

# **HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES**

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

**ATTACHMENT: INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

**HYUNDAI MOTOR COMPANY**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

English Translation of Independent Accountants' Review Report Originally Issued in Korean on November 11, 2016

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

We have reviewed the accompanying condensed consolidated financial statements of Hyundai Motor Company (the "Company") and its subsidiaries. The condensed consolidated financial statements consist of the condensed consolidated statement of financial position as of September 30, 2016, the related condensed consolidated statements of income and comprehensive income, for the three months and nine months ended September 30, 2016 and 2015, respectively, and the related condensed consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2016 and 2015, respectively, all expressed in Korean Won, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Independent Accountants' Responsibility

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

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

### Review Conclusion

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

## Others

We audited the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended December 31, 2015 (not presented in the accompanying consolidated financial statements), in accordance with Korean Standards on Auditing ("KSAs"). We expressed an unqualified opinion in our independent auditors' report dated on February 25, 2016. The condensed consolidated statement of financial position as of December 31, 2015, presented as a comparative purpose in the accompanying consolidated financial statements does not differ, in all material respects, from the audited consolidated statement of financial position as of December 31, 2015.

Deloitte Anjin LLC

November 11, 2016

## Notice to Readers

This report is effective as of November 11, 2016, the independent accountants' review report date. Certain subsequent events or circumstances may have occurred between the independent accountants' review report date and the time the independent accountants' review report is read. Such events or circumstances could significantly affect the accompanying condensed consolidated financial statements and may result in modifications to the independent accountants' review report.

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

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

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

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

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

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2016 AND DECEMBER 31, 2015

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

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

| LIABILITIES AND EQUITY                           | NOTES | September 30, 2016          | December 31, 2015 |
|--|-------|-----------------------------|-------------------|
|  |       | (In millions of Korean Won) |                   |
| Current liabilities:                             |       |                             |                   |
| Trade notes and accounts payable                 | 19    | ₩ 5,715,110                 | ₩ 7,081,124       |
| Other payables                                   | 19    | 3,335,241                   | 4,711,494         |
| Short-term borrowings                            | 15,19 | 7,867,193                   | 9,384,165         |
| Current portion of long-term debt and debentures | 15,19 | 13,291,482                  | 10,788,049        |
| Income tax payable                               |       | 340,531                     | 1,000,763         |
| Provisions                                       | 16    | 1,775,249                   | 1,710,342         |
| Other financial liabilities                      | 17,19 | 783,026                     | 675,437           |
| Other liabilities                                | 18,19 | 6,138,215                   | 5,862,146         |
| Total current liabilities                        |       | 39,246,047                  | 41,213,520        |
| Non-current liabilities:                         |       |                             |                   |
| Long-term other payables                         | 19    | 20,424                      | 2,054             |
| Debentures                                       | 15,19 | 36,319,045                  | 36,207,504        |
| Long-term debt                                   | 15,19 | 9,396,525                   | 8,552,622         |
| Net defined benefit liabilities                  | 33    | 761,793                     | 604,433           |
| Provisions                                       | 16    | 4,833,376                   | 5,031,558         |
| Other financial liabilities                      | 17,19 | 252,624                     | 145,282           |
| Deferred tax liabilities                         |       | 4,324,218                   | 4,257,834         |
| Other liabilities                                | 18,19 | 2,679,681                   | 2,471,738         |
| Total non-current liabilities                    |       | 58,587,686                  | 57,273,025        |
| Total liabilities                                |       | 97,833,733                  | 98,486,545        |
| Equity:  |       |                             |                   |
| Capital stock                                    | 20    | 1,488,993                   | 1,488,993         |
| Capital surplus                                  | 21    | 3,572,605                   | 3,520,395         |
| Other capital items                              | 22    | (1,625,388)                 | (1,588,697)       |
| Accumulated other comprehensive loss             | 23    | (2,425,423)                 | (1,431,821)       |
| Retained earnings                                | 24    | 63,253,189                  | 60,035,088        |
| Equity attributable to the owners of the Company |       | 64,263,976                  | 62,023,958        |
| Non-controlling interests                        |       | 4,983,308                   | 4,857,443         |
| Total equity                                     |       | 69,247,284                  | 66,881,401        |
| Total liabilities and equity                     |       | ₩ 167,081,017               | ₩ 165,367,946     |

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

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

See accompanying notes to consolidated financial statements



HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

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

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

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

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

|  | NOTES | Nine months ended September 30, |                           |
|--|-------|---------------------------------|---------------------------|
|  |       | 2016                            | 2015                      |
|  |       | (In millions of Korean Won)     |                           |
| Cash flows from financing activities:                        |       |                                 |                           |
| Proceeds from (repayment of) short-term borrowings, net      | ₩     | (992,486)                       | ₩ 1,917,993               |
| Proceeds from long-term debt and debentures                  |       | 21,702,876                      | 19,215,510                |
| Paid-in capital increase of subsidiaries' stock              |       | 25,536                          | 15,646                    |
| Purchases of subsidiaries' stock                             |       | (96,204)                        | -                         |
| Disposals of subsidiaries' stock                             |       | 34,206                          | 27,153                    |
| Repayment of long-term debt and debentures                   |       | (16,164,603)                    | (16,685,266)              |
| Purchases of treasury stock                                  |       | (174,820)                       | (314,945)                 |
| Dividends paid   |       | (1,084,546)                     | (1,222,234)               |
| Other cash payments from financing activities, net           |       | (30,332)                        | (41,832)                  |
| Net cash provided by financing activities                    |       | <u>3,219,627</u>                | <u>2,912,025</u>          |
| Effect of exchange rate changes on cash and cash equivalents |       | (239,968)                       | (9,523)                   |
| Net increase (decrease) in cash and cash equivalents         |       | 246,965                         | (629,295)                 |
| Cash and cash equivalents, beginning of the period           |       | <u>7,331,463</u>                | <u>7,096,513</u>          |
| Cash and cash equivalents, end of the period                 | ₩     | <u><u>7,578,428</u></u>         | <u><u>₩ 6,467,218</u></u> |
| (Concluded)  |       |                                 |                           |

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**1. GENERAL:**

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

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

As of September 30, 2016, the major shareholders of the Company are Hyundai MOBIS (45,782,023 shares, 20.78%) and Chung, Mong Koo (11,395,859 shares, 5.17%).

(1) The Company’s consolidated subsidiaries as of September 30, 2016 are as follows:

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

| Subsidiaries   | Nature of business      | Location    | Ownership percentage | Indirect ownership                                   |
|--|-------------------------|-------------|----------------------|--|
| Hyundai Motor Japan R&D Center Inc. (HMJ R&D)  | R&D                     | Japan       | 100.00%              |  |
| Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)                                 | Sales                   | China       | 100.00%              |  |
| Beijing Jingxianronghua Motor Sale Co., Ltd.   | "                       | "           | 100.00%              | BJMSS 100.00%  |
| Beijing Xinhua Xiaoyuetong Motor Chain Co., Ltd.   | "                       | "           | 100.00%              | "  |
| Hyundai Millennium (Beijing) Real Estate Development Co., Ltd.                             | Real estate development | "           | 99.00%               | CMEs 99.00%  |
| Rotem equipments (Beijing) Co., Ltd.   | Sales                   | "           | 100.00%              | Hyundai Rotem 100.00%                                |
| KEFICO Automotive Systems (Beijing) Co., Ltd.  | Manufacturing           | "           | 100.00%              | Hyundai KEFICO 100.00%                               |
| KEFICO Automotive Systems (Chongqing) Co., Ltd.  | "                       | "           | 90.00%               | Hyundai KEFICO 90.00%                                |
| KEFICO VIETNAM COMPANY LIMITED   | "                       | Vietnam     | 100.00%              | Hyundai KEFICO 100.00%                               |
| Hyundai Motor Company Australia Pty Limited (HMCA)   | Sales                   | Australia   | 100.00%              |  |
| Hyundai Capital Australia Pty Limited  | Financing               | "           | 100.00%              | Hyundai Capital Services 100.00%                     |
| Hyundai Motor Manufacturing Czech, s.r.o. (HMMC)   | Manufacturing           | Czech       | 100.00%              |  |
| Hyundai Motor Czech s.r.o (HMCZ)   | Sales                   | "           | 100.00%              |  |
| Hyundai Motor Europe GmbH (HME)  | Marketing and sales     | Germany     | 100.00%              |  |
| Hyundai Motor Deutschland GmbH (HMD)   | Sales                   | "           | 100.00%              |  |
| Hyundai Motor Europe Technical Center GmbH (HMETC)   | R&D                     | "           | 100.00%              |  |
| Hyundai Motor Sport GmbH (HMSG)  | Marketing               | "           | 100.00%              | HME 100.00%  |
| Hyundai Capital Europe GmbH  | Financing               | "           | 100.00%              | Hyundai Capital Services 100.00%                     |
| Hyundai Capital Services Deutschland GmbH  | "                       | "           | 80.00%               | Hyundai Capital Services 80.00%                      |
| Hyundai Motor Commonwealth of Independent States B.V (HMCIS B.V)                           | Holding company         | Netherlands | 100.00%              | HMMR 1.40%   |
| Hyundai Motor Netherlands B.V. (HMNL)  | Sales                   | "           | 100.00%              |  |
| Hyundai Motor Manufacturing Rus LLC (HMMR)   | Manufacturing           | Russia      | 70.00%               |  |
| Hyundai Motor Commonwealth of Independent States (HMCIS)                                   | Sales                   | "           | 100.00%              | HMCIS B.V 100.00%                                    |
| Hyundai Capital Services Limited Liability Company   | Financing               | "           | 100.00%              | Hyundai Capital Europe 100.00%                       |
| Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)                                     | Manufacturing           | Turkey      | 70.00%               |  |
| Hyundai EURotem Demiryolu Araclari Sanayi ve Ticaret A.S                                   | "                       | "           | 50.50%               | Hyundai Rotem 50.50%                                 |
| Hyundai Rotem Company – Hyundai EURotem Demiryolu Araclari SAN. VE TIC. A.S ORTAK GIRISIMI | Sales                   | "           | 100.00%              | Hyundai Rotem 65.00%,<br>Hyundai EURotem A.S. 35.00% |
| Hyundai Motor UK Limited (HMUK)  | "                       | UK          | 100.00%              |  |
| Hyundai Motor Company Italy S.r.l (HMCI)   | "                       | Italy       | 100.00%              |  |
| Hyundai Motor Espana. S.L.U. (HMES)  | "                       | Spain       | 100.00%              |  |
| Hyundai Motor France SAS (HMF)   | "                       | France      | 100.00%              |  |
| Hyundai Motor Poland Sp. Zo. O (HMP)   | "                       | Poland      | 100.00%              |  |
| Hyundai Motor DE Mexico S DE RL DE CV (HMM)  | "                       | Mexico      | 100.00%              | HT 0.01%   |
| Hyundai de Mexico, SA DE C.V., (HYMEX)   | Manufacturing           | "           | 99.99%               | HT 99.99%  |
| Hyundai Rio Vista, Inc.  | Real estate development | USA         | 100.00%              | HT 100.00%   |
| Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)                                    | Manufacturing           | Brazil      | 100.00%              |  |
| Hyundai Capital Brasil Servicos De Assistencia Financeira Ltda                             | Financing               | "           | 100.00%              | Hyundai Capital Services 100.00%                     |

| Subsidiaries   | Nature of business | Location       | Ownership percentage | Indirect ownership             |
|--|--------------------|----------------|----------------------|--------------------------------|
| Hyundai Rotem Brasil Industria E Comercio De Trens Ltda.                       | Manufacturing      | Brazil         | 100.00%              | Hyundai Rotem 100.00%          |
| China Millennium Corporations (CMEs)   | Holding company    | Cayman Islands | 59.60%               |                                |
| KyoboAXA Private Tomorrow Securities Investment Trust No.12                    | Investment         | Korea          | 100.00%              |                                |
| UBS Hana Dynamic Balance Private Investment Trust 1                            | "                  | "              | 100.00%              |                                |
| Shinhan BNPP Private Corporate Security Investment Trust No.34                 | "                  | "              | 100.00%              |                                |
| Miraeasset Triumph Private Equity Security Investment Trust No.15              | "                  | "              | 100.00%              |                                |
| Autopia Forty-Fifth ~ Forty-Sixth Asset Securitization Specialty Company (*)   | Financing          | "              | 0.90%                | Hyundai Capital Services 0.90% |
| Autopia Forty-Ninth ~ Fifty-Second Asset Securitization Specialty Company (*)  | "                  | "              | 0.50%                | Hyundai Capital Services 0.50% |
| Autopia Fifty-Fourth ~ Sixty-Second Asset Securitization Specialty Company (*) | "                  | "              | 0.50%                | "                              |
| HB the Fourth Securitization Specialty Company (*)                             | "                  | "              | 0.31%                | Hyundai Capital Services 0.31% |
| Privia the Fourth ~ Fifth Securitization Specialty Co., Ltd. (*)               | "                  | "              | 0.50%                | Hyundai Card 0.50%             |
| Super Series First ~ Second Securitization Specialty Co., Ltd. (*)             | "                  | "              | 0.50%                | "                              |
| Hyundai Rotem First Co., Ltd. (*)  | "                  | "              | 0.00%                | Hyundai Rotem 0.00%            |
| Hyundai CHA Funding, LLC   | "                  | USA            | 100.00%              | HCA 100.00%                    |
| Hyundai Lease Titling Trust  | "                  | "              | 100.00%              | "                              |
| Hyundai HK Funding, LLC  | "                  | "              | 100.00%              | "                              |
| Hyundai HK Funding Two, LLC  | "                  | "              | 100.00%              | "                              |
| Hyundai HK Funding Three, LLC  | "                  | "              | 100.00%              | "                              |
| Hyundai ABS Funding, LLC   | "                  | "              | 100.00%              | "                              |
| HK Real Properties, LLC  | "                  | "              | 100.00%              | "                              |
| Hyundai Auto Lease Offering, LLC   | "                  | "              | 100.00%              | "                              |
| Hyundai HK Lease, LLC  | "                  | "              | 100.00%              | "                              |
| Extended Term Amortizing Program, LLC  | "                  | "              | 100.00%              | "                              |
| Hyundai Protection Plan, Inc.  | Insurance          | "              | 100.00%              | "                              |
| Hyundai Protection Plan Florida, Inc.  | "                  | "              | 100.00%              | "                              |
| Hyundai Capital Insurance Services, LLC  | "                  | "              | 100.00%              | "                              |
| Hyundai Capital Insurance Company  | "                  | "              | 100.00%              | "                              |
| Power Protect Extended Services, Inc.  | "                  | "              | 100.00%              | "                              |
| Power Protect Extended Services Florida, Inc.                                  | "                  | "              | 100.00%              | "                              |

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



- (2) Summarized financial position and results of operations of the Company's major consolidated subsidiaries as of and for the nine months ended September 30, 2016 are as follows:

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

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

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

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

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

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

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

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

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group for the nine months ended September 30, 2015 are as follows:

| Description  | Hyundai Capital<br>Services, Inc. | Hyundai Card<br>Co., Ltd. | Hyundai Rotem<br>Company |
|--|-----------------------------------|---------------------------|--------------------------|
|  | (In millions of Korean Won)       |                           |                          |
| Cash flows from operating activities                         | ₩ (214,589)                       | ₩ 623,146                 | ₩ (643,715)              |
| Cash flows from investing activities                         | (27,209)                          | (47,958)                  | (36,188)                 |
| Cash flows from financing activities                         | 602,006                           | 250,303                   | 713,194                  |
| Effect of exchange rate changes on cash and cash equivalents | (9)                               | -                         | (1,755)                  |
| Net increase in cash and cash equivalents                    | ₩ 360,199                         | ₩ 825,491                 | ₩ 31,536                 |

- (5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of September 30, 2016 are as follows:

| Description                                       | Hyundai Capital<br>Services, Inc. | Hyundai Card<br>Co., Ltd. | Hyundai Rotem<br>Company |
|---|-----------------------------------|---------------------------|--------------------------|
|   | (In millions of Korean Won)       |                           |                          |
| Ownership percentage of non-controlling interests | 40.32%                            | 63.04%                    | 56.64%                   |
| Non-controlling interests                         | ₩ 1,510,617                       | ₩ 1,672,575               | ₩ 885,946                |
| Profit attributable to non-controlling interests  | 110,132                           | 96,825                    | 5,124                    |
| Dividends paid to non-controlling interests       | -                                 | -                         | 4,955                    |

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

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

(6) Changes in consolidated subsidiaries

Subsidiaries newly included in or excluded from consolidation for the nine months ended September 30, 2016 are as follows:

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

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

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

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

(\*2) The ownership percentage of the Group decreased as the Group disposed of its shares partially for the nine months ended September 30, 2016.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in Korean Won and prepares its consolidated financial statements in conformity with Korean International Financial Reporting Standards ("K-IFRS"), in Korean language (Hangul). Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English with certain expanded descriptions from Korean language consolidated financial statements. Certain information included in Korean language consolidated financial statements, but not required for a fair presentation of the Group's consolidated statements of financial position, income, comprehensive income, changes in equity or cash flows, is not presented in the accompanying consolidated financial statements.

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

The Group's condensed consolidated financial statements for the nine months ended September 30, 2016 and 2015, respectively, are prepared in accordance with K-IFRS 1034, *Interim Financial Reporting*. The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with K-IFRS.

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

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

- K-IFRS 1001 (Amendment): 'Presentation of Financial Statements'

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments also require separate disclosure of the share of other comprehensive income of associates and joint ventures accounted for using that equity method that will or will not be reclassified subsequently to profit or loss.

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

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

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

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

- K-IFRS 1111 (Amendment): 'Joint Arrangements'

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

- Annual Improvements to K-IFRS 2012-2014 cycle

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

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

- 2) New and revised standards that have been issued but are not yet effective as of September 30, 2016, and that have not been applied earlier by the Group are as follows:

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

K-IFRS 1109 contains the requirements for a) the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, b) impairment methodology based on the expected credit losses, and c) broadened types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting and the change of the hedge effectiveness test. K-IFRS 1109 will supersede K-IFRS 1039 'Financial Instruments: Recognition and Measurement' upon its effective date and the amendments are effective for annual periods beginning on or after January 1, 2018.

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

The core principle under K-IFRS 1115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments introduces a 5-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract, 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede K-IFRS 1011 'Construction Contracts', K-IFRS 1018 'Revenue', K-IFRS 2113 'Customer Loyalty Programmes', K-IFRS 2115 'Agreements for the Construction of Real Estate', K-IFRS 2118 'Transfers of Assets from Customers', and K-IFRS 2031 'Revenue-Barter Transactions Involving Advertising Services'. The amendments are effective for annual periods beginning on or after January 1, 2018.

The Group is under consideration for the effects of above mentioned enactments and amendments on the Group's consolidated financial statements.

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

In the preparation of the Group's interim consolidated financial statements, management is required to apply accounting policies and make judgements, estimation and assumptions affecting the carrying amounts of assets and liabilities, income and expenses. The estimation and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimations. The management's significant judgements about the application of the Group's accounting policies and the main resources of the uncertainty are consistent with those of the annual consolidated financial statements for the year ended December 31, 2015.

### 3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) Trade notes and accounts receivable as of September 30, 2016 and December 31, 2015 consist of the following:

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

(2) Aging analysis of trade notes and accounts receivable

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

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

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

### 4. OTHER RECEIVABLES:

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

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

## 5. OTHER FINANCIAL ASSETS:

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

| Description   | September 30, 2016  |                    | December 31, 2015   |                    |
|---|---------------------|--------------------|---------------------|--------------------|
|   | Current             | Non-current        | Current             | Non-current        |
| (In millions of Korean Won)                                     |                     |                    |                     |                    |
| Financial assets at fair value through profit or loss ("FVTPL") | ₩ 12,086,640        | ₩ 1,968            | ₩ 10,112,034        | ₩ 23,194           |
| Derivative assets that are effective hedging instruments        | 110,366             | 40,532             | 42,455              | 178,369            |
| AFS financial assets  | 4,318               | 2,277,880          | 7,111               | 2,598,706          |
| Loans   | 42,014              | 4,340              | 173,203             | 4,573              |
|   | <u>₩ 12,243,338</u> | <u>₩ 2,324,720</u> | <u>₩ 10,334,803</u> | <u>₩ 2,804,842</u> |

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

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

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

| Name of the company                | Ownership percentage (%) | September 30, 2016 |                    | December 31, 2015  |
|------------------------------------|--------------------------|--------------------|--------------------|--------------------|
|                                    |                          | Acquisition cost   | Book value         | Book value         |
| (In millions of Korean Won)        |                          |                    |                    |                    |
| Hyundai Steel Company (*)          | 6.87                     | ₩ 1,110,704        | ₩ 711,951          | ₩ 745,221          |
| Korea Aerospace Industries, Ltd.   | 4.85                     | 73,331             | 360,978            | 761,281            |
| Hyundai Glovis Co., Ltd.           | 4.88                     | 210,688            | 331,400            | 353,371            |
| Hyundai Heavy Industries Co., Ltd. | 2.88                     | 56,924             | 302,220            | 192,282            |
| Hyundai Oilbank Co., Ltd.          | 4.35                     | 53,734             | 137,266            | 137,266            |
| Hyundai Green Food Co., Ltd.       | 2.36                     | 15,005             | 37,154             | 57,231             |
| Hyundai Development Company        | 0.60                     | 9,025              | 23,085             | 17,460             |
| Hyundai Finance Corporation        | 9.29                     | 9,888              | 13,065             | 11,487             |
| NICE Information Service Co., Ltd. | 2.25                     | 3,312              | 11,091             | 14,001             |
| NICE Holdings Co., Ltd.            | 1.30                     | 3,491              | 8,997              | 10,693             |
| KT Corporation                     | 0.09                     | 8,655              | 7,659              | 6,783              |
| Hyundai Asan Corporation           | 1.88                     | 22,500             | 2,117              | 2,117              |
| Doosan Capital Corporation         | 4.30                     | 10,000             | 1,944              | 1,944              |
| Hyundai Merchant Marine Company    | 0.29                     | 9,161              | 1,532              | 2,862              |
| Nesscap Energy Inc.                | 1.76                     | 1,997              | 296                | 599                |
| Others                             |                          | 85,161             | 80,790             | 104,506            |
|                                    |                          | <u>₩ 1,683,576</u> | <u>₩ 2,031,545</u> | <u>₩ 2,419,104</u> |

(\*) The Group entered into a total return swap agreement to transfer 5,745,741 shares out of total 14,919,336 shares, to a third party. Its partial shares were disposed of for the nine months ended September 30, 2016.

## 6. INVENTORIES:

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

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

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

## 7. OTHER ASSETS:

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

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

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

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

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

The Group has committed to a plan to sell land and others that were classified as held for sale as of September 30, 2016 and has initiated active programs to complete the plan. The assets will be disposed within 12 months. The difference between the carrying amount and the net fair value of vehicles is recognized as an impairment loss in the amount of ₩18,575 million for the nine months ended September 30, 2016.



## 9. PROPERTY, PLANT AND EQUIPMENT:

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

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

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

## 10. INVESTMENT PROPERTY:

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

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

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

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

## 11. INTANGIBLE ASSETS:

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

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

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

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

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

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

(3) Impairment test of goodwill

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

## 12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

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

| Name of the company                                    | Nature of business   | Location | September 30, 2016       |  | December 31, 2015   |
|--|----------------------|----------|--------------------------|--|---------------------|
|  |                      |          | Ownership percentage (%) | Book value (In millions of Korean Won) | Book value          |
| Beijing-Hyundai Motor Company (BHMC) (*1)              | Manufacturing        | China    | 50.00                    | ₩ 1,962,407                            | ₩ 2,189,321         |
| Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)  | Financing            | China    | 53.00                    | 414,945                                | 220,475             |
| Hyundai WIA Automotive Engine (Shandong) Company (WAE) | Manufacturing        | China    | 22.00                    | 179,050                                | 184,255             |
| Hyundai Motor Group China, Ltd. (HMGC) (*1)            | Investment           | China    | 50.00                    | 123,387                                | 135,000             |
| Hyundai Powertech (Shandong) Co., Ltd (PTS)            | Manufacturing        | China    | 30.00                    | 103,530                                | 93,998              |
| Kia Motors Corporation                                 | Manufacturing        | Korea    | 33.88                    | 8,507,620                              | 8,047,548           |
| Hyundai Engineering & Construction Co., Ltd.           | Construction         | Korea    | 20.95                    | 3,196,200                              | 3,180,493           |
| Hyundai WIA Corporation                                | Manufacturing        | Korea    | 25.35                    | 805,946                                | 814,413             |
| Hyundai Powertech Co., Ltd.                            | Manufacturing        | Korea    | 37.58                    | 486,493                                | 433,088             |
| Hyundai Dymos Inc.                                     | Manufacturing        | Korea    | 47.27                    | 338,377                                | 326,439             |
| Hyundai Commercial Inc.                                | Financing            | Korea    | 50.00                    | 276,883                                | 242,507             |
| HMC Investment Securities Co., Ltd.                    | Securities brokerage | Korea    | 27.49                    | 270,629                                | 238,001             |
| Eukor Car Carriers Inc. (*2)                           | Transportation       | Korea    | 12.00                    | 172,805                                | 191,468             |
| Haevichi Hotels & Resorts Co., Ltd.                    | Hotelkeeping         | Korea    | 41.90                    | 109,166                                | 110,312             |
| Others   |                      |          |                          | 454,288                                | 502,625             |
|  |                      |          |                          | <u>₩ 17,401,726</u>                    | <u>₩ 16,909,943</u> |

- (\*1) Each of the joint arrangements in which the Group retains joint control is structured through a separate entity and there are no contractual terms stating that the parties retain rights to the assets and obligations for the liabilities relating to the joint arrangement or other relevant facts and circumstances. As a result, the Group considers that the parties that retain joint control in the arrangement have rights to the net assets and classifies the joint arrangements as joint ventures. Also, there are restrictions which require consent from the director who is designated by the other investors, for certain transactions such as payment of dividend.
- (\*2) As the Group is considered to be able to exercise significant influence by representation on the board of directors of the investee and other reasons, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.
- (\*3) As of September 30, 2016, the entity is categorized as a joint venture although the Group's total ownership percentage is a majority share of 53%, because the Group does not have control over the entity by virtue of an agreement with the other investors.

- (2) The changes in investments in joint ventures and associates for the nine months ended September 30, 2016 are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| Name of the company         | Cash and cash equivalents | Current financial liabilities | Non-current financial liabilities | Depreciation and amortization | Interest income | Interest expenses | Income tax expense |
|-----------------------------|---------------------------|-------------------------------|-----------------------------------|-------------------------------|-----------------|-------------------|--------------------|
| (In millions of Korean Won) |                           |                               |                                   |                               |                 |                   |                    |
| BHMC                        | ₩ 349,323                 | ₩ -                           | ₩ 263,522                         | ₩ 218,140                     | ₩ 36,866        | ₩ 61,184          | ₩ 251,643          |
| BHAF (*)                    | 442,143                   | 2,619,825                     | -                                 | 1,635                         | 236,819         | 92,225            | 15,663             |
| HMGC                        | 55,639                    | 200,677                       | 168,075                           | 8,446                         | 257             | 13,793            | 590                |

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

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

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

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

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

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

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

| Name of the company                              | Group's share of net assets | Unrealized profit (loss) and others |            | Carrying amounts |
|--|-----------------------------|-------------------------------------|------------|------------------|
|  |                             | Goodwill                            |            |                  |
|  |                             | (In millions of Korean Won)         |            |                  |
| BHMC   | ₩ 2,226,774                 | ₩ -                                 | ₩ (37,453) | ₩ 2,189,321      |
| BHAF   | 220,475                     | -                                   | -          | 220,475          |
| WAE  | 184,255                     | -                                   | -          | 184,255          |
| HMGC   | 143,976                     | -                                   | (8,976)    | 135,000          |
| PTS  | 93,998                      | -                                   | -          | 93,998           |
| Kia Motors Corporation                           | 7,902,759                   | 197,089                             | (52,300)   | 8,047,548        |
| Hyundai Engineering & Construction Co., Ltd. (*) | 2,043,136                   | 1,137,357                           | -          | 3,180,493        |
| Hyundai WIA Corporation                          | 817,186                     | -                                   | (2,773)    | 814,413          |
| Hyundai Powertech Co., Ltd.                      | 434,500                     | -                                   | (1,412)    | 433,088          |
| Hyundai Dymos Inc.                               | 328,323                     | -                                   | (1,884)    | 326,439          |
| Hyundai Commercial Inc.                          | 242,507                     | -                                   | -          | 242,507          |
| HMC Investment Securities Co., Ltd.              | 197,949                     | 40,052                              | -          | 238,001          |
| Eukor Car Carriers Inc.                          | 191,206                     | -                                   | 262        | 191,468          |
| Haevichi Hotels & Resorts Co., Ltd. (*)          | 106,736                     | 3,576                               | -          | 110,312          |

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

(7) The market price of listed equity securities as of September 30, 2016 is as follows:

| Name of the company                          | Price per share | Total number of shares                              |             | Market value |
|--|-----------------|---|-------------|--------------|
|  |                 |   |             |              |
|  |                 | (In millions of Korean Won, except price per share) |             |              |
| Kia Motors Corporation                       | ₩ 42,150        | 137,318,251   | ₩ 5,787,964 |              |
| Hyundai Engineering & Construction Co., Ltd. | 39,250          | 23,327,400  | 915,600     |              |
| Hyundai WIA Corporation                      | 86,600          | 6,893,596   | 596,985     |              |
| HMC Investment Securities Co., Ltd.          | 10,200          | 8,065,595   | 82,269      |              |



### 13. FINANCIAL SERVICES RECEIVABLES:

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

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

(2) Aging analysis of financial services receivables

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

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

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

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

| Description                                       | September 30, 2016                    |   | December 31, 2015                     |   |
|---|---------------------------------------|---|---------------------------------------|---|
|   | Gross investments in financial leases | Present value of minimum lease receipts | Gross investments in financial leases | Present value of minimum lease receipts |
|   | (In millions of Korean Won)           |   |                                       |   |
| Not later than one year                           | ₩ 1,233,208                           | ₩ 1,102,625                             | ₩ 1,261,488                           | ₩ 1,108,473                             |
| Later than one year and not later than five years | 1,509,619                             | 1,401,297                               | 1,680,201                             | 1,560,693                               |
| Later than five years                             | 430                                   | 428                                     | 409                                   | 407                                     |
|   | <u>₩ 2,743,257</u>                    | <u>₩ 2,504,350</u>                      | <u>₩ 2,942,098</u>                    | <u>₩ 2,669,573</u>                      |

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

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

#### **14. OPERATING LEASE ASSETS:**

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

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

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

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

#### **15. BORROWINGS AND DEBENTURES:**

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

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

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

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

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

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

## 16. PROVISIONS:

The changes in provisions for the nine months ended September 30, 2016 are as follows:

| Description  | Other long-term<br>employee benefits |                             |           | Others |
|--|--------------------------------------|-----------------------------|-----------|--------|
|  | Warranty                             | (In millions of Korean Won) |           |        |
| Beginning of the period                                | ₩ 5,639,595                          | ₩ 643,274                   | ₩ 459,031 |        |
| Charged  | 871,005                              | 45,836                      | 224,712   |        |
| Utilized   | (1,004,581)                          | (55,863)                    | (173,999) |        |
| Amortization of present value discounts                | 74,395                               | -                           | 1,637     |        |
| Changes in expected reimbursements<br>by third parties | (34,487)                             | -                           | -         |        |
| Effect of foreign exchange differences                 | (76,099)                             | (1)                         | (5,830)   |        |
| End of the period                                      | ₩ 5,469,828                          | ₩ 633,246                   | ₩ 505,551 |        |

The changes in provisions for the nine months ended September 30, 2015 are as follows:

| Description  | Warranty                    |           | Other long-term<br>employee benefits |          | Others |           |
|--|-----------------------------|-----------|--------------------------------------|----------|--------|-----------|
|  | (In millions of Korean Won) |           |                                      |          |        |           |
| Beginning of the period                                | ₩                           | 5,613,785 | ₩                                    | 674,397  | ₩      | 438,688   |
| Charged  |                             | 798,679   |                                      | 50,616   |        | 208,117   |
| Utilized   |                             | (815,833) |                                      | (40,270) |        | (125,241) |
| Amortization of present value discounts                |                             | 83,773    |                                      | -        |        | 2,153     |
| Changes in expected reimbursements<br>by third parties |                             | 44,847    |                                      | -        |        | -         |
| Effect of foreign exchange differences                 |                             | 50,393    |                                      | (51)     |        | (9,078)   |
| End of the period                                      | ₩                           | 5,775,644 | ₩                                    | 684,692  | ₩      | 514,639   |

#### 17. OTHER FINANCIAL LIABILITIES:

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

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

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

#### 18. OTHER LIABILITIES:

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

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

## 19. FINANCIAL INSTRUMENTS:

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

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

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

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

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

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

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

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

(3) Fair value estimation

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

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

Fair value measurements of financial instruments by fair value hierarchy levels as of September 30, 2016 are as follows:

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

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

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

The changes in financial instruments classified as Level 3 for the nine months ended September 30, 2016 are as follows:

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

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

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

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

| Description                                     | Nine months ended September 30, |                 |                    |                    |                 |                   |
|---|---------------------------------|-----------------|--------------------|--------------------|-----------------|-------------------|
|   | 2016                            |                 |                    | 2015               |                 |                   |
|   | Interest income                 | Dividend income | Interest expenses  | Interest income    | Dividend income | Interest expenses |
| (In millions of Korean Won)                     |                                 |                 |                    |                    |                 |                   |
| Non-financial services:                         |                                 |                 |                    |                    |                 |                   |
| Loans and receivables                           | ₩ 163,499                       | ₩ -             | ₩ -                | ₩ 153,578          | ₩ -             | ₩ -               |
| Financial assets (liabilities) at FVTPL         | 115,649                         | -               | 5,259              | 242,606            | -               | -                 |
| AFS financial assets                            | -                               | 35,135          | -                  | 981                | 13,782          | -                 |
| Financial liabilities carried at amortized cost | -                               | -               | 157,487            | -                  | -               | 146,287           |
|   | <u>₩ 279,148</u>                | <u>₩ 35,135</u> | <u>₩ 162,746</u>   | <u>₩ 397,165</u>   | <u>₩ 13,782</u> | <u>₩ 146,287</u>  |
| Financial services:                             |                                 |                 |                    |                    |                 |                   |
| Loans and receivables                           | ₩ 2,398,941                     | ₩ -             | ₩ -                | ₩ 1,802,691        | ₩ -             | ₩ -               |
| Financial assets at FVTPL                       | 17,961                          | 1,258           | -                  | 18,270             | -               | -                 |
| AFS financial assets                            | 901                             | 4,081           | -                  | 901                | -               | -                 |
| Financial liabilities carried at amortized cost | -                               | -               | 1,032,425          | -                  | -               | 967,297           |
|   | <u>₩ 2,417,803</u>              | <u>₩ 5,339</u>  | <u>₩ 1,032,425</u> | <u>₩ 1,821,862</u> | <u>₩ -</u>      | <u>₩ 967,297</u>  |

- (5) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities at FVTPL for the nine months ended September 30, 2016 and 2015 are ₩1,197,528 million and ₩1,262,050 million, respectively. In addition, the fee expenses (cost of sales from financial services) occurring from financial assets or liabilities other than financial assets or liabilities at FVTPL for the nine months ended September 30, 2016 and 2015 are ₩690,828 million and ₩606,042 million, respectively.
- (6) The Group recognizes transfers between levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There are no significant transfers between Level 1 and Level 2 for the nine months ended September 30, 2016.
- (7) Descriptions of the valuation techniques and the inputs used in the fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy are as follows:

- Currency forward, options and swaps

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

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

- Debt instruments including corporate bonds

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



- Unlisted equity securities

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

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

| Description                | Fair value at<br>September 30,<br>2016<br>(In millions of<br>Korean Won) | Valuation<br>techniques         | Unobservable<br>inputs   | Description of relationship   |
|----------------------------|--|---------------------------------|--|---|
| Unlisted equity securities | ₩ 225,480  | Discounted cash flow and others | Sales growth rate<br>Pre-tax operating income ratio<br>Discount rate | If the sales growth rate and the pre-tax operating income ratio rise or the discount rate declines, the fair value increases. |

The Group believes that there have been no significant changes in the fair value of financial instruments categorized within Level 3 of the fair value hierarchy since December 31, 2015.

## 20. CAPITAL STOCK:

The Company's number of shares authorized is 600,000,000 shares. Common stock and preferred stock as of September 30, 2016 and December 31, 2015 consist of the following:

(1) Common stock

| Description   | September 30, 2016                            | December 31, 2015  |
|---------------|---|--------------------|
|               | (In millions of Korean Won, except par value) |                    |
| Issued        | 220,276,479 shares                            | 220,276,479 shares |
| Par value     | ₩ 5,000                                       | ₩ 5,000            |
| Capital stock | 1,157,982                                     | 1,157,982          |

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

(2) Preferred stock

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

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

**21. CAPITAL SURPLUS:**

Capital surplus as of September 30, 2016 and December 31, 2015 consists of the following:

| Description                                  | September 30, 2016          | December 31, 2015  |
|--|-----------------------------|--------------------|
|  | (In millions of Korean Won) |                    |
| Stock paid-in capital in excess of par value | ₩ 3,321,334                 | ₩ 3,321,334        |
| Others                                       | 251,271                     | 199,061            |
|  | <u>₩ 3,572,605</u>          | <u>₩ 3,520,395</u> |

**22. OTHER CAPITAL ITEMS:**

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

| Description                     | September 30,<br>2016 | December 31,<br>2015 |
|---------------------------------|-----------------------|----------------------|
|                                 | (Number of shares)    |                      |
| Common stock                    | 13,222,314            | 13,209,474           |
| 1 <sup>st</sup> preferred stock | 2,202,059             | 2,202,059            |
| 2 <sup>nd</sup> preferred stock | 1,376,138             | 1,376,138            |
| 3 <sup>rd</sup> preferred stock | 24,782                | 24,782               |

**23. ACCUMULATED OTHER COMPREHENSIVE LOSS:**

Accumulated other comprehensive loss as of September 30, 2016 and December 31, 2015 consists of the following:

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

## 24. RETAINED EARNINGS:

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

| Description           | September 30,               |            | December 31, |            |
|-----------------------|-----------------------------|------------|--------------|------------|
|                       | 2016                        |            | 2015         |            |
|                       | (In millions of Korean Won) |            |              |            |
| Legal reserve (*)     | ₩                           | 718,336    | ₩            | 610,380    |
| Discretionary reserve |                             | 43,874,647 |              | 39,550,647 |
| Unappropriated        |                             | 18,660,206 |              | 19,874,061 |
|                       | ₩                           | 63,253,189 | ₩            | 60,035,088 |

(\*) The Commercial Code of the Republic of Korea requires the Company to appropriate as a legal reserve, a minimum of 10% of annual cash dividends declared, until such reserve equals 50% of its capital stock issued. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

Appraisal gains, amounting to ₩1,852,871 million, derived from asset revaluation by the Asset Revaluation Law of Korea are included in retained earnings. It may be only transferred to capital stock or used to reduce accumulated deficit, if any.

## 25. SALES:

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

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

## 26. SELLING AND ADMINISTRATIVE EXPENSES:

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

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

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

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

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

## 28. FINANCE INCOME AND EXPENSES:

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

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

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

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

## 29. OTHER INCOME AND EXPENSES:

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

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

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

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

## 30. EXPENSES BY NATURE:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 32. INCOME TAX EXPENSE:

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

### 33. RETIREMENT BENEFIT PLAN:

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

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

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

| Description                             | September 30, 2016 | December 31, 2015 |
|---|--------------------|-------------------|
| Discount rate                           | 3.07%              | 3.30%             |
| Rate of expected future salary increase | 4.37%              | 4.34%             |

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

- (3) The amounts recognized in the consolidated statements of financial position related to defined benefit plans as of September 30, 2016 and December 31, 2015 consist of the following:

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

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

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



Changes in net defined benefit liabilities for the nine months ended September 30, 2015 are as follows:

| Description   | Present value of defined<br>benefit obligations | Fair value of<br>plan assets | Net defined benefit<br>liabilities |
|---|---|------------------------------|------------------------------------|
|   | (In millions of Korean Won)                     |                              |                                    |
| Beginning of the period   | ₩ 4,065,742                                     | ₩ (3,471,803)                | ₩ 593,939                          |
| Current service cost  | 396,810   | -                            | 396,810                            |
| Interest expenses (income)  | 105,938   | (90,971)                     | 14,967                             |
|   | 4,568,490                                       | (3,562,774)                  | 1,005,716                          |
| Remeasurements:   |   |                              |                                    |
| Return on plan assets   | -   | 13,752                       | 13,752                             |
| Actuarial gains arising from<br>changes in demographic<br>assumptions | 11  | -                            | 11                                 |
| Actuarial gains arising from<br>changes in financial assumptions      | (2,390)   | -                            | (2,390)                            |
| Actuarial gains arising from<br>experience adjustments and<br>others  | 3,361   | -                            | 3,361                              |
|   | 982   | 13,752                       | 14,734                             |
| Contributions   | -   | (6,915)                      | (6,915)                            |
| Benefits paid   | (127,409)                                       | 92,824                       | (34,585)                           |
| Transfers in (out)  | 588   | 389                          | 977                                |
| Effect of foreign exchange<br>differences and others                  | 26,898  | (15,329)                     | 11,569                             |
| End of the period   | ₩ 4,469,549                                     | ₩ (3,478,053)                | ₩ 991,496                          |

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

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

### 34. CASH GENERATED FROM OPERATIONS:

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

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

### 35. RISK MANAGEMENT:

#### (1) Capital risk management

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

| Description          | September 30, 2016          |            | December 31, 2015 |            |
|----------------------|-----------------------------|------------|-------------------|------------|
|                      | (In millions of Korean Won) |            |                   |            |
| Total liabilities    | ₩                           | 97,833,733 | ₩                 | 98,486,545 |
| Total equity         |                             | 69,247,284 |                   | 66,881,401 |
| Debt-to-equity ratio |                             | 141.3%     |                   | 147.3%     |

## (2) Financial risk management

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

### 1) Market risk

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

#### a) Foreign exchange risk management

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

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

The Group's sensitivity to a 5% change in exchange rate of the functional currency against each foreign currency on income before income tax as of September 30, 2016 would be as follows:

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

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

#### b) Interest rate risk management

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

The Group's sensitivity to a 1% change in interest rates on income before income tax as of September 30, 2016 would be as follows:

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

The Company's subsidiaries, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., that are operating financial business, are managing interest rate risk by utilizing value at risk (VaR). VaR is defined as a threshold value which is a statistical estimate of the maximum potential loss based on normal distribution. As of September 30, 2016 and December 31, 2015, the amounts of interest rate risk measured at VaR are ₩164,972 million and ₩131,521 million, respectively.

c) Equity price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of September 30, 2016, the amounts of held for trading equity instruments and AFS equity instruments measured at fair value are ₩82,014 million and ₩2,031,545 million, respectively.

2) Credit risk

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

3) Liquidity risk

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

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

The Group's maturity analysis of its non-derivative liabilities according to their remaining contract period before expiration as of September 30, 2016 is as follows:

| Description                      | Remaining contract period   |   |                       | Total        |
|----------------------------------|-----------------------------|---|-----------------------|--------------|
|                                  | Not later than one year     | Later than one year and not later than five years | Later than five years |              |
|                                  | (In millions of Korean Won) |   |                       |              |
| Non interest-bearing liabilities | ₩ 13,319,019                | ₩ 21,105  | ₩ 693                 | ₩ 13,340,817 |
| Interest-bearing liabilities     | 22,339,536                  | 45,744,629  | 1,869,572             | 69,953,737   |
| Financial guarantee              | 1,159,586                   | 37,767  | 24,150                | 1,221,503    |

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

(3) Derivative instrument

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

As of September 30, 2016 and December 31, 2015, the Group deferred a net profit of ₩41,858 million and a net loss ₩31,003 million, respectively, in accumulated other comprehensive loss, on its effective cash flow hedging instruments.

The longest period in which the forecasted transactions are expected to occur is within 65 months as of September 30, 2016.

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

**36. RELATED-PARTY TRANSACTIONS:**

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

- (1) For the nine months ended September 30, 2016, significant transactions arising from operations between the Group and related parties or affiliates by the Monopoly Regulation And Fair Trade Act of the Republic of Korea (“the Act”) are as follows:

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

For the nine months ended September 30, 2015, significant transactions arising from operations between the Group and related parties or affiliates by the Act are as follows:

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

(2) As of September 30, 2016, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows:

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

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

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

(3) Significant fund transactions and equity contribution transactions for the nine months ended September 30, 2016, between the Group and related parties are as follows:

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

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

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

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

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

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

### 37. COMMITMENTS AND CONTINGENCIES:

- (1) As of September 30, 2016, the debt guarantees provided by the Group, excluding the ones provided to the Company's subsidiaries are as follows:

| Description   | Domestic                    |        | Overseas (*) |           |
|---------------|-----------------------------|--------|--------------|-----------|
|               | (In millions of Korean Won) |        |              |           |
| To associates | ₩                           | 1,311  | ₩            | 33,576    |
| To others     |                             | 12,888 |              | 1,178,345 |
|               | ₩                           | 14,199 | ₩            | 1,211,921 |

- (\*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of September 30, 2016.
- (2) As of September 30, 2016, the Group is involved in domestic and foreign lawsuits as a defendant. In addition, the Group is involved in lawsuits for product liabilities and others. The Group obtains insurance for potential losses which may result from product liabilities and other lawsuits. Meanwhile, as of September 30, 2016, the Group is currently involved in lawsuits for ordinary wage, which involves disputes over whether certain elements of remuneration are included in the earnings used for the purposes of calculating overtime, allowances for unused annual paid leave and retirement benefits, and unable to estimate the outcome or the potential consolidated financial impact.
- (3) As of September 30, 2016, a substantial portion of the Group's PP&E is pledged as collateral for various loans up to ₩753,558 million. In addition, the Group pledged certain bank deposits, checks, promissory notes and investment securities, including 213,466 shares of Kia Motors Corporation, as collateral to financial institutions and others. Certain receivables held by the Company's foreign subsidiaries, such as financial services receivables are pledged as collateral for their borrowings.
- (4) Hyundai Capital Services, Inc., a subsidiary of the Company, has a Revolving Credit Facility Agreement which credit line is USD 250 million, JPY 60,000 million, EUR 50 million and ₩2,100,000 million with Kookmin Bank and 26 other financial institutions, as of September 30, 2016.
- (5) Hyundai Card Co., Ltd, a subsidiary of the Company, has a Revolving Credit Facility Agreement which credit line is ₩610,000 million with Kookmin Bank and 10 other financial institutions, as of September 30, 2016.



### 38. SEGMENT INFORMATION:

- (1) The Group has a vehicle segment, a finance segment and other segments. The vehicle segment is engaged in the manufacturing and sale of motor vehicles. The finance segment operates vehicle financing, credit card processing and other financing activities. Other segments include the R&D, train manufacturing and other activities, which cannot be classified in the vehicle segment or in the finance segment.
- (2) Sales and operating income by operating segments for the nine months ended September 30, 2016 and 2015 are as follows:

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

  

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

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

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

  

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

- (4) Sales by region where the Group's entities are located in for the nine months ended September 30, 2016 and 2015 are as follows:

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

  

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

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

| Description                 | September 30, 2016 | December 31, 2015 |
|-----------------------------|--------------------|-------------------|
| (In millions of Korean Won) |                    |                   |
| Korea                       | ₩ 27,774,669       | ₩ 27,735,116      |
| North America               | 2,245,313          | 2,358,588         |
| Asia                        | 979,077            | 1,153,577         |
| Europe                      | 1,860,055          | 1,864,713         |
| Others                      | 414,485            | 294,438           |
|                             | 33,273,599         | 33,406,432        |
| Consolidation adjustments   | (123,385)          | (117,993)         |
| Total (*)                   | ₩ 33,150,214       | ₩ 33,288,439      |

(\*) Sum of PP&E, intangible assets and investment property.

- (6) There is no single external customer who represents 10% or more of the Group's revenue for the nine months ended September 30, 2016 and 2015.

### 39. CONSTRUCTION CONTRACTS:

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

| Description                         | September 30, 2016 | December 31, 2015 |
|-------------------------------------|--------------------|-------------------|
| (In millions of Korean Won)         |                    |                   |
| Accumulated accrual cost            | ₩ 10,100,926       | ₩ 9,774,231       |
| Accumulated income                  | 938,368            | 961,631           |
| Accumulated construction in process | 11,039,294         | 10,735,862        |
| Progress billing                    | (9,943,725)        | (9,361,257)       |
| Due from customers                  | 1,389,874          | 1,837,280         |
| Due to customers                    | (294,305)          | (462,675)         |

- (2) Effects on profit or loss of current and future periods, due from customers related to changes in accounting estimates of total contract revenue and total contract costs of ongoing contracts of Hyundai Rotem, a subsidiary of the Company, as of September 30, 2016 are as follows:

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

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

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

#### **40. BUSINESS COMBINATIONS:**

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

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

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

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

#### **41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD:**

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