners Co., Ltd for the year ended December 31, 2016.

## 6 – INVENTORIES:

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

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Finished goods		₩ 6,692,155		₩ 5,451,895
Merchandise		52,133		60,890
Semifinished goods		401,279		448,870
Work in progress		350,295		450,444
Raw materials		1,300,218		1,268,217
Supplies		267,073		252,282
Materials in transit		613,134		499,559
Others		847,525		766,842
<b>Total (*)</b>		<b>₩ 10,523,812</b>		<b>₩ 9,198,999</b>

(\*) As of December 31, 2016 and 2015, the Group recognized a valuation allowance in amount of ₩135,789 million and ₩92,552 million, respectively.

## 7 – OTHER ASSETS:

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

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Accrued income	₩ 315,132	₩ 4,798	₩ 300,415	₩ 6,206
Advanced payments	444,872	566	692,708	28
Prepaid expenses	402,565	641,132	349,805	478,594
Prepaid value-added tax and others	227,234	14,911	219,703	4,520
	<b>₩ 1,389,803</b>	<b>₩ 661,407</b>	<b>₩ 1,562,631</b>	<b>₩ 489,348</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015	
	Acquisition cost	Accumulated depreciation (*)	Acquisition cost	Accumulated depreciation (*)
Vehicles	₩ 29,068		₩ 47,643	

The Group recognized a gain (other income) and a loss (other expenses) on disposals of non-current assets classified as held for sale for the years ended December 31, 2016 and 2015.

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

### 9 – PROPERTY, PLANT AND EQUIPMENT:

(1) Property, plant and equipment ("PP&amp;E") as of December 31, 2016 and 2015 consist of the following:

(In millions of Korean Won)

Description	December 31, 2016			December 31, 2015		
	Acquisition cost	Accumulated depreciation (*)	Book value	Acquisition cost	Accumulated depreciation (*)	Book value
Land	₩ 11,787,909	₩ -	₩ 11,787,909	₩ 11,774,629	₩ -	₩ 11,774,629
Buildings	8,468,976	(2,691,704)	5,777,272	7,918,086	(2,422,810)	5,495,276
Structures	1,232,479	(570,153)	662,326	1,119,659	(506,911)	612,748
Machinery and equipment	14,518,954	(8,245,668)	6,273,286	13,659,985	(7,509,401)	6,150,584
Vehicles	324,984	(138,015)	186,969	300,753	(126,510)	174,243
Dies, molds and tools	8,264,752	(6,063,227)	2,201,525	7,423,039	(5,434,482)	1,988,557
Office equipment	1,548,768	(1,111,017)	437,751	1,466,130	(1,033,392)	432,738
Others	91,548	(47,895)	43,653	71,880	(38,253)	33,627
Construction in progress	2,035,025	-	2,035,025	2,036,525	-	2,036,525
	<b>₩ 48,273,395</b>	<b>₩ (18,867,679)</b>	<b>₩ 29,405,716</b>	<b>₩ 45,770,686</b>	<b>₩ (17,071,759)</b>	<b>₩ 28,698,927</b>

(\*) Accumulated impairment is included.



## (2) The changes in PP&amp;E for the year ended December 31, 2016 are as follows:

(In millions of Korean Won)

Description	Beginning of the year	Acquisitions	Transfers within PP&E	Disposals	Depreciation	Others (*)	End of the year
Land	₩ 11,774,629	₩ 2,234	₩ 57,472	₩ (26,517)	₩ -	₩ (19,909)	₩ 11,787,909
Buildings	5,495,276	11,992	526,342	(107,649)	(278,475)	129,786	5,777,272
Structures	612,748	7,705	102,629	(3,514)	(58,886)	1,644	662,326
Machinery and equipment	6,150,584	18,609	1,019,539	(28,246)	(914,321)	27,121	6,273,286
Vehicles	174,243	42,537	75,165	(53,441)	(45,633)	(5,902)	186,969
Dies, molds and tools	1,988,557	6,402	861,267	(3,094)	(690,211)	38,604	2,201,525
Office equipment	432,738	56,604	103,133	(2,178)	(157,398)	4,852	437,751
Others	33,627	4,344	11,224	(229)	(8,248)	2,935	43,653
Construction in progress	2,036,525	2,700,889	(2,756,771)	(14,883)	-	69,265	2,035,025
	<b>₩ 28,698,927</b>	<b>₩ 2,851,316</b>	<b>₩ -</b>	<b>₩ (239,751)</b>	<b>₩ (2,153,172)</b>	<b>₩ 248,396</b>	<b>₩ 29,405,716</b>

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

## The changes in PP&amp;E for the year ended December 31, 2015 are as follows:

(In millions of Korean Won)

Description	Beginning of the year	Acquisitions	Transfers within PP&E	Disposals	Depreciation	Others (*)	End of the year
Land	₩ 5,801,178	₩ 8,974	₩ 5,989,994	₩ (843)	₩ -	₩ (24,674)	₩ 11,774,629
Buildings	5,237,492	15,649	575,353	(915)	(248,296)	(84,007)	5,495,276
Structures	597,439	9,071	76,059	(1,934)	(51,662)	(16,225)	612,748
Machinery and equipment	6,206,337	24,033	838,963	(21,917)	(847,304)	(49,528)	6,150,584
Vehicles	160,579	36,205	75,541	(46,331)	(43,188)	(8,563)	174,243
Dies, molds and tools	1,711,448	5,881	894,573	(3,891)	(607,192)	(12,262)	1,988,557
Office equipment	426,152	54,608	129,240	(3,083)	(153,237)	(20,942)	432,738
Others	29,196	4,569	9,319	(172)	(8,582)	(703)	33,627
Construction in progress	2,372,438	8,181,655	(8,589,042)	(537)	-	72,011	2,036,525
	<b>₩ 22,542,259</b>	<b>₩ 8,340,645</b>	<b>₩ -</b>	<b>₩ (79,623)</b>	<b>₩ (1,959,461)</b>	<b>₩ (144,893)</b>	<b>₩ 28,698,927</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### 10 — INVESTMENT PROPERTY:

(1) Investment property as of December 31, 2016 and 2015 consist of the following:

(In millions of Korean Won)

Description	December 31, 2016			December 31, 2015		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 58,669	₩ -	₩ 58,669	₩ 59,631	₩ -	₩ 59,631
Buildings	309,551	(169,101)	140,450	400,602	(181,769)	218,833
Structures	18,630	(6,078)	12,552	18,630	(5,670)	12,960
	<b>₩ 386,850</b>	<b>₩ (175,179)</b>	<b>₩ 211,671</b>	<b>₩ 478,863</b>	<b>₩ (187,439)</b>	<b>₩ 291,424</b>

(2) The changes in investment property for the year ended December 31, 2016 are as follows:

(In millions of Korean Won)

Description	Beginning of the year	Transfers	Disposals	Depreciation	Effect of foreign exchange differences	End of the year
Land	₩ 59,631	₩ -	₩ (962)	₩ -	₩ -	₩ 58,669
Buildings	218,833	(66,181)	-	(11,055)	(1,147)	140,450
Structures	12,960	-	-	(408)	-	12,552
	<b>₩ 291,424</b>	<b>₩ (66,181)</b>	<b>₩ (962)</b>	<b>₩ (11,463)</b>	<b>₩ (1,147)</b>	<b>₩ 211,671</b>

The changes in investment property for the year ended December 31, 2015 are as follows:

(In millions of Korean Won)

Description	Beginning of the year	Transfers	Disposals	Depreciation	Effect of foreign exchange differences	End of the year
Land	₩ 63,406	₩ (3,886)	₩ -	₩ -	₩ 111	₩ 59,631
Buildings	245,433	(16,275)	-	(12,858)	2,533	218,833
Structures	13,368	-	-	(408)	-	12,960
	<b>₩ 322,207</b>	<b>₩ (20,161)</b>	<b>₩ -</b>	<b>₩ (13,266)</b>	<b>₩ 2,644</b>	<b>₩ 291,424</b>

**(3) The fair value of investment property as of December 31, 2016 and 2015 consist of the following:**

(In millions of Korean Won)

Description	December 31, 2016	December 31, 2015
Land	₩ 58,669	₩ 59,631
Buildings	326,692	434,383
Structures	15,496	15,496
	<b>₩ 400,857</b>	<b>₩ 509,510</b>

The fair value measurement of the investment property was performed by an independent third party. The Group deems the change in fair value from the fair value measurement performed at the initial recognition of the investment property is not material.

The fair value of the investment property is classified as Level 3, based on the inputs used in the valuation techniques. The fair value has been determined based on the cost approach and the market approach. The cost approach measured fair value as current replacement cost considering supplementary installation, depreciation period, structure and design.

**(4) Income and expenses related to investment property for the years ended December 31, 2016 and 2015 are as follows:**

(In millions of Korean Won)

Description	2016	2015
Rental income	₩ 49,596	₩ 57,366
Operating and maintenance expenses	15,521	14,449

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### 11 – INTANGIBLE ASSETS:

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

(In millions of Korean Won)

Description	December 31, 2016			December 31, 2015		
	Acquisition cost	Accumulated amortization (*)	Book value	Acquisition cost	Accumulated amortization (*)	Book value
Goodwill	₩ 292,373	₩ (2,080)	₩ 290,293	₩ 294,517	₩ (2,439)	₩ 292,078
Development costs	7,356,890	(4,025,900)	3,330,990	6,444,033	(3,428,251)	3,015,782
Industrial property rights	225,286	(116,123)	109,163	197,872	(100,660)	97,212
Software	984,113	(625,832)	358,281	831,869	(501,338)	330,531
Others	499,410	(205,995)	293,415	474,629	(182,426)	292,203
Construction in progress	245,634	(41,604)	204,030	343,159	(72,877)	270,282
	<b>₩ 9,603,706</b>	<b>₩ (5,017,534)</b>	<b>₩ 4,586,172</b>	<b>₩ 8,586,079</b>	<b>₩ (4,287,991)</b>	<b>₩ 4,298,088</b>

(\*) Accumulated impairment is included.

(2) The changes in intangible assets for the year ended December 31, 2016 are as follows:

(In millions of Korean Won)

Description	Beginning of the year	Internal developments and separate acquisitions	Transfers within intangible assets	Disposals	Amortization	Impairment gain (loss)	Others (*)	End of the year
Goodwill	₩ 292,078	₩ -	₩ -	₩ -	₩ -	₩ -	₩ (1,785)	₩ 290,293
Development costs	3,015,782	1,224,743	99,265	(34)	(1,022,841)	4,446	9,629	3,330,990
Industrial property rights	97,212	1,545	25,430	(43)	(15,602)	-	621	109,163
Software	330,531	24,152	38,056	(234)	(129,929)	(205)	95,910	358,281
Others	292,203	18,028	5,956	(13,003)	(25,819)	15	16,035	293,415
Construction in progress	270,282	105,695	(168,707)	(49)	-	(2,461)	(730)	204,030
	<b>₩ 4,298,088</b>	<b>₩ 1,374,163</b>	<b>₩ -</b>	<b>₩ (13,363)</b>	<b>₩ (1,194,191)</b>	<b>₩ 1,795</b>	<b>₩ 119,680</b>	<b>₩ 4,586,172</b>

(\*) Others included the effect of foreign exchange differences and transfer from or to other accounts.



The changes in intangible assets for the year ended December 31, 2015 are as follows:

(In millions of Korean Won)

Description	Beginning of the year	Internal developments and separate acquisitions	Transfers within intangible assets	Disposals	Amortization	Impairment loss	Others (*)	End of the year
Goodwill	₩ 286,478	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 5,600	₩ 292,078
Development costs	2,554,983	1,098,176	3,796	(384)	(669,682)	(5,574)	34,467	3,015,782
Industrial property rights	89,962	2,359	18,727	-	(13,266)	-	(570)	97,212
Software	314,981	14,612	31,034	(135)	(114,747)	-	84,786	330,531
Others	313,885	1,841	7,549	(4,405)	(23,612)	(2,480)	(575)	292,203
Construction in progress	261,367	103,101	(61,106)	-	-	(2,979)	(30,101)	270,282
	<b>₩ 3,821,656</b>	<b>₩ 1,220,089</b>	<b>₩ -</b>	<b>₩ (4,924)</b>	<b>₩ (821,307)</b>	<b>₩ (11,033)</b>	<b>₩ 93,607</b>	<b>₩ 4,298,088</b>

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

(3) Research and development expenditures for the years ended December 31, 2016 and 2015 are as follows:

(In millions of Korean Won)

Description	2016	2015
Development costs (intangible assets)	₩ 1,224,743	₩ 1,098,176
Research and development (manufacturing cost and administrative expenses)	1,127,486	1,074,230
Total (*)	<b>₩ 2,352,229</b>	<b>₩ 2,172,406</b>

(\*) Amortization of development costs is not included.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### (4) Impairment test of goodwill

The allocation of goodwill amongst the Group's CGU as of December 31, 2016 and 2015 is as follows:

(In millions of Korean Won)

Description	December 31, 2016	December 31, 2015
Vehicle	₩ 189,841	₩ 191,626
Finance	482	482
Others	99,970	99,970
Total	₩ 290,293	₩ 292,078

The recoverable amounts of the Group's CGU are measured at their value-in-use calculated based on cash flow projections of financial budgets for the next five years approved by management and the pretax discount rate applied to the cash flow projections for the years ended December 31, 2016 and 2015, are 11.0% and 11.8%, respectively. Cash flow projections beyond the next five-year period are 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. No impairment loss has been recognized for the years ended December 31, 2016 and 2015.

## 12 – INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

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

(In millions of Korean Won)

Name of the company	Nature of business	Location	Ownership percentage (%)	Book value
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00	₩ 2,225,824
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	445,735
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00	186,929
Hyundai Powertech (Shandong) Co., Ltd (PTS)	Manufacturing	China	30.00	111,997
Kia Motors Corporation	Manufacturing	Korea	33.88	8,811,840
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	3,267,243
Hyundai WIA Corporation	Manufacturing	Korea	25.35	821,861
Hyundai Powertech Co., Ltd.	Manufacturing	Korea	37.58	502,891
Hyundai Dymos Inc.	Manufacturing	Korea	47.27	371,499
Hyundai Commercial Inc.	Financing	Korea	50.00	256,078
HMC Investment Securities Co., Ltd.	Securities brokerage	Korea	27.49	245,501
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	174,100
Haevichi Hotels & Resorts Co., Ltd.	Hotelkeeping	Korea	41.90	108,082
Hyundai Autoever Corp.	IT Service	Korea	28.96	107,382
Others				433,159
				<b>₩ 18,070,121</b>

(\*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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Investments in joint ventures and associates as of December 31, 2015 consist of the following:

(In millions of Korean Won)

Name of the company	Nature of business	Location	Ownership percentage (%)	Book value
BHMC (*1)	Manufacturing	China	50.00	₩ 2,189,321
BHAF (*1,3)	Financing	China	53.00	220,475
WAE	Manufacturing	China	22.00	184,255
Hyundai Motor Group China, Ltd. (HMGC) (*1)	Investment	China	50.00	135,000
Sichuan Hyundai Motor Company (CHMC) (*1)	Manufacturing	China	50.00	100,067
Kia Motors Corporation	Manufacturing	Korea	33.88	8,047,548
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	3,180,493
Hyundai WIA Corporation	Manufacturing	Korea	25.35	814,413
Hyundai Powertech Co., Ltd.	Manufacturing	Korea	37.58	433,088
Hyundai Dymos Inc.	Manufacturing	Korea	47.27	326,439
Hyundai Commercial Inc.	Financing	Korea	50.00	242,507
HMC Investment Securities Co., Ltd.	Securities brokerage	Korea	27.49	238,001
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	191,468
Haevichi Hotels & Resorts Co., Ltd. (*4)	Hotelkeeping	Korea	41.90	110,312
Hyundai HYSCO Co., Ltd. (*5)	Manufacturing	Korea		-
Others				496,556
				<b>₩ 16,909,943</b>

(\*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) As of December 31, 2015, the investment is accounted for using the equity method, as the ownership percentage is more than 20% due to the acquisition of shares through a contribution in kind.

(\*5) As of December 31, 2015, the investment is classified as AFS financial assets since the entity was merged into Hyundai Steel Company.



## (2) The changes in investments in joint ventures and associates for the year ended December 31, 2016 are as follows:

(In millions of Korean Won)

Name of the company	Beginning of the year	Acquisitions (disposals)	Share of profits (losses) for the year	Dividends	Others (*)	End of the year
BHMC	₩ 2,189,321	₩ 242,434	₩ 559,793	₩ (666,208)	₩ (99,516)	₩ 2,225,824
BHAF	220,475	188,014	50,515	-	(13,269)	445,735
WAE	184,255	-	8,154	-	(5,480)	186,929
PTS	93,998	-	20,884	-	(2,885)	111,997
Kia Motors Corporation	8,047,548	-	904,067	(151,050)	11,275	8,811,840
Hyundai Engineering & Construction Co., Ltd.	3,180,493	-	79,434	(11,664)	18,980	3,267,243
Hyundai WIA Corporation	814,413	-	16,655	(7,583)	(1,624)	821,861
Hyundai Powertech Co., Ltd.	433,088	-	68,441	-	1,362	502,891
Hyundai Dymos Inc.	326,439	-	47,852	-	(2,792)	371,499
Hyundai Commercial Inc.	242,507	-	32,245	(8,950)	(9,724)	256,078
HMC Investment Securities Co., Ltd.	238,001	-	10,990	(3,630)	140	245,501
Eukor Car Carriers Inc.	191,468	-	(14,425)	(14,520)	11,577	174,100
Haevichi Hotels & Resorts Co., Ltd.	110,312	-	(2,289)	-	59	108,082
Hyundai Autoever Corp.	91,701	-	18,769	(4,126)	1,038	107,382
Others	545,924	(10,387)	(72,658)	(13,541)	(16,179)	433,159
	<b>₩ 16,909,943</b>	<b>₩ 420,061</b>	<b>₩ 1,728,427</b>	<b>₩ (881,272)</b>	<b>₩ (107,038)</b>	<b>₩ 18,070,121</b>

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

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AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

The changes in investments in joint ventures and associates for the year ended December 31, 2015 are as follows:

(In millions of Korean Won)

Name of the company	Beginning of the year	Acquisitions (disposals)	Share of profits (losses) for the year	Dividends	Others (*)	End of the year
BHMC	₩ 2,179,636	₩ 236,164	₩ 676,922	₩ (936,483)	₩ 33,082	₩ 2,189,321
BHAF	193,624	-	23,017	-	3,834	220,475
WAE	164,090	8,745	11,465	(1,447)	1,402	184,255
HMGC	158,287	-	(25,032)	-	1,745	135,000
CHMC	155,573	-	(57,269)	-	1,763	100,067
Kia Motors Corporation	7,482,972	-	865,327	(137,318)	(163,433)	8,047,548
Hyundai Engineering & Construction Co., Ltd.	3,130,886	-	47,690	(11,664)	13,581	3,180,493
Hyundai WIA Corporation	707,713	-	107,273	(5,515)	4,942	814,413
Hyundai Powertech Co., Ltd.	380,815	-	54,060	-	(1,787)	433,088
Hyundai Dymos Inc.	289,369	-	36,186	-	884	326,439
Hyundai Commercial Inc.	196,471	-	23,968	(11,050)	33,118	242,507
HMC Investment Securities Co., Ltd.	225,332	-	13,845	(1,210)	34	238,001
Eukor Car Carriers Inc.	170,132	-	19,472	(7,920)	9,784	191,468
Haevichi Hotels & Resorts Co., Ltd.	-	110,460	(204)	-	56	110,312
Hyundai HYSCO Co., Ltd.	302,058	(347,206)	14,033	(2,010)	33,125	-
Others	420,376	11,070	76,590	(15,275)	3,795	496,556
	<b>₩ 16,157,334</b>	<b>₩ 19,233</b>	<b>₩ 1,887,343</b>	<b>₩ (1,129,892)</b>	<b>₩ (24,075)</b>	<b>₩ 16,909,943</b>

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

(3) Summarized financial information of the Group's major joint ventures and associates as of and for the year ended December 31, 2016 is as follows:

(In millions of Korean Won)

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
BHMC	₩ 6,571,169	₩ 4,084,409	₩ 5,780,436	₩ 295,508
BHAF (*)	5,362,202	-	4,521,193	-
WAE	799,333	901,220	279,757	571,118
PTS	739,315	229,686	474,965	120,713
Kia Motors Corporation	20,912,221	29,977,039	16,246,900	8,062,936
Hyundai Engineering & Construction Co., Ltd.	14,949,282	4,934,177	8,746,584	2,994,568
Hyundai WIA Corporation	3,743,344	3,278,735	1,698,890	2,064,600
Hyundai Powertech Co., Ltd.	1,250,565	1,539,496	1,008,026	442,156
Hyundai Dymos Inc.	1,341,859	1,049,604	1,132,962	450,616
Hyundai Commercial Inc. (*)	6,017,380	-	5,400,892	-
HMC Investment Securities Co., Ltd. (*)	5,887,084	-	5,070,875	-
Eukor Car Carriers Inc.	393,017	3,056,960	486,687	1,514,638
Haevichi Hotels & Resorts Co., Ltd.	28,337	433,187	148,142	141,229
Hyundai Autoever Corp.	687,569	108,493	418,494	3,927

(In millions of Korean Won)

Name of the company	Sales	Profit (loss) for the year from continuing operations	Other comprehensive income (loss)	Total comprehensive income (loss)
BHMC	₩ 20,128,709	₩ 1,171,934	₩ -	₩ 1,171,934
BHAF (*)	481,778	95,309	-	95,309
WAE	1,452,939	27,719	-	27,719
PTS	2,159,373	69,615	-	69,615
Kia Motors Corporation	52,712,906	2,754,640	63,186	2,817,826
Hyundai Engineering & Construction Co., Ltd.	18,744,454	650,376	109,075	759,451
Hyundai WIA Corporation	7,589,447	130,727	(6,106)	124,621
Hyundai Powertech Co., Ltd.	3,600,725	180,276	3,631	183,907
Hyundai Dymos Inc.	4,339,633	131,465	(5,472)	125,993
Hyundai Commercial Inc. (*)	386,377	71,334	(9,673)	61,661
HMC Investment Securities Co., Ltd. (*)	563,354	39,787	69,612	109,399
Eukor Car Carriers Inc.	1,679,763	(114,524)	90,912	(23,612)
Haevichi Hotels & Resorts Co., Ltd.	106,243	2,305	129	2,434
Hyundai Autoever Corp.	1,335,966	64,707	3,500	68,207

(\*) 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.

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AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

(In millions of Korean Won)

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
BHMC	₩ 6,891,440	₩ 3,252,224	₩ 5,371,335	₩ 318,780
BHAF (*)	3,763,412	-	3,351,566	-
WAE	825,523	983,480	343,081	619,014
HMGC	786,888	435,893	678,202	249,273
CHMC	291,508	635,557	179,168	547,763
Kia Motors Corporation	18,390,784	27,589,329	14,579,485	7,196,597
Hyundai Engineering & Construction Co., Ltd.	14,343,666	5,114,866	8,582,804	3,384,463
Hyundai WIA Corporation	3,623,317	3,059,815	1,843,110	1,676,837
Hyundai Powertech Co., Ltd.	904,429	1,438,558	723,394	463,549
Hyundai Dymos Inc.	1,234,578	922,820	929,625	545,181
Hyundai Commercial Inc. (*)	5,313,717	-	4,725,593	-
HMC Investment Securities Co., Ltd. (*)	5,852,572	-	5,132,570	-
Eukor Car Carriers Inc.	512,228	3,014,823	362,480	1,571,188
Haevichi Hotels & Resorts Co., Ltd.	14,344	431,178	117,265	158,536

(In millions of Korean Won)

Name of the company	Sales	Profit (loss) for the year from continuing operations	Other comprehensive income (loss)	Total comprehensive income (loss)
BHMC	₩ 19,203,441	₩ 1,382,176	₩-	₩ 1,382,176
BHAF (*)	348,766	43,307	-	43,307
WAE	1,694,841	61,554	-	61,554
HMGC	1,039,247	(53,796)	-	(53,796)
CHMC	273,455	(106,100)	-	(106,100)
Kia Motors Corporation	49,521,447	2,630,600	(360,165)	2,270,435
Hyundai Engineering & Construction Co., Ltd.	19,122,053	584,027	38,809	622,836
Hyundai WIA Corporation	7,884,188	326,874	7,784	334,658
Hyundai Powertech Co., Ltd.	3,452,813	129,647	(725)	128,922
Hyundai Dymos Inc.	3,199,821	71,656	3,862	75,518
Hyundai Commercial Inc. (*)	369,057	53,548	(5,243)	48,305
HMC Investment Securities Co., Ltd. (*)	555,575	50,357	124	50,481
Eukor Car Carriers Inc.	2,275,852	174,034	95,817	269,851
Haevichi Hotels & Resorts Co., Ltd.	69,973	3,483	52	3,535

(\*) 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 year ended December 31, 2016 is as follows:**

(In millions of Korean Won)

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
BHMC	₩ 132,608	₩ -	₩ 242,564	₩ 352,770	₩ 11,234	₩ 112,057	₩ 388,926
BHAF (*)	875,763	3,847,839	-	3,164	463,498	156,979	34,265

(\*) 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 year ended December 31, 2015 is as follows:

(In millions of Korean Won)

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
BHMC	₩ 214,036	₩ -	₩ 249,872	₩ 326,679	₩ 34,905	₩ 79,078	₩ 460,725
BHAF (*)	410,959	3,024,580	-	2,382	337,084	128,132	14,626
HMGC	27,027	229,704	170,057	12,200	421	19,538	1,536
CHMC	17,231	60,431	547,763	27,459	1,483	25,241	-

(\*) 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 years ended December 31, 2016 and 2015 are as follows:**

(In millions of Korean Won)

Description	December 31, 2016	December 31, 2015
(Loss) profit for the year	₩ (72,658)	₩ 76,590
Other comprehensive (loss) income	(16,179)	3,967
<b>Total comprehensive (loss) income</b>	<b>₩ (88,837)</b>	<b>₩ 80,557</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### (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 December 31, 2016 is as follows:

(In millions of Korean Won)

Name of the company	Group's share of net assets	Goodwill	Unrealized profit (loss) and others	Carrying amounts
BHMC	₩ 2,289,817	₩ -	₩ (63,993)	₩ 2,225,824
BHAF	445,735	-	-	445,735
WAE	186,929	-	-	186,929
PTS	111,997	-	-	111,997
Kia Motors Corporation	8,667,785	197,089	(53,034)	8,811,840
Hyundai Engineering & Construction Co., Ltd. (*)	2,129,886	1,137,357	-	3,267,243
Hyundai WIA Corporation	825,700	-	(3,839)	821,861
Hyundai Powertech Co., Ltd.	504,501	-	(1,610)	502,891
Hyundai Dymos Inc.	373,593	-	(2,094)	371,499
Hyundai Commercial Inc.	256,078	-	-	256,078
HMC Investment Securities Co., Ltd.	205,449	40,052	-	245,501
Eukor Car Carriers Inc.	173,838	-	262	174,100
Haevichi Hotels & Resorts Co., Ltd. (*)	104,506	3,576	-	108,082
Hyundai Autoever Corp.	107,382	-	-	107,382

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

Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of December 31, 2015 is as follows:

(In millions of Korean Won)

Name of the company	Group's share of net assets	Goodwill	Unrealized profit (loss) and others	Carrying amounts
BHMC	₩ 2,226,774	₩ -	₩ (37,453)	₩ 2,189,321
BHAF	220,475	-	-	220,475
WAE	184,255	-	-	184,255
HMGC	143,976	-	(8,976)	135,000
CHMC	100,067	-	-	100,067
Kia Motors Corporation	7,902,759	197,089	(52,300)	8,047,548
Hyundai Engineering & Construction Co., Ltd. (*)	2,043,136	1,137,357	-	3,180,493
Hyundai WIA Corporation	817,186	-	(2,773)	814,413
Hyundai Powertech Co., Ltd.	434,500	-	(1,412)	433,088
Hyundai Dymos Inc.	328,323	-	(1,884)	326,439
Hyundai Commercial Inc.	242,507	-	-	242,507
HMC Investment Securities Co., Ltd.	197,949	40,052	-	238,001
Eukor Car Carriers Inc.	191,206	-	262	191,468
Haevichi Hotels & Resorts Co., Ltd. (*)	106,736	3,576	-	110,312

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

(7) The market price of listed equity securities as of December 31, 2016 is as follows:

(In millions of Korean Won, except price per share)

Name of the company	Price per share	Total number of shares	Market value
Kia Motors Corporation	₩ 39,250	137,318,251	₩ 5,389,741
Hyundai Engineering & Construction Co., Ltd.	42,800	23,327,400	998,413
Hyundai WIA Corporation	73,000	6,893,596	503,233
HMC Investment Securities Co., Ltd.	9,500	8,065,595	76,623

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### 13 – FINANCIAL SERVICES RECEIVABLES:

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

(In millions of Korean Won)

Description	December 31, 2016	December 31, 2015
Loan obligations	₩ 38,156,062	₩ 35,018,152
Card receivables	12,223,581	11,512,949
Financial lease receivables	2,422,222	2,672,159
Others	29,061	23,224
	52,830,926	49,226,484
Allowance for doubtful accounts	(1,078,002)	(938,300)
Loan origination fee	40,628	58,215
Present value discount accounts	(9,949)	(9,999)
	<b>₩ 51,783,603</b>	<b>₩ 48,336,400</b>

#### (2) Aging analysis of financial services receivables

As of December 31, 2016 and 2015, total financial services receivables that are past due, but not impaired, amount to ₩1,421,906 million and ₩1,607,033 million, respectively; among them, financial services receivables past due less than 90 days are ₩1,421,802 million and ₩1,607,006 million, respectively. As of December 31, 2016 and 2015, the impaired financial services receivables amount to ₩538,961 million and ₩463,846 million, respectively.

#### (3) Transferred financial services receivables that are not derecognized

As of December 31, 2016 and 2015, the Group issued asset-backed securities, which have recourse to the underlying assets, based on loans, card receivables and others. As of December 31, 2016, the carrying amounts (including intercompany receivables within the Group) and fair values of the transferred financial assets that are not derecognized are ₩20,674,676 million and ₩20,609,441 million, respectively. The carrying amounts and fair values of the associated liabilities are ₩15,060,372 million and ₩14,946,084 million, respectively, and the net position is ₩5,663,357 million. As of December 31, 2015, the carrying amounts (including intercompany receivables within the Group) and fair values of the transferred financial assets that are not derecognized are ₩18,226,295 million and ₩18,399,766 million, respectively, the carrying amounts and fair values of the associated liabilities are ₩13,267,613 million and ₩13,137,541 million, respectively, and the net position is ₩5,262,225 million.



(4) The changes in allowance for doubtful accounts of financial services receivables for the years ended December 31, 2016 and 2015 are as follows:

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015	
Beginning of the year		₩ 938,300		₩ 845,566
Impairment loss		705,035		598,110
Write-off		(465,067)		(448,897)
Disposals and others		(108,659)		(68,954)
Effect of foreign exchange differences		8,393		12,475
<b>End of the year</b>		<b>₩ 1,078,002</b>		<b>₩ 938,300</b>

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

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015	
	Gross investments in financial leases	Present value of minimum lease receipts	Gross investments in financial leases	Present value of minimum lease receipts
Not later than one year	₩ 1,140,416	₩ 1,029,983	₩ 1,261,488	₩ 1,108,473
Later than one year and not later than five years	1,492,004	1,390,070	1,680,201	1,560,693
Later than five years	81	80	409	407
	<b>₩ 2,632,501</b>	<b>₩ 2,420,133</b>	<b>₩ 2,942,098</b>	<b>₩ 2,669,573</b>

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

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015	
Gross investments in financial lease		₩ 2,632,501		₩ 2,942,098
Net lease investments:				
Present value of minimum lease receipts		2,420,133		2,669,573
Present value of unguaranteed residual value		2,089		2,586
		2,422,222		2,672,159
<b>Unearned interest income</b>		<b>₩ 210,279</b>		<b>₩ 269,939</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### 14 — OPERATING LEASE ASSETS:

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

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015	
Acquisition cost	₩	24,829,330	₩	20,483,754
Accumulated depreciation		(3,360,559)		(2,692,378)
Accumulated impairment loss		(151,511)		(71,770)
	₩	<b>21,317,260</b>	₩	<b>17,719,606</b>

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

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015	
Not later than one year	₩	3,839,810	₩	3,097,758
Later than one year and not later than five years		4,246,435		3,636,986
Later than five years		7		2
	₩	<b>8,086,252</b>	₩	<b>6,734,746</b>

### 15 — BORROWINGS AND DEBENTURES:

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

(In millions of Korean Won)

Description	Lender	Annual interest rate		December 31, 2016	December 31, 2015
		December 31, 2016 (%)			
Overdrafts	Citi Bank and others	0.10-0.87		₩ 223,992	₩ 74,365
General loans	Kookmin Bank and others	0.60-16.00		2,949,149	3,685,555
Loans on trade receivables collateral	Citi Bank and others	LIBOR + 0.17-0.40		1,472,786	1,320,446
Banker's Usance	Kookmin Bank and others	LIBOR + 0.31-0.40		429,493	400,341
Short-term debentures		1.66-1.84		159,890	439,557
Commercial paper	Shinhan Bank and others	0.80-1.89		3,007,411	3,463,901
Asset-backed securities	RBC and others	1.93		517,957	-
				₩ <b>8,760,678</b>	₩ <b>9,384,165</b>

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

(In millions of Korean Won)

Description	Lender	Annual interest rate	December 31, 2016	December 31, 2015
		December 31, 2016 (%)		
General loans	Shinhan Bank and others	0.10~15.40	₩ 6,253,057	₩ 4,553,924
Facility loan	Korea Development Bank and others	1.00~9.20	296,821	347,066
Commercial paper	KTB Investment & Securities and others	1.62~2.00	790,000	-
Asset-backed securities	JP Morgan and others	0.89~1.47	8,595,052	7,055,970
Others	NH Investment & Securities and others		567,125	15,000
			16,502,055	11,971,960
Less: present value discounts			112,050	113,844
Less: current maturities			3,000,022	3,305,494
			<b>₩ 13,389,983</b>	<b>₩ 8,552,622</b>

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

(In millions of Korean Won)

Description	Latest maturity date	Annual interest rate	December 31, 2016	December 31, 2015
		December 31, 2016 (%)		
Guaranteed public debentures	June 8, 2017	4.00	₩ 604,250	₩ 1,172,000
Non-guaranteed public debentures	December 22, 2026	1.44~6.53	22,685,513	22,954,336
Non-guaranteed private debentures	September 27, 2026	1.45~3.00	10,027,427	6,561,168
Asset-backed securities	September 15, 2023	0.66~4.00	15,074,314	13,093,193
			48,391,504	43,780,697
Less: discount on debentures			98,167	90,638
Less: current maturities			11,836,945	7,482,555
			<b>₩ 36,456,392</b>	<b>₩ 36,207,504</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### 16 — PROVISIONS:

(1) Provisions as of December 31, 2016 and 2015 consist of the following:

(In millions of Korean Won)

Description	December 31, 2016	December 31, 2015
Warranty	₩ 5,612,978	₩ 5,639,595
Other long-term employee benefits	641,193	643,274
Others	718,469	459,031
	<b>₩ 6,972,640</b>	<b>₩ 6,741,900</b>

(2) The changes in provisions for the year ended December 31, 2016 are as follows:

(In millions of Korean Won)

Description	Warranty	Other long-term employee benefits	Others
Beginning of the year	₩ 5,639,595	₩ 643,274	₩ 459,031
Charged	1,194,945	77,753	452,471
Utilized	(1,360,774)	(79,824)	(222,819)
Amortization of present value discounts	96,113	-	2,026
Changes in expected reimbursements by third parties	3,087	-	-
Effect of foreign exchange differences	40,012	(10)	27,760
<b>End of the year</b>	<b>₩ 5,612,978</b>	<b>₩ 641,193</b>	<b>₩ 718,469</b>

The changes in provisions for the year ended December 31, 2015 are as follows:

(In millions of Korean Won)

Description	Warranty	Other long-term employee benefits	Others
Beginning of the year	₩ 5,613,785	₩ 674,397	₩ 438,688
Charged	998,395	26,008	204,342
Utilized	(1,130,761)	(57,101)	(166,450)
Amortization of present value discounts	110,134	-	2,856
Changes in expected reimbursements by third parties	40,644	-	-
Effect of foreign exchange differences	7,398	(30)	(20,405)
<b>End of the year</b>	<b>₩ 5,639,595</b>	<b>₩ 643,274</b>	<b>₩ 459,031</b>



## 17 – OTHER FINANCIAL LIABILITIES:

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

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Financial liabilities at FVTPL	₩ 18,068	₩ 21	₩ 37,276	₩ 172
Derivative liabilities that are effective hedging instruments	120,038	23,433	16,180	145,110
Financial lease liabilities	-	-	714	-
Other (*)	-	-	621,267	-
	<b>₩ 138,106</b>	<b>₩ 23,454</b>	<b>₩ 675,437</b>	<b>₩ 145,282</b>

(\*) The Company recognized the gross obligation in respect of the agreement written over the shares of a subsidiary in accordance with K-IFRS 1032 as of December 31, 2015. The agreement has expired as the shareholder of the subsidiary disposed of the residual shares on October 17, 2016.

## 18 – OTHER LIABILITIES:

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

(In millions of Korean Won)

Description	December 31, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Advances received	₩ 604,420	₩ 123,424	₩ 655,727	₩ 103,059
Withholdings	1,240,641	337,667	1,153,527	417,223
Accrued expenses	2,752,047	-	3,051,435	-
Unearned income	299,916	1,114,407	404,359	821,813
Due to customers for contract work	319,801	-	462,675	-
Others	258,081	1,252,167	134,423	1,129,643
	<b>₩ 5,474,906</b>	<b>₩ 2,827,665</b>	<b>₩ 5,862,146</b>	<b>₩ 2,471,738</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### 19 — FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of December 31, 2016 are as follows:

(In millions of Korean Won)

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives desig- nated as hedging instruments	Book value	Fair value
Cash and cash equivalents	₩ -	₩ 7,890,089	₩ -	₩ -	₩ 7,890,089	₩ 7,890,089
Short-term and long-term financial instruments	-	7,461,219	-	-	7,461,219	7,461,219
Trade notes and accounts receivable	-	4,575,657	-	-	4,575,657	4,575,657
Other receivables	-	3,257,612	-	-	3,257,612	3,257,612
Other financial assets	12,559,029	85,560	2,312,733	327,221	15,284,543	15,284,543
Other assets	-	319,930	-	-	319,930	319,930
Financial services receivables	-	51,783,603	-	-	51,783,603	52,203,515
	<b>₩ 12,559,029</b>	<b>₩ 75,373,670</b>	<b>₩ 2,312,733</b>	<b>₩ 327,221</b>	<b>₩ 90,572,653</b>	<b>₩ 90,992,565</b>

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

(In millions of Korean Won)

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

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

(In millions of Korean Won)

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
Trade notes and accounts payable	₩ -	₩ 6,985,942	₩ -	₩ 6,985,942	₩ 6,985,942
Other payables	-	4,969,309	-	4,969,309	4,969,309
Borrowings and debentures	-	73,444,020	-	73,444,020	73,573,334
Other financial liabilities	18,089	-	143,471	161,560	161,560
Other liabilities	-	2,752,118	-	2,752,118	2,752,118
	<b>₩ 18,089</b>	<b>₩ 88,151,389</b>	<b>₩ 143,471</b>	<b>₩ 88,312,949</b>	<b>₩ 88,442,263</b>

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

(In millions of Korean Won)

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

## (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).

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Fair value measurements of financial instruments by fair value hierarchy levels as of December 31, 2016 are as follows:

(In millions of Korean Won)

Description	December 31, 2016			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets at FVTPL	₩ 82,512	₩ 12,476,517	₩ -	₩ 12,559,029
Derivatives designated as hedging instruments	-	327,221	-	327,221
AFS financial assets	1,810,323	244,250	258,160	2,312,733
	<b>₩ 1,892,835</b>	<b>₩ 13,047,988</b>	<b>₩ 258,160</b>	<b>₩ 15,198,983</b>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 18,089	₩ -	₩ 18,089
Derivatives designated as hedging instruments	-	143,471	-	143,471
	<b>₩ -</b>	<b>₩ 161,560</b>	<b>₩ -</b>	<b>₩ 161,560</b>

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

(In millions of Korean Won)

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



The changes in financial instruments classified as Level 3 for the year ended December 31, 2016 are as follows:

(In millions of Korean Won)

Description	Beginning of the year	Purchases	Disposals	Valuation	Transfers	End of the year
AFS financial assets	₩ 232,557	₩ 22,795	₩ (3,783)	₩ 6,591	₩ -	₩ 258,160

The changes in financial instruments classified as Level 3 for the year ended December 31, 2015 are as follows:

(In millions of Korean Won)

Description	Beginning of the year	Purchases	Disposals	Valuation	Transfers	End of the year
AFS financial assets	₩ 247,483	₩ 5,840	₩ (17,929)	₩ (2,837)	₩ -	₩ 232,557

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

(In millions of Korean Won)

Description	2016			2015		
	Interest income	Dividend income	Interest expenses	Interest income	Dividend income	Interest expenses
Non-financial services:						
Loans and receivables	₩ 204,109	₩ -	₩ -	₩ 184,248	₩ -	₩ -
Financial assets (liabilities) at FVTPL	173,485	-	8,572	305,580	-	-
AFS financial assets	-	35,135	-	1,048	13,783	-
Financial liabilities carried at amortized cost	-	-	209,312	-	-	193,689
	<b>₩ 377,594</b>	<b>₩ 35,135</b>	<b>₩ 217,884</b>	<b>₩ 490,876</b>	<b>₩ 13,783</b>	<b>₩ 193,689</b>
Financial services:						
Loans and receivables	₩ 2,977,629	₩ -	₩ -	₩ 2,423,534	₩ -	₩ -
Financial assets at FVTPL	25,371	1,298	-	27,197	1,370	-
AFS financial assets	1,202	4,783	-	1,202	5,533	-
Financial liabilities carried at amortized cost	-	-	1,382,775	-	-	1,301,618
	<b>₩ 3,004,202</b>	<b>₩ 6,081</b>	<b>₩ 1,382,775</b>	<b>₩ 2,451,933</b>	<b>₩ 6,903</b>	<b>₩ 1,301,618</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(5) Financial assets and liabilities subject to offsetting, and financial instruments subject to an enforceable master netting arrangement or similar agreement as of December 31, 2016 consist of the following:

(In millions of Korean Won)

Description	Gross amounts of recognized financial assets and liabilities	Gross amounts of recognized financial assets and liabilities set off in the consolidated statement of financial position	Net amounts of financial assets and liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position - financial instruments	Related amounts not set off in the statement of financial position - collateral received (pledged)	Net amounts
<b>Financial assets:</b>						
Trade notes and accounts receivable	₩ 4,729,796	₩ 154,139	₩ 4,575,657	₩ -	₩ -	₩ 4,575,657
Other receivables	3,540,993	283,381	3,257,612	-	-	3,257,612
Financial assets at FVTPL (*)	107,749	-	107,749	683	-	107,066
Derivative assets that are effective hedging instruments (*)	327,221	-	327,221	92,656	-	234,565
	<b>₩ 8,705,759</b>	<b>₩ 437,520</b>	<b>₩ 8,268,239</b>	<b>₩ 93,339</b>	<b>₩ -</b>	<b>₩ 8,174,900</b>
<b>Financial liabilities:</b>						
Trade notes and accounts payable	₩ 7,280,018	₩ 294,076	₩ 6,985,942	₩ -	₩ -	₩ 6,985,942
Other payables	5,112,753	143,444	4,969,309	-	-	4,969,309
Financial liabilities at FVTPL (*)	18,089	-	18,089	683	-	17,406
Derivative liabilities that are effective hedging instruments (*)	143,471	-	143,471	92,656	-	50,815
	<b>₩ 12,554,331</b>	<b>₩ 437,520</b>	<b>₩ 12,116,811</b>	<b>₩ 93,339</b>	<b>₩ -</b>	<b>₩ 12,023,472</b>

(\*) These are derivative assets and liabilities that the Group may have the right to offset in the event of default, insolvency or bankruptcy of the counterparty although these do not meet the criteria of offsetting under K-IFRS 1032.

Financial assets and liabilities, subject to offsetting, and financial instruments subject to an enforceable master netting arrangement or similar agreement as of December 31, 2015 consist of the following:

(In millions of Korean Won)

Description	Gross amounts of recognized financial assets and liabilities	Gross amounts of recognized financial assets and liabilities set off in the consolidated statement of financial position	Net amounts of financial assets and liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position - financial instruments	Related amounts not set off in the statement of financial position - collateral received (pledged)	Net amounts
Financial assets:						
Trade notes and accounts receivable	₩ 4,662,777	₩ 126,835	₩ 4,535,942	₩ -	₩ -	₩ 4,535,942
Other receivables	3,409,550	237,160	3,172,390	-	-	3,172,390
Financial assets at FVTPL (*)	31,335	-	31,335	8,142	-	23,193
Derivative assets that are effective hedging instruments (*)	220,824	-	220,824	94,642	-	126,182
	<b>₩ 8,324,486</b>	<b>₩ 363,995</b>	<b>₩ 7,960,491</b>	<b>₩ 102,784</b>	<b>₩ -</b>	<b>₩ 7,857,707</b>
Financial liabilities:						
Trade notes and accounts payable	₩ 7,433,110	₩ 351,986	₩ 7,081,124	₩ -	₩ -	₩ 7,081,124
Other payables	4,725,557	12,009	4,713,548	-	-	4,713,548
Financial liabilities at FVTPL (*)	37,448	-	37,448	8,142	-	29,306
Derivative liabilities that are effective hedging instruments (*)	161,290	-	161,290	94,642	-	66,648
	<b>₩ 12,357,405</b>	<b>₩ 363,995</b>	<b>₩ 11,993,410</b>	<b>₩ 102,784</b>	<b>₩ -</b>	<b>₩ 11,890,626</b>

(\*) These are derivative assets and liabilities that the Group may have the right to offset in the event of default, insolvency or bankruptcy of the counterparty although these do not meet the criteria of offsetting under K-IFRS 1032.

(6) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities at FVTPL for the years ended December 31, 2016 and 2015 are, ₩1,773,305 million and ₩1,717,992 million, respectively. In addition, the fee expenses (cost of sales from financial services) occurring from financial assets or liabilities other than financial assets or liabilities at FVTPL for the years ended December 31, 2016 and 2015, are ₩923,515 million and ₩837,455 million, respectively.

(7) 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 year ended December 31, 2016.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

**(8) 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 swaps, is not quoted in the current market, fair value is measured using estimates of similar period of forward exchange rate by applying interpolation method with quoted forward exchange rates.

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

**- Debt instruments including corporate bonds**

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

**- Unlisted equity securities**

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

**(9) 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:**

(In millions of Korean Won)

Description	Fair value at December 31, 2016	Valuation techniques	Unobservable inputs	Range	Description of relationship
Unlisted equity securities	₩ 235,610	Discounted cash flow and others	Sales growth rate	3.0% ~ 3.1%	If the sales growth rate and the pretax operating income ratio rise or the discount rate declines, the fair value increases
			Pre-tax operating income margin	3.87% ~ 3.88%	
			Discount rate	9.41%	



The Group does not expect the changes in unobservable inputs for alternative assumptions that can be applied reasonably to have significant impact on the fair value measurements.

## 20 – CAPITAL STOCK:

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

### (1) Common stock

(In millions of Korean Won, except par value)

Description	December 31, 2016		December 31, 2015	
Issued		220,276,479 shares		220,276,479 shares
Par value		₩ 5,000		₩ 5,000
Capital stock		1,157,982		1,157,982

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

### (2) Preferred stock

(In millions of Korean Won, except par value)

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### 21 — CAPITAL SURPLUS:

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

(In millions of Korean Won)

Description	December 31, 2016	December 31, 2015
Stock paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Others	881,263	199,061
	<b>₩ 4,202,597</b>	<b>₩ 3,520,395</b>

### 22 — OTHER CAPITAL ITEMS:

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

(Number of shares)

Description	December 31, 2016	December 31, 2015
Common stock	13,222,514	13,209,474
1st preferred stock	2,202,059	2,202,059
2nd preferred stock	1,376,138	1,376,138
3rd preferred stock	24,782	24,782

## 23 – ACCUMULATED OTHER COMPREHENSIVE LOSS:

Accumulated other comprehensive loss as of December 31, 2016 and 2015 consists of the following net of tax :

(In millions of Korean Won)

Description	December 31, 2016	December 31, 2015
Gain on valuation of AFS financial assets	₩ 535,812	₩ 784,129
Loss on valuation of AFS financial assets	(241,848)	(339,984)
Gain on valuation of cash flow hedge derivatives	37,966	2,540
Loss on valuation of cash flow hedge derivatives	(34,244)	(33,543)
Gain on share of the other comprehensive income of equity-accounted investees	172,722	245,806
Loss on share of the other comprehensive income of equity-accounted investees	(540,494)	(505,373)
Loss on foreign operations translation, net	(1,153,158)	(1,585,396)
	<b>₩ (1,223,244)</b>	<b>₩ (1,431,821)</b>

## 24 – RETAINED EARNINGS AND DIVIDENDS:

(1) Retained earnings as of December 31, 2016 and 2015 consist of the following:

(In millions of Korean Won)

Description	December 31, 2016	December 31, 2015
Legal reserve (*)	₩ 718,336	₩ 610,380
Discretionary reserve	43,874,647	39,550,647
Unappropriated	19,768,425	19,874,061
	<b>₩ 64,361,408</b>	<b>₩ 60,035,088</b>

(\*) 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(2) The computation of the interim dividends for the year ended December 31, 2016 is as follows:

(In millions of Korean Won, except per share amounts)

Description	Common stock	1st Preferred stock	2st Preferred stock	3rd Preferred stock
Par value per share	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Number of shares issued	220,276,479	25,109,982	37,613,865	2,478,299
Treasury stocks	(13,222,314)	(2,202,059)	(1,376,138)	(24,782)
Shares, net of treasury stocks	207,054,165	22,907,923	36,237,727	2,453,517
Dividends per share	₩ 1,000	₩ 1,000	₩ 1,000	₩ 1,000
Dividend rate	20%	20%	20%	20%
Dividends declared	207,054	22,908	36,238	2,453

The computation of the interim dividends for the year ended December 31, 2015 is as follows:

(In millions of Korean Won, except per share amounts)

Description	Common stock	1st Preferred stock	2st Preferred stock	3rd Preferred stock
Par value per share	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Number of shares issued	220,276,479	25,109,982	37,613,865	2,478,299
Treasury stocks	(13,209,474)	(2,202,059)	(1,376,138)	(24,782)
Shares, net of treasury stocks	207,067,005	22,907,923	36,237,727	2,453,517
Dividends per share	₩ 1,000	₩ 1,000	₩ 1,000	₩ 1,000
Dividend rate	20%	20%	20%	20%
Dividends declared	207,067	22,908	36,238	2,453



## (3) The computation of the proposed dividends for the year ended December 31, 2016 is as follows:

(In millions of Korean Won, except per share amounts)

Description	Common stock	1st Preferred stock	2st Preferred stock	3rd Preferred stock
Par value per share	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Number of shares issued	220,276,479	25,109,982	37,613,865	2,478,299
Treasury stocks	(13,222,514)	(2,202,059)	(1,376,138)	(24,782)
Shares, net of treasury stocks	207,053,965	22,907,923	36,237,727	2,453,517
Dividends per share	₩ 3,000	₩ 3,050	₩ 3,100	₩ 3,050
Dividend rate	60%	61%	62%	61%
Dividends declared	621,162	69,869	112,337	7,483

## The computation of the dividends for the year ended December 31, 2015 is as follows:

(In millions of Korean Won, except per share amounts)

Description	Common stock	1st Preferred stock	2st Preferred stock	3rd Preferred stock
Par value per share	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Number of shares issued	220,276,479	25,109,982	37,613,865	2,478,299
Treasury stocks	(13,209,474)	(2,202,059)	(1,376,138)	(24,782)
Shares, net of treasury stocks	207,067,005	22,907,923	36,237,727	2,453,517
Dividends per share	₩ 3,000	₩ 3,050	₩ 3,100	₩ 3,050
Dividend rate	60%	61%	62%	61%
Dividends declared	621,201	69,869	112,337	7,483

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### 25 — SALES:

Sales for the years ended December 31, 2016 and 2015 consist of the following:

(In millions of Korean Won)

Description	2016	2015
Sales of goods	₩ 78,607,348	₩ 77,530,557
Rendering of services	1,422,296	1,342,227
Royalties	215,616	211,991
Financial services revenue	10,062,030	9,311,399
Revenue related to construction contracts	2,934,765	3,250,166
Others	406,969	312,396
	<b>₩ 93,649,024</b>	<b>₩ 91,958,736</b>

### 26 — SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2016 and 2015 consist of the following:

(In millions of Korean Won)

Description	2016	2015
Selling expenses:		
Export expenses	₩ 726,124	₩ 857,364
Overseas market expenses	422,993	299,338
Advertisements and sales promotion	2,233,095	2,071,836
Sales commissions	625,620	664,345
Expenses for warranties	1,419,579	1,223,492
Transportation expenses	245,741	254,468
	5,673,152	5,370,843
Administrative expenses:		
Payroll	2,558,476	2,558,891
Postemployment benefits	174,834	188,998
Welfare expenses	414,757	409,205
Service charges	1,231,608	1,183,696
Research	1,019,188	929,280
Others	1,423,789	1,258,621
	6,822,652	6,528,691
	<b>₩ 12,495,804</b>	<b>₩ 11,899,534</b>

## 27 – GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain on investments in joint ventures and associates for the years ended December 31, 2016 and 2015 consist of the following:

(In millions of Korean Won)

Description	2016	2015
Gain on share of earnings of equity-accounted investees, net	₩ 1,728,427	₩ 1,887,343
Gain on disposals of investments in associates, net	1,020	43,332
	<b>₩ 1,729,447</b>	<b>₩ 1,930,675</b>

## 28 – FINANCE INCOME AND EXPENSES:

(1) Finance income for the years ended December 31, 2016 and 2015 consists of the following:

(In millions of Korean Won)

Description	2016	2015
Interest income	₩ 377,594	₩ 490,876
Gain on foreign exchange transactions	186,418	139,839
Gain on foreign currency translation	154,143	162,561
Dividend income	35,135	13,783
Gain on valuation of derivatives	77,905	18,264
Gain on disposal of AFS financial assets and others	280,043	6,053
	<b>₩ 1,111,238</b>	<b>₩ 831,376</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(2) Finance expenses for the years ended December 31, 2016 and 2015 consist of the following:

(In millions of Korean Won)

Description	2016	2015
Interest expenses	₩ 272,133	₩ 259,210
Loss on foreign exchange transactions	172,918	158,739
Loss on foreign currency translation	134,088	245,881
Loss on valuation of derivatives	60,420	35,447
Impairment loss on AFS financial assets	7,629	8,056
Loss on disposal of AFS financial assets and others	30,849	6,119
	<b>₩ 678,037</b>	<b>₩ 713,452</b>

## 29 – OTHER INCOME AND EXPENSES:

(1) Other income for the years ended December 31, 2016 and 2015 consists of the following:

(In millions of Korean Won)

Description	2016	2015
Gain on foreign exchange transactions	₩ 391,533	₩ 419,989
Gain on foreign currency translation	219,642	183,769
Gain on disposals of PP&E	37,269	26,873
Commission income	125,275	93,527
Rental income	80,495	78,231
Others	323,673	452,716
	<b>₩ 1,177,887</b>	<b>₩ 1,255,105</b>



## (2) Other expenses for the years ended December 31, 2016 and 2015 consist of the following:

(In millions of Korean Won)

Description	2016	2015
Loss on foreign exchange transactions	₩ 407,891	₩ 497,234
Loss on foreign currency translation	141,602	209,510
Loss on disposals of PP&E	143,734	41,866
Impairment loss on non-current assets classified as held for sale	18,575	-
Donations	75,802	66,242
Others	439,359	387,385
	<b>₩ 1,226,963</b>	<b>₩ 1,202,237</b>

## 30 — EXPENSES BY NATURE:

Expenses by nature for the years ended December 31, 2016 and 2015 consist of the following:

(In millions of Korean Won)

Description	2016	2015
Changes in inventories	₩ (1,092,520)	₩ (1,383,452)
Raw materials and merchandise used	52,101,673	52,095,371
Employee benefits	8,877,589	8,846,227
Depreciation	2,164,635	1,972,727
Amortization	1,194,191	821,307
Others	26,436,919	24,450,887
Total (*)	<b>₩ 89,682,487</b>	<b>₩ 86,803,067</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### 31 — EARNINGS PER COMMON STOCK AND PREFERRED STOCK:

Basic earnings per common stock and preferred stock are computed by dividing profit available to common stock and preferred stock by the weighted-average number of common stock and preferred stock outstanding during the year. The Group does not compute diluted earnings per common stock for the years ended December 31, 2016 and 2015, since there are no dilutive items during the years.

Basic earnings per common stock and preferred stock for the years ended December 31, 2016 and 2015 are computed as follows:

(In millions of Korean Won, except per share amounts)

Description	December 31, 2016			December 31, 2015		
	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share
Common stock	₩ 4,163,029	206,935,279	₩ 20,118	₩ 4,942,188	207,125,425	₩ 23,861
1st Preferred stock (*2)	461,733	22,907,923	20,156	547,902	22,916,252	23,909
2nd Preferred stock	732,220	36,237,727	20,206	868,531	36,249,753	23,960
3rd Preferred stock	49,453	2,453,517	20,156	58,682	2,454,252	23,910

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

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

### 32 — INCOME TAX EXPENSE:

(1) Income tax expense for the years ended December 31, 2016 and 2015 consist of the following:

(In millions of Korean Won)

Description	2016	2015
Income tax currently payable	₩ 1,710,846	₩ 1,935,345
Adjustments recognized in the current year in relation to the prior years	(96,908)	65,177
Changes in deferred taxes due to:		
Temporary differences	889,259	781,973
Tax credits and deficits	(876,908)	(690,225)
Items directly charged to equity	40,929	3,874
Income tax payable directly charged to equity	(14,337)	-
Effect of foreign exchange differences	(65,462)	(145,936)
<b>Income tax expense</b>	<b>₩ 1,587,419</b>	<b>₩ 1,950,208</b>

(2) The reconciliation from income before income tax to income tax expense pursuant to Corporate Income Tax Law of Korea for the years ended December 31, 2016 and 2015 is as follows:

(In millions of Korean Won)

Description	2016	2015
Income before income tax	₩ 7,307,072	₩ 8,459,373
Income tax expense calculated at current applicable tax rates of 25.9% in 2016 and 25.1% in 2015	1,896,019	2,123,326
Adjustments:		
Non-taxable income	(45,614)	(69,066)
Disallowed expenses	104,221	100,318
Tax credits	(472,915)	(513,593)
Others	105,708	309,223
	(308,600)	(173,118)
<b>Income tax expense</b>	<b>₩ 1,587,419</b>	<b>₩ 1,950,208</b>
<b>Effective tax rate</b>	<b>21.7%</b>	<b>23.1%</b>

(3) The changes in deferred tax assets (liabilities) for the year ended December 31, 2016 are as follows:

(In millions of Korean Won)

Description	Beginning of the year	Changes	End of the year
Provisions	₩ 1,939,888	₩ 66,283	₩ 2,006,171
AFS financial assets	(359,803)	173,220	(186,583)
Subsidiaries, associates and joint ventures	(1,306,562)	(187,705)	(1,494,267)
Reserve for research and manpower development	(158,628)	77,770	(80,858)
Derivatives	12,447	(24,593)	(12,146)
PP&E	(5,795,677)	(961,620)	(6,757,297)
Accrued income	59,550	38,906	98,456
Gain (loss) on foreign currency translation	(428)	1,002	574
Others	193,188	(72,522)	120,666
	(5,416,025)	(889,259)	(6,305,284)
Accumulated deficit and tax credit carryforward	1,922,924	876,908	2,799,832
<b></b>	<b>₩ (3,493,101)</b>	<b>₩ (12,351)</b>	<b>₩ (3,505,452)</b>

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The changes in deferred tax assets (liabilities) for the year ended December 31, 2015 are as follows:

(In millions of Korean Won)

Description	Beginning of the year	Changes	End of the year
Provisions	₩ 1,844,534	₩ 95,354	₩ 1,939,888
AFS financial assets	(307,575)	(52,228)	(359,803)
Subsidiaries, associates and joint ventures	(1,329,594)	23,032	(1,306,562)
Reserve for research and manpower development	(233,309)	74,681	(158,628)
Derivatives	22,095	(9,648)	12,447
PP&E	(4,750,382)	(1,045,295)	(5,795,677)
Accrued income	(3,020)	62,570	59,550
Gain (loss) on foreign currency translation	(2,547)	2,119	(428)
Others	125,746	67,442	193,188
	(4,634,052)	(781,973)	(5,416,025)
Accumulated deficit and tax credit carryforward	1,232,699	690,225	1,922,924
	<b>₩ (3,401,353)</b>	<b>₩ (91,748)</b>	<b>₩ (3,493,101)</b>

(4) The components of items charged to equity for the years ended December 31, 2016 and 2015 are as follows:

(In millions of Korean Won)

Description	2016	2015
Income tax payable directly charged to equity:		
Gain on disposals of treasury stock, net	₩ (14,337)	₩ -
Deferred tax charged or credited to:		
Loss on valuation of AFS financial assets, net	47,822	19,484
Gain on valuation of cash flow hedge derivatives, net	(11,804)	(2,612)
Remeasurements of defined benefit plans	407	(12,988)
Changes in retained earnings of equity-accounted investees	(113)	1,004
Changes in share of the other comprehensive income of equity-accounted investees	4,617	(1,014)
	<b>₩ 40,929</b>	<b>₩ 3,874</b>

(5) The temporary differences not recognized as deferred tax liabilities related to subsidiaries, associates and joint ventures are ₩8,324,109 million and ₩7,629,969 million as of December 31, 2016 and 2015, respectively.

### 33 – RETIREMENT BENEFIT PLAN:

(1) Expenses recognized in relation to defined contribution plans for the years ended December 31, 2016 and 2015 are as follows:

(In millions of Korean Won)

Description	2016	2015
Paid-in cash	₩ 7,605	₩ 6,716
Recognized liability	873	643
	<b>₩ 8,478</b>	<b>₩ 7,359</b>

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

Description	December 31, 2016	December 31, 2015
Discount rate	3.42%	3.30%
Rate of expected future salary increase	4.21%	4.34%

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

(3) The amounts recognized in the consolidated statements of financial position related to defined benefit plans as of December 31, 2016 and 2015 consist of the following:

(In millions of Korean Won)

Description	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	₩ 4,937,999	₩ 4,464,399
Fair value of plan assets	(4,449,721)	(3,859,966)
	<b>₩ 488,278</b>	<b>₩ 604,433</b>
Net defined benefit liabilities	492,173	604,433
Net defined benefit assets	(3,895)	-



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### (4) Changes in net defined benefit assets and liabilities for the year ended December 31, 2016 are as follows:

(In millions of Korean Won)

Description	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Beginning of the year	₩ 4,464,399	₩ (3,859,966)	₩ 604,433
Current service cost	543,176	-	543,176
Interest expenses (income)	123,981	(113,943)	10,038
	5,131,556	(3,973,909)	1,157,647
Remeasurements:			
Return on plan assets	-	19,254	19,254
Actuarial gains and losses arising from changes in demographic assumptions	(16,177)	-	(16,177)
Actuarial gains and losses arising from changes in financial assumptions	38,115	-	38,115
Actuarial gains and losses arising from experience adjustments and others	(37,219)	-	(37,219)
	(15,281)	19,254	3,973
Contributions	-	(646,097)	(646,097)
Benefits paid	(197,888)	158,359	(39,529)
Transfers in (out)	2,246	(844)	1,402
Effect of foreign exchange differences and others	17,366	(6,484)	10,882
<b>End of the year</b>	<b>₩ 4,937,999</b>	<b>₩ (4,449,721)</b>	<b>₩ 488,278</b>

Changes in net defined benefit assets and liabilities for the year ended December 31, 2015 are as follows:

(In millions of Korean Won)

Description	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Beginning of the year	₩ 4,065,742	₩ (3,471,803)	₩ 593,939
Current service cost	528,837	-	528,837
Interest expenses (income)	141,410	(120,076)	21,334
Past service cost	(10,878)	-	(10,878)
	4,725,111	(3,591,879)	1,133,232
<b>Remeasurements:</b>			
Return on plan assets	-	38,721	38,721
Actuarial gains and losses arising from changes in demographic assumptions	(6,022)	-	(6,022)
Actuarial gains and losses arising from changes in financial assumptions	(104,927)	-	(104,927)
Actuarial gains and losses arising from experience adjustments and others	(9,430)	-	(9,430)
	(120,379)	38,721	(81,658)
Contributions	-	(405,286)	(405,286)
Benefits paid	(167,146)	111,192	(55,954)
Transfers in (out)	1,502	(642)	860
Effect of foreign exchange differences and others	25,311	(12,072)	13,239
<b>End of the year</b>	<b>₩ 4,464,399</b>	<b>₩ (3,859,966)</b>	<b>₩ 604,433</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(5) The sensitivity analysis below has been determined based on reasonably possible changes of the significant assumptions as of December 31, 2016 and 2015, while holding all other assumptions constant.

(In millions of Korean Won)

Description	Effect on the net defined benefit liabilities			
	December 31, 2016		December 31, 2015	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Discount rate	₩ (638,427)	₩ 763,768	₩ (462,501)	₩ 547,097
Rate of expected future salary increase	730,367	(623,622)	516,496	(445,322)

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

(In millions of Korean Won)

Description	December 31, 2016	December 31, 2015
Insurance instruments	₩ 4,192,438	₩ 3,616,437
Debt instruments	111,003	98,586
Others	146,280	144,943
	<b>₩ 4,449,721</b>	<b>₩ 3,859,966</b>

## 34 — CASH GENERATED FROM OPERATIONS:

(1) Cash generated from operations for the years ended December 31, 2016 and 2015 are as follows:

(In millions of Korean Won)

Description	2016	2015
Profit for the year	₩ 5,719,653	₩ 6,509,165
Adjustments:		
Post-employment benefits	554,087	539,936
Depreciation	2,164,635	1,972,727
Amortization of intangible assets	1,194,191	821,307
Provision for warranties	1,194,945	998,395
Income tax expense	1,587,419	1,950,208
(Gain) loss on foreign currency translation, net	(98,095)	109,061
Loss on disposals of PP&E, net	106,465	14,993
Interest income, net	(105,461)	(231,666)
Gain on disposals of AFS financial assets, net	(254,372)	(3,831)
Gain on share of earnings of equity-accounted investees, net	(1,728,427)	(1,887,343)
Gain on disposals of investments in associates, net	(1,020)	(43,332)
Cost of sales from financial services, net	5,816,431	4,841,387
Others	734,547	413,967
	11,165,345	9,495,809
Changes in operating assets and liabilities:		
Decrease (increase) in trade notes and accounts receivable	199,488	(801,982)
Decrease (increase) in other receivables	438,498	(12,056)
(Increase) decrease in other financial assets	(616,763)	217,030
Increase in inventories	(1,324,465)	(1,999,181)
Decrease (increase) in other assets	109,288	(295,817)
(Decrease) increase in trade notes and accounts payable	(380,363)	240,497
Increase (decrease) in other payables	680,435	(243,701)
Increase in other liabilities	82,012	1,806,477
Decrease in other financial liabilities	(5,365)	(12,502)
Changes in net defined benefit liabilities	(635,898)	(394,928)
Payment of severance benefits	(39,529)	(55,954)
Decrease in provisions	(1,663,417)	(1,354,312)
Changes in financial services receivables	(3,877,597)	(4,292,338)
Increase in operating lease assets	(6,509,766)	(6,314,151)
Others	(21,686)	15,500
	(13,565,128)	(13,497,418)
<b>Cash generated from operations</b>	<b>₩ 3,319,870</b>	<b>₩ 2,507,556</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(2) Major non-cash transactions not stated on the consolidated statements of cash flows from investing and financing activities for the years ended December 31, 2016 and 2015 are as follows:

(In millions of Korean Won)

Description	2016	2015
Reclassification of the current portion of long-term debt and debentures	₩ 14,836,967	₩ 10,788,049
Reclassification of construction-in-progress to PP&E	2,756,771	8,589,042
Reclassification of construction-in-progress to intangible assets	168,707	61,106

### 35 — RISK MANAGEMENT:

#### (1) Capital risk management

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

(In millions of Korean Won)

Description	December 31, 2016	December 31, 2015
Total liabilities	₩ 106,491,350	₩ 98,486,545
Total equity	72,344,578	66,881,401
Debt-to-equity ratio	147.2%	147.3%

#### (2) Financial risk management

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

##### 1) Market risk

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



## a) Foreign exchange risk management

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

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

The Group's sensitivity to a 5% change in exchange rate of the functional currency against each foreign currency on income before income tax as of December 31, 2016 would be as follows:

(In millions of Korean Won)

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
USD	₩ (23,673)	₩ 23,673
EUR	(36,244)	36,244
JPY	(8,381)	8,381

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 December 31, 2016 would be as follows:

(In millions of Korean Won)

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
Cash and cash equivalents	₩ 14,959	₩ (14,959)
Financial assets at FVTPL	(5,257)	5,492
Short-term and long-term financial instruments	6,949	(6,949)
Borrowings and debentures	(133,632)	133,632
Financial liabilities at FVTPL	8,643	(8,643)

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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 December 31, 2016 and 2015, the amounts of interest rate risk measured at VaR are ₩180,341 million and ₩131,521 million, respectively.

### c) Equity price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of December 31, 2016, the amounts of held for trading equity instruments and AFS equity instruments measured at fair value are ₩82,512 million and ₩2,045,933 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 December 31, 2016 is as follows:

(In millions of Korean Won)

Description	Remaining contract period			Total
	Not later than one year	Later than one year and not later than five years	Later than five years	
Non-interest-bearing liabilities	₩ 14,684,783	₩ 23,214	₩ 707	₩ 14,708,704
Interest-bearing liabilities	24,829,961	49,339,678	2,427,284	76,596,923
Financial guarantee	1,267,298	39,375	24,873	1,331,546

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

**(3) Derivative instrument**

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

As of December 31, 2016 and 2015, the Group deferred a net profit of ₩3,722 million and a net loss of ₩31,003 million, respectively, in accumulated other comprehensive loss, on its effective cash flow hedging instruments.

The longest period in which the forecasted transactions are expected to occur is within 62 months as of December 31, 2016.

For the years ended December 31, 2016 and 2015, the Group recognizes a net profit of ₩214,125 million and ₩226,254 million in profit or loss (before tax), respectively, which resulted from the ineffective portion of its cash flow hedging instruments and changes in the valuation of its other non-hedging derivative instruments.

**36 — RELATED-PARTY TRANSACTIONS:**

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

**(1) For the year ended December 31, 2016, significant transactions arising from operations between the Group and related parties or affiliates by the Monopoly Regulation and Fair Trade Act of the Republic of Korea (“the Act”) are as follows:**

(In millions of Korean Won)

Description	Sales/proceeds		Purchases/expenses	
	Sales	Others	Purchases	Others
Entity with significant influence over the Company and its subsidiaries				
Hyundai MOBIS Co., Ltd.	₩ 924,980	₩ 9,051	₩ 4,541,726	₩ 25,424
Mobis Alabama, LLC	54,191	4,125	1,371,530	10,092
Mobis Automotive Czech s.r.o.	3	448	1,604,304	210
Mobis India, Ltd.	47,765	2,039	1,029,460	2,104
Mobis Parts America, LLC	35,198	3,587	751,418	1,037
Mobis Parts Europe N.V.	13,448	8,743	310,899	31
Mobis Brasil Fabricacao De Auto Pecas Ltda	4,160	-	247,829	-
Mobis Module CIS, LLC	314	302	225,395	-
Others	34,058	2,136	720,424	3,140
Joint ventures and associates				
Kia Motors Corporation	978,230	634,883	144,926	276,581
Kia Motors Manufacturing Georgia, Inc.	738,506	2,010	2,671,999	3,596
Kia Motors Russia LLC	883,858	27	645	-
Kia Motors Slovakia s.r.o.	111,846	9,323	803,184	34
BHMC	1,454,281	81,286	233	-
HMGC	12,300	41	1,027	3,371
Hyundai WIA Corporation	203,546	67,005	974,723	4,715
Others	452,843	41,769	2,607,397	2,090,566
Other related parties	2,055	3,131	37	-
Affiliates by the Act	790,839	118,829	5,546,570	1,703,170

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For the year ended December 31, 2015, significant transactions arising from operations between the Group and related parties or affiliates by the Act are as follows:

(In millions of Korean Won)

Description	Sales/proceeds		Purchases/expenses	
	Sales	Others	Purchases	Others
Entity with significant influence over the Company and its subsidiaries				
Hyundai MOBIS Co., Ltd.	₩ 873,125	₩ 8,078	₩ 4,727,243	₩ 51,413
Mobis Alabama, LLC	25,006	5,002	1,310,017	2,409
Mobis Automotive Czech s.r.o.	36	449	1,327,874	7,717
Mobis India, Ltd.	39,745	2,153	917,674	1,436
Mobis Parts America, LLC	32,070	6,654	648,333	1,844
Mobis Parts Europe N.V.	7,711	4,988	272,042	11
Mobis Brasil Fabricacao De Auto Pecas Ltda	3,111	-	254,439	-
Mobis Module CIS, LLC	318	300	177,229	19
Others	60,623	46,699	701,184	22,356
Joint ventures and associates				
Kia Motors Corporation	981,481	609,397	150,072	339,034
Kia Motors Manufacturing Georgia, Inc.	676,338	1,366	2,684,112	6,318
Kia Motors Russia LLC	792,016	-	-	1
Kia Motors Slovakia s.r.o.	119,380	20,281	753,421	231
BHMC	1,173,068	64,294	989	-
HMGC	187,526	5	1,868	3,010
Hyundai WIA Corporation	262,162	1,038	1,037,650	541
Hyundai HYSCO Co., Ltd.	8,372	770	6,855	-
Others	543,687	38,125	2,772,084	1,913,271
Other related parties	2,543	1,519	-	-
Affiliates by the Act	1,013,786	70,048	5,065,433	1,748,507

(2) As of December 31, 2016, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows:

(In millions of Korean Won)

Description	Receivables		Payables	
	Trade notes and accounts receivable	Other receivables and others	Trade notes and accounts payable	Other payables and others
Entity with significant influence over the Company and its subsidiaries				
Hyundai MOBIS Co., Ltd.	₩ 182,335	₩ 20,482	₩ 844,228	₩ 176,459
Mobis Alabama, LLC	44	8,254	91,761	-
Mobis Automotive Czech s.r.o.	40	691	135,290	-
Mobis India, Ltd.	325	16,733	127,908	5
Mobis Parts America, LLC	5,250	168	64,287	2,369
Mobis Parts Europe N.V.	10,576	1,812	40,473	-
Mobis Module CIS, LLC	-	74	26,611	-
Others	19,378	181	63,496	3,786
Joint ventures and associates				
Kia Motors Corporation	247,612	319,371	44,337	115,044
Kia Motors Manufacturing Georgia, Inc.	52,670	9,936	150,402	7,395
Kia Motors Russia LLC	103,534	1	-	-
Kia Motors Slovakia s.r.o.	7,554	1,264	49,762	169
Kia Motors America, Inc.	-	115,296	79	20,758
BHMC	280,352	43,284	-	11,329
HMGC	-	48	-	1,164
Hyundai WIA Corporation	40,008	55,003	151,169	84,713
Others	157,606	88,864	389,176	670,383
Other related parties	456	474	9	-
Affiliates by the Act	197,930	869,441	914,777	383,664



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As of December 31, 2015, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows:

(In millions of Korean Won)

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

**(3) Significant fund transactions and equity contribution transactions for the year ended December 31, 2016, between the Group and related parties are as follows:**

(In thousands of U.S. Dollars, Chinese Yuan) (In millions of Korean Won)

Description	Loans		Borrowings		Acquisition	Equity contribution
	Lending	Collection	Borrowing	Repayment		
Entities with significant influence over the Company and its subsidiaries	-	\$ 140,000	-	-	-	-
Joint ventures and associates	¥ 350,000	-	-	-	\$ 19,181	₩ 431,517

Significant fund transactions and equity contribution transactions for the year ended December 31, 2015, between the Group and related parties are as follows:

(In thousands of U.S. Dollars) (In millions of Korean Won)

Description	Loans		Borrowings		Acquisition	Equity contribution
	Lending	Collection	Borrowing	Repayment		
Entities with significant influence over the Company and its subsidiaries	-	\$ 60,000	-	-	-	-
Joint ventures and associates	-	-	-	-	-	₩ 366,439

For the years ended December 31, 2016 and 2015, the Group received dividends of ₩897,954 million and ₩1,140,434 million from related parties, respectively and paid dividends of ₩248,840 million and ₩271,316 million to related parties, respectively. During 2016, the Group traded in other financial assets and others of ₩2,584,890 million with HMC Investment Securities Co., Ltd., an associate of the Group. The Group has other financial assets of ₩1,774,980 million in the consolidated statements of financial position as of December 31, 2016.

**(4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the years ended December 31, 2016 and 2015 are as follows:**

(In millions of Korean Won)

Description	2016	2015
Short-term employee salaries	₩ 190,413	₩ 198,063
Post-employment benefits	37,820	37,888
Other long-term benefits	490	510
	<b>₩ 228,723</b>	<b>₩ 236,461</b>

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### 37 — COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2016 the debt guarantees provided by the Group, excluding the ones provided to the Company's subsidiaries are as follows:

(In millions of Korean Won)

Description	Domestic	Overseas (*)
To associates	₩ 1,327	₩ 35,167
To others	12,362	1,312,993
	<b>₩ 13,689</b>	<b>₩ 1,348,160</b>

(\*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of December 31, 2016.

(2) As of December 31, 2016, the Group is involved in domestic and foreign lawsuits as a defendant. In addition, the Group is involved in lawsuits for product liabilities and others. The Group obtains insurance for potential losses, which may result from product liabilities and other lawsuits. Meanwhile, as of December 31, 2016, the Group is currently involved in lawsuits for ordinary wage, which involves disputes over whether certain elements of remuneration are included in the earnings used for the purposes of calculating overtime, allowances for unused annual paid leave and retirement benefits, and unable to estimate the outcome or the potential consolidated financial impact.

(3) As of December 31, 2016, a substantial portion of the Group's PP&E is pledged as collateral for various loans and leasehold deposits up to ₩795,267 million. In addition, the Group pledged certain bank deposits, checks, promissory notes and investment securities, including 213,466 shares of Kia Motors Corporation, as collateral to financial institutions and others. Certain receivables held by the Company's foreign subsidiaries, such as financial services receivables are pledged as collateral for their borrowings.

(4) As of December 31, 2016, the Group has overdrafts, general loans, and trade-financing agreements with numerous financial institutions, including Kookmin Bank, with a combined limit of up to USD 21,700 million, and ₩5,523,800 million of Korean Won.

### 38 — SEGMENT INFORMATION:

(1) The Group has a vehicle segment, a finance segment and other segments. The vehicle segment is engaged in the manufacturing and sale of motor vehicles. The finance segment operates vehicle financing, credit card processing and other financing activities. Other segments include the R&D, train manufacturing and other activities, which cannot be classified in the vehicle segment or in the finance segment.

## (2) Sales and operating income by operating segments for the years ended December 31, 2016 and 2015 are as follows:

(In millions of Korean Won)

For the year ended December 31, 2016					
	Vehicle	Finance	Others	Consolidation adjustments	Total
Total sales	₩ 109,939,363	₩ 14,338,675	₩ 8,100,575	₩ (38,729,589)	₩ 93,649,024
Inter-company sales	(37,255,793)	(286,843)	(1,186,953)	38,729,589	-
Net sales	72,683,570	14,051,832	6,913,622	-	93,649,024
Operating income	3,481,150	703,212	574,808	434,330	5,193,500

(In millions of Korean Won)

For the year ended December 31, 2015					
	Vehicle	Finance	Others	Consolidation adjustments	Total
Total sales	₩ 107,818,185	₩ 12,685,655	₩ 7,914,529	₩ (36,459,633)	₩ 91,958,736
Inter-company sales	(35,138,507)	(249,562)	(1,071,564)	36,459,633	-
Net sales	72,679,678	12,436,093	6,842,965	-	91,958,736
Operating income	5,142,317	914,982	117,730	182,877	6,357,906

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(3) Assets and liabilities by operating segments for the years ended December 31, 2016 and 2015 are as follows:

(In millions of Korean Won)

	As of December 31, 2016				
	Vehicle	Finance	Others	Consolidation adjustments	Total
Total assets	₩ 100,011,029	₩ 84,586,904	₩ 7,882,397	₩ (13,644,402)	₩ 178,835,928
Total liabilities	36,631,454	74,467,009	4,877,520	(9,484,633)	106,491,350
Borrowings and debentures	7,244,070	66,007,607	2,856,737	(2,664,394)	73,444,020

(In millions of Korean Won)

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

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

(In millions of Korean Won)

	For the year ended December 31, 2016						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
Total sales	₩ 53,122,501	₩ 39,147,944	₩ 8,017,997	₩ 29,966,102	₩ 2,124,069	₩ (38,729,589)	₩ 93,649,024
Inter-company sales	(15,040,163)	(7,920,660)	(401,243)	(15,365,951)	(1,572)	38,729,589	-
Net sales	38,082,338	31,227,284	7,616,754	14,600,151	2,122,497	-	93,649,024



(In millions of Korean Won)

	For the year ended December 31, 2015						Total
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	
Total sales	₩ 55,909,081	₩ 36,394,997	₩ 7,434,827	₩ 26,619,037	₩ 2,060,427	₩ (36,459,633)	₩ 91,958,736
Inter-company sales	(15,241,648)	(7,267,377)	(348,372)	(13,601,572)	(664)	36,459,633	-
Net sales	40,667,433	29,127,620	7,086,455	13,017,465	2,059,763	-	91,958,736

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

(In millions of Korean Won)

Description	December 31, 2016	December 31, 2015
Korea	₩ 28,390,134	₩ 27,735,116
North America	2,415,983	2,358,588
Asia	1,046,491	1,153,577
Europe	2,011,233	1,864,713
Others	489,727	294,438
	34,353,568	33,406,432
Consolidation adjustments	(150,009)	(117,993)
<b>Total (*)</b>	<b>₩ 34,203,559</b>	<b>₩ 33,288,439</b>

(\*) Sum of PP&amp;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 years ended December 31, 2016 and 2015.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

### 39 – CONSTRUCTION CONTRACTS:

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

(In millions of Korean Won)

Description	December 31, 2016	December 31, 2015
Accumulated accrual cost	₩ 10,871,107	₩ 9,774,231
Accumulated income	984,358	961,631
Accumulated construction in process	11,855,465	10,735,862
Progress billing	10,954,684	9,361,257
Due from customers	1,220,582	1,837,280
Due to customers	319,801	462,675
Reserve (*)	62,090	54,472

(\*) 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, a subsidiary of the Company, as of December 31, 2016 are as follows:

(In millions of Korean Won)

Description	December 31, 2016
Changes in accounting estimates of total contract revenue	₩ 96,592
Changes in accounting estimates of total contract costs	261,317
Effects on profit or loss of current period	(33,677)
Effects on profit or loss of future periods	(131,048)
Changes in due from customers	(44,966)
Provision for construction losses	77,721

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

(3) There is no contract more than 5% of the Group's revenue in the prior period that is recognized in the current period by the stage of completion method for basis of the percentage of total costs incurred to date bear to the estimated total contract costs instruments for the years ended December 31, 2016.

#### 40 — BUSINESS COMBINATIONS:

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

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

(In millions of Korean Won)

Description	Amounts
Considerations transferred	₩ 22,340
Assets acquired:	
Current assets	466
Non-current assets	21,874
Fair value of identifiable net assets	22,340
<b>Goodwill</b>	-

The Group recognized no sales and incurred net loss of ₩389 million arising from the acquisition for the year ended December 31, 2016.

## MILESTONES OF HMC

Hyundai Motor has been a recognized leader in the development of the automobile industry in South Korea and the world since its establishment in 1967. We will continue to blaze new, exciting, and innovative trails over the next half-century.

**1967**

+ Incorporation of Hyundai Motor Company

**1968**

+ Completion of Ulsan assembly plant  
+ Mass production of Cortina begins

**1976**

+ Launch of Hyundai Pony, the first Korean passenger car  
+ First export of Pony to Ecuador

**1983**

+ Incorporation of the Canadian subsidiary HMC

**1985**

+ Launch of Excel  
+ Incorporation of the U.S. subsidiary HMA  
+ Launch of 1st generation Sonata

**1986**

+ Exports of Excel to the U.S. begin  
+ Launch of Azera (Grandeur),  
Hyundai Motor's large-size luxury car

**1987**

+ Excel is the best selling imported compact car in the U.S. for 3 consecutive years

**1988**

+ Launch of Sonata, Hyundai Motor's midsize luxury sedan

**1989**

+ Overseas exports of Excel surpass 1 million units

1967-1989



**1990**

- + Launch of Elantra and Scoupe

**1991**

- + Developed Alpha engine, the 1st engine created in Korea
- + Launch of Galloper
- + Developed Sonata EV

**1992**

- + Unveiling of HCD-1, Korea's 1st concept car
- + Cumulative production surpasses 5 million units

**1993**

- + Launch of Sonata II

**1994**

- + Launch of Accent (Verna)
- + Annual production surpasses 1 million units

**1995**

- + Launch of Elantra
- + Completion of Jeonju commercial vehicle manufacturing plant
- + Hyundai Motor Europe Technical Center GmbH (HMETC) opens

**1996**

- + Inauguration of the Namyang Technology Research Center
- + Cumulative production surpasses 10 million units

**1997**

- + Epsilon engine independently developed
- + Inauguration of the Turkey Plant / Asan Plant

**1998**

- + Independently developed world-class, high performance V6 Delta engine
- + Launch of Azera (Grandeur) XG and EF Sonata
- + Inauguration of the India Plant
- + Acquisition of Kia Motors

**1999**

- + Launch of Centennial (Equus)
- + Developed Korea's 1st automotive fuel cell battery

**2000**

- + Launch of Santa Fe and new Elantra
- + Developed Korea's 1st passenger diesel engine and large commercial engine
- + Debut of the four mid-sized and large bus models

**2001**

- + Production of Beta engine surpasses 1 million units
- + Unveiling of Korea's 1st fuel cell electric vehicle, Santa Fe
- + Establishment of Hyundai European Design Center

**2002**

- + Cumulative production at Asan Plant surpasses 1 million unit
- + Official sponsor of the 2002 FIFA World Cup Korea /Japan
- + Production of Sonata begins in China

**2003**

- + Inauguration of the California Design & Technical Center
- + Production of Elantra surpasses 2 million units
- + Global Environmental Management proclamation
- + Inauguration of the Europe Technical Center
- + Inauguration of the Namyang Design Center
- + Annual exports surpass 1 million units

**2004**

- + Launch of Hyundai Motor's 1st compact SUV, ix35 (Tucson)
- + Production of Delta engine surpasses 1 million units
- + Sonata places 1st in JD Power Initial Quality Study
- + Cumulative exports surpass 10 million units
- + Developed Theta engine and Lambda engine
- + Official sponsor of UEFA Euro 2004

**2005**

- + Inauguration of the U.S. proving ground
- + Exports to Africa and the Middle East surpass 1 million units
- + Inauguration of Alabama Plant
- + Developed clean Mu V6 engine
- + Debuted in Interbrand's Best Global Brands
- + Inauguration of Environmental Technology Research Center
- + Inauguration of Hyundai America Technical Center
- + Inauguration of the eco-friendly Vehicle Recycling Center





**2006**

- + Developed Gamma engine
- + No. 1 Non-Premium Nameplate in JD Power's IQS
- + Launch of new Elantra
- + Exports to South America surpass 1 million units
- + Developed V6 diesel S engine
- + Inauguration of new Hyundai Motor Europe GmbH building

**2007**

- + Launch of i30 for Europe
- + Cumulative sales in the U.S. surpass 5 million units
- + Unveiling of the 3rd generation fuel cell concept car i-Blue
- + Developed F, G, H diesel engines for commercial vehicle
- + Launch of the next-generation compact car i10 by HMI

**2008**

- + Launch of Genesis, Genesis Coupe, and i30cw
- + Inauguration of the 2nd plant in India
- + Hyundai Beijing hits 1 million vehicle production milestone
- + Inauguration of the 2nd plant in Beijing
- + Sales of Elantra surpass 5 million unit
- + Launch of i20 for Europe
- + Developed next-generation clean diesel R engine
- + Launched Blue Drive brand for green models
- + Tau engine named Wards 10 Best Engines Winners
- + Developed front-wheel 6-speed automatic transmission

**2009**

- + Genesis named North American Car of the Year
- + Main sponsor of the U.S. Super Bowl
- + Cumulative exports to Africa surpass 1 million units
- + No. 69 in Global Brand Value
- + Inauguration of the Czech Plant
- + Inauguration of Hyundai Motor India Engineering Pvt. Ltd.
- + Developed next generation high performance Theta GDi
- + Sales of Santa Fe surpass 2 million units
- + Tau engine named Wards 10 Best Engines Winners for a 2nd consecutive year

**2010**

- + Cumulative sales of Sonata surpasses 5 million units
- + Official sponsor of the 2010 FIFA World Cup South Africa
- + Cumulative sales by HMI surpasses 3 million units
- + Inauguration of the Russia Plant
- + Launch of the eco-friendly electric car BlueOn
- + Unveiling of the independently-developed Nu-Tau GDi engines and RWD 8-speed automatic transmission
- + Tau engine named Wards 10 Best Engines Winners for a 3rd consecutive year
- + Annual sales in the U.S. surpass 500,000 units
- + Developed ix35 Fuel Cell (Tucson Fuel Cell)

**2011**

- + Blue Link introduced at the 2011 CES in the U.S.
- + Unveiling of the new brand direction and slogan 'New Thinking. New Possibilities.'
- + Launch of the 5th generation Azera (Grandeur) and Veloster
- + Launch of Sonata Hybrid
- + Launch of Genesis Prada limited edition
- + No. 61 in Global Brand Value
- + Launch of i40 wagon
- + Cumulative exports to Central and South America surpass 2 million units
- + Gamma engine named Wards 10 Best Engines Winners

**2012**

- + Elantra awarded North American Car of the Year
- + Launch of New Santa Fe, i40 Saloon, and Veloster Turbo
- + No. 53 in Global Brand Value
- + Inauguration of the Brazil Plant
- + ix35 Fuel Cell (Tucson Fuel Cell) supplied to Europe
- + Unveiling of the i-oniq electric concept car
- + Azera (Grandeur), Elantra, Santa Fe awarded the ALG Residual Value Award
- + Azera (Grandeur), Santa Fe, Veloster wins the GOOD DESIGN™ AWARD
- + Official sponsor of UEFA Euro 2012



**2013**

- + World's 1st mass production of ix35 Fuel Cell (Tucson Fuel Cell)
- + Launch of Maxcruz
- + Cumulative sales in the U.S. surpasses 8,000,000 units
- + Launch of Hyundai Motorsport
- + Unveiling of new i10
- + Hyundai selected as one of top 50 Global Brands
- + Cumulative sales of Sonata in Korea surpass 3 million unit
- + Unveiling of electronically controlled AWD HTRAC
- + Cumulative production by HMI surpasses 5 million units
- + Launch of All-new Genesis
- + World Rally Championship (WRC) Team launched
- + Beijing Hyundai sales in China surpasses 1 million units / year

**2014**

- + Unveiling of HED-9 Intrado at the Geneva International Motor Show
- + Launch of the All-new Sonata
- + Inauguration of Hyundai Motorstudio Seoul
- + Official sponsor of the 2014 FIFA World Cup Brazil
- + Cumulative production by HAOS surpasses 1 million units
- + Participation of i20 in the WRC, placing first in the Germany Rally
- + Cumulative global sales of Elantra surpass 10 million units
- + Launch of Aslan
- + Launch of new Sonata Hybrid
- + Hyundai FCEV engine named to Wards 10 Best Engines

**2015**

- + Unveiling of Sonata Plug-in Hybrid
- + Inauguration of Hyundai Motorstudio Moscow
- + Launch of All-new Tucson
- + Launch of mid-duty truck, All-new Mighty
- + Demonstration of zero emission fuel cell electric bus
- + Cumulative production by HMI surpasses 6 million units
- + Launch of All-new Elantra
- + Unveiling of High-Performance 'N' at Frankfurt Motor Show
- + Cumulative sales in the U.S. surpass 10 million units
- + Cumulative production in Russia surpasses 1 million units
- + Launch of global luxury brand 'Genesis'
- + Hyundai Sonata Plug-in Hybrid named to Wards 10 Best Engines
- + Launch of Genesis G90

**2016**

- + Launched IONIQ eco-friendly hybrid car model
- + Introduced Project IONIQ future mobility innovation program
- + Launched Genesis EQ900 limousine
- + Introduced development strategy for connected cars
- + Announced collaboration with Cisco to develop connected cars
- + Provided official vehicles for EURO 2016
- + Began sales of Genesis G80 car model
- + Opened Hyundai Motorstudio Hanam
- + Five models ranked first in customer satisfaction surveys in China
- + Ranked thirty-fifth in Interbrand's ranking of global brands
- + Completed construction of plant in Cangzhou, China
- + Launched Genesis G80 sports car
- + Signed agreement for construction of big data center in Guizhou Province, China
- + Total number of exports over forty-year period reached 23,630,000 in 2016
- + IONIQ received five-star safety rating from European New Car Assessment Program
- + 1.4L turbocharged DOHC 4-cylinder motor named to Wards 10 Best Engines list
- + IONIQ EV car model underwent daytime and night-time test driving trials in Las Vegas

**2017**

- + Participated in CES 2017 discussions regarding trends in future mobility
- + Established Smart Safety Technology Center for production of autonomous cars
- + Launched IONIQ Plug-in
- + Unveiled Fuel Cell Electric Vehicle Concept
- + Launched Sonata New Rise car model



# HMC NETWORK



## NORTH AMERICA · CENTRAL & SOUTH AMERICA

- + HYUNDAI AUTO CANADA (HAC)
- + HYUNDAI AMERICA TECHNICAL CENTER INC. (HATCI)
- + HYUNDAI MOTOR MANUFACTURING ALABAMA (HMMA)
- + HYUNDAI CENTRAL & SOUTH AMERICA REGIONAL HEADQUARTER
- + HYUNDAI CENTRAL & SOUTH AMERICA REGIONAL HEADQUARTER (COMMERCIAL VEHICLES)
- + HYUNDAI MOTOR MEXICO (HMM)
- + HYUNDAI DE MEXICO (HYMEX)
- + HYUNDAI TRANSLEAD, INC. (HT)
- + CALIFORNIA PROVING GROUNDS
- + HYUNDAI MOTOR AMERICA (HMA)
- + HYUNDAI AMERICA DESIGN CENTER
- + HYUNDAI MOTOR MANUFACTURING BRAZIL (HMB)

## EUROPE

- + HYUNDAI MOTOR MANUFACTURING CZECH (HMMC)
- + HYUNDAI MOTOR CZECH (HMCZ)
- + HYUNDAI MOTORSPORT GMBH (HMSG)
- + HYUNDAI EASTERN EUROPE REGIONAL HQ (COMMERCIAL VEHICLE)
- + HYUNDAI EASTERN EUROPE REGIONAL HQ
- + HYUNDAI MOTOR COMPANY ITALY (HMCI)
- + HYUNDAI MOTOR DEUTSCHLAND GMBH (HMD)
- + HYUNDAI MOTOR UNITED KINGDOM. LTD. (HMUK)
- + HYUNDAI MOTOR FRANCE (HMF)
- + HYUNDAI MOTOR EUROPE TECHNICAL CENTER GMBH (HMETC) / DESIGN CENTER
- + HYUNDAI MOTOR EUROPE GMBH (HME)
- + HYUNDAI MOTOR POLAND (HMP)
- + HYUNDAI MOTOR ESPANA, S.L. (HMES)
- + HYUNDAI MOTOR NETHERLANDS B.V. (HMNL)
- + HYUNDAI MOTOR CIS (HMCIS)
- + HYUNDAI MOTOR MANUFACTURING RUSSIA (HMMR)
- + HYUNDAI ASSAN OTOMOTIV SANAYI (HAOS)

## MIDDLE EAST & AFRICA

- + HYUNDAI MIDDLE EAST & AFRICA REGIONAL HQ
- + HYUNDAI MIDDLE EAST & AFRICA REGIONAL HQ (COMMERCIAL VEHICLE)

Hyundai Motor has manufacturing plants, R&D centers, and design centers in a number of overseas markets. It also has more than 6,200 dealerships in over two hundred countries around the world.



KOREA

- + NAMYANG TECHNOLOGY RESEARCH CENTER / NAMYANG DESIGN CENTER
- + KOREA CENTRAL RESEARCH INSTITUTE
- + MABUK ENVIRONMENTAL TECHNOLOGY CENTER
- + NAMYANG TECHNOLOGY RESEARCH CENTER COMPREHENSIVE PROVING GROUND
- + ULSAN PLANT (SOUTH KOREA)
- + ASAN PLANT (SOUTH KOREA)
- + JEONJU PLANT (SOUTH KOREA)

ASIA & PACIFIC

- + SICHUAN HYUNDAI MOTOR COMPANY (CHMC)
- + HYUNDAI MOTOR GROUP CHINA (HMGC)
- + HYUNDAI MOTOR CHINA R&D CENTER
- + HYUNDAI MOTOR SHANGHAI REPRESENTATIVE OFFICE
- + BEIJING HYUNDAI MOTOR COMPANY (BHMC)
- + HYUNDAI MOTOR JAPAN R&D CENTER
- + HYUNDAI MOTOR JAPAN (HMJ)
- + HYUNDAI MOTOR INDIA (HMI)
- + HYUNDAI MOTOR INDIA ENGINEERING PVT. LTD. (HMIE)
- + HYUNDAI ASIA & PACIFIC REGIONAL HQ (COMMERCIAL VEHICLE)
- + HYUNDAI ASIA & PACIFIC REGIONAL HQ
- + HYUNDAI MOTOR COMPANY AUSTRALIA (HMCA)



Passenger Cars

	AZERA (GRANDEUR)		i20
	SONATA		i20 COUPE
	i40		i20 ACTIVE
	i40 SEDAN		ELITE i20
	ELANTRA		HB20
	ELANTRA SPORT		HB20 X
	i30		HB20 S
	i30 WAGON		GRAND i10 4DR (XCENT)
	VELOSTER		GRAND i10
	VELOSTER TURBO		i10
	ix20		EON

SUVs

	GRAND SANTA FE
	SANTA FE
	TUCSON
	CRETA

ECO-FRIENDLY CARS

	SONATA HYBRID
	SONATA PLUG-IN HYBRID
	IONIQ HYBRID
	IONIQ ELECTRIC
	ix35 FUEL CELL (TUCSON FUEL CELL)









GENESIS

MPV / BUS / TRUCK

	H-1 (Grand Starex)		Xcient Dump
	H350		Xcient Cargo
	Universe		Xcient Tractor
	Unicity		Xcient Mixer
	New Super Aero City		HD170-1000 (Heavy Duty Truck)
	Aerotown		HD120/210 (Medium Duty Truck)
	County		HD35/45/ 65/72/78 (Light Duty Truck)
			EX5/6/7/8/9 (Mighty)
			H-100

HMC  
PRODUCT  
LINEUP

	EQ900
	G80
	G80 SPORT



**Making the lives of our customers  
richer and more special**

Hyundai Motor hopes that all its customers will add to their enjoyment of their automobiles through our Modern Premium sales and service program. It has been especially designed to help make their lives safer, more pleasant, and more convenient. Our ultimate goal is to be our customers' lifetime automobile partner.

**PUBLISHER**  
HYUNDAI MOTOR COMPANY

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**PLANNING AND DESIGN**  
IM creative



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