

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED
JUNE 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 August 12, 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 June 30, 2016, the related condensed consolidated statements of income, comprehensive income, for the three months and six months ended June 30, 2016 and 2015, respectively, and the related condensed consolidated statements of changes in equity and cash flows for the six months ended June 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

August 12, 2016

Notice to Readers

This report is effective as of August 12, 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 consolidated financial statements and may result in modifications to the independent accountants’ review report.

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS
ENDED JUNE 30, 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
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HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2016 AND DECEMBER 31, 2015

ASSETS	NOTES	June 30, 2016	December 31, 2015
		(In millions of Korean Won)	
Current assets:			
Cash and cash equivalents	19	₩ 6,413,722	₩ 7,331,463
Short-term financial instruments	19	7,922,920	6,904,917
Other financial assets	5,19	11,079,175	10,334,803
Trade notes and accounts receivable	3,19	4,317,773	4,468,351
Other receivables	4,19	3,163,326	3,846,104
Inventories	6	10,851,491	9,198,999
Current tax assets		88,489	57,022
Financial services receivables	13,19	23,690,614	23,777,277
Non-current assets classified as held for sale	8	83,872	47,643
Other assets	7,19	1,470,236	1,562,631
Total current assets		69,081,618	67,529,210
Non-current assets:			
Long-term financial instruments	19	140,304	71,545
Other financial assets	5,19	2,241,790	2,804,842
Long-term trade notes and accounts receivable	3,19	126,847	67,591
Other receivables	4,19	1,202,108	1,163,566
Property, plant and equipment	9	28,805,300	28,698,927
Investment property	10	218,425	291,424
Intangible assets	11	4,358,561	4,298,088
Investments in joint ventures and associates	12	17,328,072	16,909,943
Deferred tax assets		1,049,609	764,733
Financial services receivables	13,19	25,592,946	24,559,123
Operating lease assets	14	19,014,580	17,719,606
Other assets	7,19	557,943	489,348
Total non-current assets		100,636,485	97,838,736
Total assets		₩ 169,718,103	₩ 165,367,946

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

LIABILITIES AND EQUITY	NOTES	June 30, 2016	December 31, 2015
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	19	₩ 6,894,824	₩ 7,081,124
Other payables	19	3,387,065	4,711,494
Short-term borrowings	15,19	7,769,850	9,384,165
Current portion of long-term debt and debentures	15,19	14,249,373	10,788,049
Income tax payable		919,021	1,000,763
Provisions	16	1,835,164	1,710,342
Other financial liabilities	17,19	733,747	675,437
Other liabilities	18,19	6,405,356	5,862,146
Total current liabilities		42,194,400	41,213,520
Non-current liabilities:			
Long-term other payables	19	21,747	2,054
Debentures	15,19	36,122,360	36,207,504
Long-term debt	15,19	9,523,968	8,552,622
Net defined benefit liabilities	33	622,308	604,433
Provisions	16	5,077,540	5,031,558
Other financial liabilities	17,19	120,530	145,282
Deferred tax liabilities		4,292,881	4,257,834
Other liabilities	18,19	2,566,591	2,471,738
Total non-current liabilities		58,347,925	57,273,025
Total liabilities		100,542,325	98,486,545
Equity:			
Capital stock	20	1,488,993	1,488,993
Capital surplus	21	3,571,167	3,520,395
Other capital items	22	(1,625,388)	(1,588,697)
Accumulated other comprehensive loss	23	(1,680,117)	(1,431,821)
Retained earnings	24	62,474,300	60,035,088
Equity attributable to the owners of the Company		64,228,955	62,023,958
Non-controlling interests		4,946,823	4,857,443
Total equity		69,175,778	66,881,401
Total liabilities and equity		₩ 169,718,103	₩ 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 SIX MONTHS ENDED JUNE 30, 2016 AND 2015

	NOTES	2016		2015	
		Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
(In millions of Korean Won, except per share amounts)					
Sales	25,38	₩ 24,676,726	₩ 47,027,350	₩ 22,821,627	₩ 43,764,383
Cost of sales	30	19,653,471	37,764,823	18,179,439	34,790,414
Gross profit		5,023,255	9,262,527	4,642,188	8,973,969
Selling and administrative expenses	26,30	3,261,416	6,158,297	2,891,280	5,635,033
Operating income		1,761,839	3,104,230	1,750,908	3,338,936
Gain on investments in joint ventures and associates, net	27	602,030	1,072,395	478,029	1,094,217
Finance income	28	187,604	634,887	325,618	502,338
Finance expenses	28	174,053	300,081	261,379	330,829
Other income	29	271,503	614,242	387,671	670,360
Other expenses	29,30	267,336	580,655	311,162	584,334
Income before income tax		2,381,587	4,545,018	2,369,685	4,690,688
Income tax expense	32	617,665	1,012,965	579,268	916,986
Profit for the period		₩ 1,763,922	₩ 3,532,053	₩ 1,790,417	₩ 3,773,702
Profit attributable to:					
Owners of the Company		1,657,957	3,344,989	1,702,717	3,611,616
Non-controlling interests		105,965	187,064	87,700	162,086
Earnings per share attributable to the owners of the Company:	31				
Basic earnings per share:					
Common stock		₩ 6,167	₩ 12,451	₩ 6,333	₩ 13,426
1 st preferred stock		₩ 6,179	₩ 12,467	₩ 6,346	₩ 13,449
Diluted earnings per share:					
Common stock		₩ 6,167	₩ 12,451	₩ 6,333	₩ 13,426
1 st preferred stock		₩ 6,179	₩ 12,467	₩ 6,346	₩ 13,449

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

	2016		2015	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Profit for the period	₩ 1,763,922	₩ 3,532,053	₩ 1,790,417	₩ 3,773,702
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	(6,242)	(19,866)	17,085	1,005
Changes in retained earnings of equity-accounted investees, net	<u>(39,749)</u>	<u>(76,719)</u>	<u>17,867</u>	<u>(29,773)</u>
	<u>(45,991)</u>	<u>(96,585)</u>	<u>34,952</u>	<u>(28,768)</u>
Items that may be reclassified subsequently to profit or loss:				
Gain (loss) on available-for-sale (“AFS”) financial assets, net	(90,144)	(277,542)	84,679	203,924
Gain (loss) on valuation of cash flow hedge derivatives, net	(18,503)	8,503	(5,636)	(3,674)
Changes in share of earnings of equity-accounted investees, net	(71,683)	(114,005)	39,898	(38,525)
Gain (loss) on foreign operations translation, net	<u>112,894</u>	<u>131,501</u>	<u>304,562</u>	<u>(51,105)</u>
	<u>(67,436)</u>	<u>(251,543)</u>	<u>423,503</u>	<u>110,620</u>
Total other comprehensive income (loss)	<u>(113,427)</u>	<u>(348,128)</u>	<u>458,455</u>	<u>81,852</u>
Total comprehensive income	<u>₩ 1,650,495</u>	<u>₩ 3,183,925</u>	<u>₩ 2,248,872</u>	<u>₩ 3,855,554</u>
Comprehensive income attributable to:				
Owners of the Company	1,542,743	3,001,806	2,142,270	3,685,980
Non-controlling interests	<u>107,752</u>	<u>182,119</u>	<u>106,602</u>	<u>169,574</u>
Total comprehensive income	<u>₩ 1,650,495</u>	<u>₩ 3,183,925</u>	<u>₩ 2,248,872</u>	<u>₩ 3,855,554</u>

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 2015	₩ 1,488,993	₩ 4,134,550	₩ (1,273,752)	₩ (1,344,826)	₩ 54,649,863	₩ 57,654,828	₩ 4,965,737	₩ 62,620,565
Comprehensive income:								
Profit for the period	-	-	-	-	3,611,616	3,611,616	162,086	3,773,702
Gain on AFS financial assets, net	-	-	-	202,377	-	202,377	1,547	203,924
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(1,777)	-	(1,777)	(1,897)	(3,674)
Changes in valuation of equity-accounted investees, net	-	-	-	(38,391)	(29,773)	(68,164)	(134)	(68,298)
Remeasurements of defined benefit plans	-	-	-	-	3,833	3,833	(2,828)	1,005
Gain (loss) on foreign operations translation, net	-	-	-	(61,905)	-	(61,905)	10,800	(51,105)
Total comprehensive income	-	-	-	100,304	3,585,676	3,685,980	169,574	3,855,554
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(817,317)	(817,317)	(221)	(817,538)
Increase in subsidiaries' stock	-	-	-	-	-	-	15,646	15,646
Purchases of treasury stock	-	-	(314,945)	-	-	(314,945)	-	(314,945)
Others	-	45	-	-	(597)	(552)	(782)	(1,334)
Total transactions with owners, recorded directly in equity	-	45	(314,945)	-	(817,914)	(1,132,814)	14,643	(1,118,171)
Balance at June 30, 2015	₩ 1,488,993	₩ 4,134,595	₩ (1,588,697)	₩ (1,244,522)	₩ 57,417,625	₩ 60,207,994	₩ 5,149,954	₩ 65,357,948

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (CONTINUED)

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive loss	Retained earnings	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 2016	₩ 1,488,993	₩ 3,520,395	₩ (1,588,697)	₩ (1,431,821)	₩ 60,035,088	₩ 62,023,958	₩ 4,857,443	₩ 66,881,401
Comprehensive income:								
Profit for the period	-	-	-	-	3,344,989	3,344,989	187,064	3,532,053
Loss on AFS financial assets, net	-	-	-	(277,254)	-	(277,254)	(288)	(277,542)
Gain (loss) on valuation of cash flow hedge derivatives, net	-	-	-	16,411	-	16,411	(7,908)	8,503
Changes in valuation of equity-accounted investees, net	-	-	-	(109,629)	(76,719)	(186,348)	(4,376)	(190,724)
Remeasurements of defined benefit plans	-	-	-	-	(18,168)	(18,168)	(1,698)	(19,866)
Gain on foreign operations translation, net	-	-	-	122,176	-	122,176	9,325	131,501
Total comprehensive income (loss)	-	-	-	(248,296)	3,250,102	3,001,806	182,119	3,183,925
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(810,890)	(810,890)	(5,002)	(815,892)
Increase in subsidiaries' stock	-	-	-	-	-	-	24,131	24,131
Purchases of subsidiaries' stock	-	15,664	-	-	-	15,664	(111,868)	(96,204)
Purchases of treasury stock	-	-	(174,820)	-	-	(174,820)	-	(174,820)
Disposals of treasury stock	-	35,108	138,129	-	-	173,237	-	173,237
Total transactions with owners, recorded directly in equity	-	50,772	(36,691)	-	(810,890)	(796,809)	(92,739)	(889,548)
Balance at June 30, 2016	₩ 1,488,993	₩ 3,571,167	₩ (1,625,388)	₩ (1,680,117)	₩ 62,474,300	₩ 64,228,955	₩ 4,946,823	₩ 69,175,778

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

	NOTES	Six months ended June 30,	
		2016	2015
(In millions of Korean Won)			
Cash flows from operating activities:			
Cash generated from operations:	34		
Profit for the period		₩ 3,532,053	₩ 3,773,702
Adjustments		5,299,203	4,237,266
Changes in operating assets and liabilities		(7,619,925)	(5,709,672)
		1,211,331	2,301,296
Interest received		232,517	431,287
Interest paid		(814,033)	(530,145)
Dividend received		911,039	1,128,564
Income tax paid		(1,263,446)	(871,961)
Net cash provided by operating activities		277,408	2,459,041
Cash flows from investing activities:			
Proceeds from disposals (purchase) of short-term financial instruments, net		(1,003,288)	121,150
Proceeds from disposals of other financial assets (current), net		165,652	906,563
Proceeds from disposals of other financial assets (non-current)		499,865	80,448
Receipts from other receivables		40,692	42,801
Disposals of long-term financial instruments		28	151
Proceeds from disposals of property, plant and equipment		35,618	33,267
Proceeds from disposals of intangible assets		9,571	860
Proceeds from disposals of investments in subsidiaries		-	99,013
Acquisitions of other financial assets (non-current)		(126,700)	(98,072)
Increases in other receivables		(50,321)	(62,677)
Purchases of long-term financial instruments		(54,893)	(36,034)
Acquisitions of property, plant and equipment		(1,563,940)	(4,732,984)
Acquisitions of intangible assets		(605,860)	(483,886)
Cash outflows from business combinations		(2,370)	(86,613)
Acquisitions of investments in joint ventures and associates		(430,448)	(9,389)
Other cash receipts from investing activities, net		(479)	2,004
Net cash used in investing activities		(3,086,873)	(4,223,398)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (CONTINUED)

	NOTES	Six months ended June 30,	
		2016	2015
		(In millions of Korean Won)	
Cash flows from financing activities:			
Proceeds from (repayment of) short-term borrowings, net	₩	(1,771,997)	₩ 1,208,706
Proceeds from long-term debt and debentures		14,427,961	14,207,395
Paid-in capital increase of subsidiaries' stock		24,131	15,646
Purchases of subsidiaries' stock		(96,204)	-
Repayment of long-term debt and debentures		(9,753,507)	(13,368,860)
Purchases of treasury stock		(174,820)	(314,945)
Dividends paid		(815,712)	(817,452)
Other cash payments from financing activities, net		(14,682)	(18,135)
Net cash provided by financing activities		<u>1,825,170</u>	<u>912,355</u>
Effect of exchange rate changes on cash and cash equivalents		66,554	(131,315)
Net decrease in cash and cash equivalents		(917,741)	(983,317)
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>6,413,722</u>	₩ <u>6,113,196</u>
(Concluded)			

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 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 June 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 June 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%, 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.	"	"	100.00%	"
KEFICO VIETNAM COMPANY LIMITED	"	Vietnam	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	78.54%	
Hyundai EURotem Demiryolu Araclari Sanayi ve Ticaret A.S	"	"	50.50%	Hyundai Rotem 50.50%
Hyundai Rotem Company – Hyundai EURotem Demiryolu Araclari SAN. VE TIC. A.S ORTAK GIRISIMI	Sales	"	100.00%	Hyundai Rotem 65.00%, Hyundai EURotem A.S. 35.00%
Hyundai 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-First 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 six months ended June 30, 2016 are as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
	(In millions of Korean Won)			
Hyundai Capital Services, Inc. (*)	₩ 25,459,690	₩ 21,756,593	₩ 1,434,060	₩ 227,480
Hyundai Card Co., Ltd. (*)	13,671,152	11,088,862	1,348,720	94,878
Hyundai Rotem Company (*)	4,604,578	3,147,286	1,446,612	24,260
Hyundai KEFICO Corporation (*)	1,243,159	684,420	933,079	41,239
HCA (*)	38,775,577	35,828,980	4,390,410	46,969
HMA	8,115,821	5,600,482	8,920,910	(189,872)
HMMA	4,087,786	1,603,379	4,258,587	170,590
HMMC	3,069,525	1,481,057	3,632,896	221,437
HMI (*)	2,536,046	1,206,760	2,839,163	155,267
HAOSVT	1,578,773	1,234,572	1,742,264	25,683
HME (*)	1,433,898	1,418,190	4,483,249	5,371
HACC (*)	1,163,163	705,905	1,474,977	(34,827)
HMMR	1,132,011	835,842	857,765	4,881
HMB	964,715	551,765	724,466	(10,656)
HMCA	821,250	626,972	978,649	(27,630)

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

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

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
	(In millions of Korean Won)			
Hyundai Capital Services, Inc. (*)	₩ 22,744,644	₩ 19,134,755	₩ 1,541,731	₩ 171,559
Hyundai Card Co., Ltd. (*)	12,128,610	9,466,909	1,285,532	110,827
Hyundai Rotem Company (*)	5,050,506	3,345,910	1,681,043	(32,306)
Hyundai KEFICO Corporation (*)	1,058,354	516,480	882,594	41,323
HCA (*)	32,667,590	29,960,240	3,333,781	121,481
HMA	7,265,874	4,582,938	7,777,932	(103,512)
HMMA	3,594,575	1,500,044	3,430,050	136,029
HMMC	3,029,033	1,352,298	2,636,821	168,144
HMI (*)	2,293,210	1,119,744	2,356,599	69,663
HAOSVT	1,414,172	1,096,729	1,495,183	(10,966)
HME (*)	1,484,298	1,474,726	3,585,252	3,741
HACC (*)	1,133,857	730,182	1,378,702	(36,057)
HMMR	955,579	591,063	879,944	22,777
HMB	1,024,089	529,724	927,343	49,893
HMCA	814,725	610,927	957,249	14,241

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

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

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

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
	(In millions of Korean Won)		
Cash flows from operating activities	₩ (622,358)	₩ (73,428)	₩ 407,752
Cash flows from investing activities	(287,790)	(25,553)	15,643
Cash flows from financing activities	905,537	225,247	(334,461)
Effect of exchange rate changes on cash and cash equivalents	-	-	2,371
Net increase (decrease) in cash and cash equivalents	₩ (4,611)	₩ 126,266	₩ 91,305

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

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
	(In millions of Korean Won)		
Cash flows from operating activities	₩ 29,266	₩ 570,702	₩ (420,654)
Cash flows from investing activities	(20,427)	(35,970)	(14,225)
Cash flows from financing activities	108,708	(435,129)	590,941
Effect of exchange rate changes on cash and cash equivalents	(9)	-	(1,805)
Net increase in cash and cash equivalents	₩ 117,538	₩ 99,603	₩ 154,257

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

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
	(In millions of Korean Won)		
Ownership percentage of non-controlling interests	40.32%	63.04%	56.64%
Non-controlling interests	₩ 1,499,970	₩ 1,627,972	₩ 895,420
Profit attributable to non-controlling interests	90,898	59,815	14,070
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 Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem 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 six months ended June 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 Sixtyth-First 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) Increase in the Group's ownership interests in one of its subsidiary and the consequent effects on the equity attributable to the owners of the Company for the six months ended June 30, 2016 are as follows:

Description	Hyundai Capital Services, Inc. (*)
	(In millions of Korean Won)
Ownership percentage before transaction	56.47%
Ownership percentage after transaction	59.68%
Amount paid for acquisition of shares	₩ (96,204)
Changes in non-controlling interests	(111,868)
Changes in capital surplus	15,664

(*) The ownership percentage of the Group increased as the Group acquired its shares partially from owner of non-controlling interests for the six months ended June 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 six months ended June 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 June 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 June 30, 2016 and December 31, 2015 consist of the following:

Description	June 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 4,376,456	₩ 135,804	₩ 4,527,881	₩ 73,500
Allowance for doubtful accounts	(58,683)	-	(59,530)	-
Present value discount accounts	-	(8,957)	-	(5,909)
	<u>₩ 4,317,773</u>	<u>₩ 126,847</u>	<u>₩ 4,468,351</u>	<u>₩ 67,591</u>

(2) Aging analysis of trade notes and accounts receivable

As of June 30, 2016 and December 31, 2015, total trade notes and accounts receivable that are past due, but not impaired, amount to ₩212,884 million and ₩415,702 million, respectively; of which ₩171,701 million and ₩370,450 million, respectively, are past due less than 90 days, but not impaired. As of June 30, 2016 and December 31, 2015, the impaired trade notes and accounts receivable amount to ₩58,683 million and ₩59,530 million, respectively.

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

Description	Six months ended June 30,	
	2016	2015
	(In millions of Korean Won)	
Beginning of the period	₩ 59,530	₩ 58,706
Impairment loss	1,021	510
Write-off	(2,632)	(463)
Effect of foreign exchange differences	764	(578)
End of the period	<u>₩ 58,683</u>	<u>₩ 58,175</u>

4. OTHER RECEIVABLES:

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

Description	June 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accounts receivable – others	₩ 1,757,985	₩ 847,433	₩ 1,978,471	₩ 818,401
Due from customers for contract work	1,386,958	-	1,837,280	-
Lease and rental deposits	25,654	326,650	24,962	319,446
Deposits	3,254	28,491	3,157	26,566
Others	391	-	13,409	-
Allowance for doubtful accounts	(10,916)	-	(11,175)	-
Present value discount accounts	-	(466)	-	(847)
	<u>₩ 3,163,326</u>	<u>₩ 1,202,108</u>	<u>₩ 3,846,104</u>	<u>₩ 1,163,566</u>

5. OTHER FINANCIAL ASSETS:

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

Description	June 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")	₩ 10,944,194	₩ -	₩ 10,112,034	₩ 23,194
Derivative assets that are effective hedging instruments	117,375	138,290	42,455	178,369
AFS financial assets	8,269	2,098,939	7,111	2,598,706
Loans	9,337	4,561	173,203	4,573
	<u>₩ 11,079,175</u>	<u>₩ 2,241,790</u>	<u>₩ 10,334,803</u>	<u>₩ 2,804,842</u>

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

Description	June 30, 2016		December 31, 2015	
	Acquisition cost	Book value	Book value	
(In millions of Korean Won)				
Debt instruments	₩ 233,259	₩ 238,518	₩ 186,713	
Equity instruments	1,685,505	1,868,690	2,419,104	
	<u>₩ 1,918,764</u>	<u>₩ 2,107,208</u>	<u>₩ 2,605,817</u>	

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

Name of the company	Ownership percentage (%)	June 30, 2016		December 31, 2015	
		Acquisition cost	Book value	Book value	
(In millions of Korean Won)					
Hyundai Steel Company (*)	6.87	₩ 1,110,704	₩ 642,578	₩ 745,221	
Korea Aerospace Industries, Ltd.	5.00	75,543	356,759	761,281	
Hyundai Glovis Co., Ltd.	4.88	210,688	314,006	353,371	
Hyundai Heavy Industries Co., Ltd.	2.88	56,924	231,045	192,282	
Hyundai Oilbank Co., Ltd.	4.35	53,734	137,266	137,266	
Hyundai Green Food Co., Ltd.	2.36	15,005	42,923	57,231	
Hyundai Development Company	0.60	9,025	17,798	17,460	
Hyundai Finance Corporation	9.29	9,888	13,015	11,487	
NICE Holdings Co., Ltd.	1.30	3,491	10,226	10,693	
NICE Information Service Co., Ltd.	2.25	3,312	9,411	14,001	
KT Corporation	0.09	8,655	7,119	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	228	599	
Others		84,878	80,723	104,506	
		<u>₩ 1,685,505</u>	<u>₩ 1,868,690</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 six months ended June 30, 2016.

6. INVENTORIES:

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

Description	June 30, 2016		December 31, 2015	
	(In millions of Korean Won)			
Finished goods	₩	7,018,707	₩	5,451,895
Merchandise		67,147		60,890
Semi-finished goods		391,858		448,870
Work in progress		413,089		450,444
Raw materials		1,278,981		1,268,217
Supplies		258,753		252,282
Materials in transit		549,795		499,559
Others		873,161		766,842
Total (*)	₩	10,851,491	₩	9,198,999

(*) As of June 30, 2016 and December 31, 2015, the Group recognized a valuation allowance in amount of ₩121,348 million and ₩92,552 million, respectively.

7. OTHER ASSETS:

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

Description	June 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Accrued income	₩ 298,421	₩ 5,593	₩ 300,415	₩ 6,206
Advanced payments	550,326	34	692,708	28
Prepaid expenses	374,363	546,317	349,805	478,594
Prepaid value added tax and others	247,126	5,999	219,703	4,520
	₩ 1,470,236	₩ 557,943	₩ 1,562,631	₩ 489,348

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

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

Description	June 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 June 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 six months ended June 30, 2016.

9. PROPERTY, PLANT AND EQUIPMENT:

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

Description	Six months ended June 30,	
	2016	2015
	(In millions of Korean Won)	
Beginning of the period	₩ 28,698,927	₩ 22,542,259
Acquisitions	1,095,561	4,486,843
Disposals	(41,316)	(34,623)
Depreciation	(1,049,466)	(958,266)
Others (*)	101,594	(188,687)
End of the period	₩ 28,805,300	₩ 25,847,526

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

10. INVESTMENT PROPERTY:

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

Description	Six months ended June 30,	
	2016	2015
	(In millions of Korean Won)	
Beginning of the period	₩ 291,424	₩ 322,207
Transfers	(66,181)	(5,359)
Depreciation	(6,047)	(6,662)
Effect of foreign exchange differences	(771)	1,313
End of the period	₩ 218,425	₩ 311,499

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

Description	2016		2015	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Rental income	₩ 11,705	₩ 26,641	₩ 7,034	₩ 19,240
Operating and maintenance expenses	3,553	7,253	1,796	7,050

11. INTANGIBLE ASSETS:

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

Description	Six months ended June 30,	
	2016	2015
	(In millions of Korean Won)	
Beginning of the period	₩ 4,298,088	₩ 3,821,656
Internal developments and separate acquisitions	581,566	462,253
Disposals	(12,248)	(1,304)
Amortization	(557,186)	(372,130)
Others (*)	48,341	49,824
End of the period	₩ 4,358,561	₩ 3,960,299

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

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

Description	2016		2015	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Development costs (intangible assets)	₩ 327,227	₩ 536,796	₩ 228,444	₩ 425,192
Research and development (manufacturing cost and administrative expenses)	257,191	468,728	233,603	442,718
Total (*)	₩ 584,418	₩ 1,005,524	₩ 462,047	₩ 867,910

(*) Amortization of development costs is not included.

(3) Impairment test of goodwill

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

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

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

Name of the company	Nature of business	Location	June 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	₩ 1,994,467	₩ 2,189,321
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	428,388	220,475
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00	187,204	184,255
Hyundai Motor Group China, Ltd. (HMGC) (*1)	Investment	China	50.00	124,626	135,000
Hyundai Powertech (Shandong) Co., Ltd (PTS)	Manufacturing	China	30.00	101,736	93,998
Kia Motors Corporation	Manufacturing	Korea	33.88	8,389,809	8,047,548
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	3,207,610	3,180,493
Hyundai WIA Corporation	Manufacturing	Korea	25.35	815,232	814,413
Hyundai Powertech Co., Ltd.	Manufacturing	Korea	37.58	484,620	433,088
Hyundai Dymos Inc.	Manufacturing	Korea	47.27	331,981	326,439
Hyundai Commercial Inc.	Financing	Korea	50.00	251,488	242,507
HMC Investment Securities Co., Ltd.	Securities brokerage	Korea	27.49	244,624	238,001
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	181,763	191,468
Haevichi Hotels & Resorts Co., Ltd.	Hotelkeeping	Korea	41.90	108,954	110,312
Others				475,570	502,625
				<u>₩ 17,328,072</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 June 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 six months ended June 30, 2016 are as follows:

Name of the company	Beginning of the period	Acquisitions	Share of	Dividends	Others (*)	End of the period
			profits (losses) for the period			
(In millions of Korean Won)						
BHMC	₩ 2,189,321	₩ 242,434	₩ 321,440	₩ (666,208)	₩ (92,520)	₩ 1,994,467
BHAF	220,475	188,014	30,597	-	(10,698)	428,388
WAE	184,255	-	7,078	-	(4,129)	187,204
HMGC	135,000	-	(7,645)	-	(2,729)	124,626
PTS	93,998	-	10,067	-	(2,329)	101,736
Kia Motors Corporation	8,047,548	-	584,280	(151,050)	(90,969)	8,389,809
Hyundai Engineering & Construction Co., Ltd.	3,180,493	-	29,842	(11,664)	8,939	3,207,610
Hyundai WIA Corporation	814,413	-	11,299	(7,583)	(2,897)	815,232
Hyundai Powertech Co., Ltd.	433,088	-	52,607	-	(1,075)	484,620
Hyundai Dymos Inc.	326,439	-	7,658	-	(2,116)	331,981
Hyundai Commercial Inc.	242,507	-	21,159	(8,950)	(3,228)	251,488
HMC Investment Securities Co., Ltd.	238,001	-	8,384	(3,630)	1,869	244,624
Eukor Car Carriers Inc.	191,468	-	2,557	(14,520)	2,258	181,763
Haevichi Hotels & Resorts Co., Ltd.	110,312	-	(1,358)	-	-	108,954
Others	502,625	-	(5,570)	(12,621)	(8,864)	475,570
	<u>₩ 16,909,943</u>	<u>₩ 430,448</u>	<u>₩ 1,072,395</u>	<u>₩ (876,226)</u>	<u>₩ (208,488)</u>	<u>₩ 17,328,072</u>

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

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

Name of the company	Beginning of the period	Acquisitions	Share of	Dividends	Others (*)	End of the period
			profits (losses) for the period			
(In millions of Korean Won)						
BHMC	₩ 2,179,636	₩ -	₩ 298,148	₩ (936,483)	₩ 69,594	₩ 1,610,895
BHAF	193,624	-	17,055	-	1,938	212,617
WAE	164,090	8,745	16,409	(1,447)	4,416	192,213
HMGC	158,287	-	(5,780)	-	4,000	156,507
Kia Motors Corporation	7,482,972	-	545,677	(137,318)	(153,965)	7,737,366
Hyundai Engineering & Construction Co., Ltd.	3,130,886	-	25,600	(11,664)	(5,393)	3,139,429
Hyundai WIA Corporation	707,713	-	65,728	(5,515)	5,817	773,743
Hyundai Powertech Co., Ltd.	380,815	-	50,248	-	(353)	430,710
Hyundai Dymos Inc.	289,369	-	11,230	-	363	300,962
Hyundai Commercial Inc.	196,471	-	10,471	(3,850)	1,043	204,135
HMC Investment Securities Co., Ltd.	225,332	-	7,986	(1,210)	428	232,536
Eukor Car Carriers Inc.	170,132	-	13,892	(7,920)	5,994	182,098
Haevichi Hotels & Resorts Co., Ltd.	-	110,460	-	-	-	110,460
CHMC	155,573	-	(18,112)	-	3,347	140,808
Hyundai HYSCO Co., Ltd.	302,058	-	13,417	(2,010)	(10,768)	302,697
Others	420,376	-	42,248	(4,663)	3,758	461,719
	<u>₩ 16,157,334</u>	<u>₩ 119,205</u>	<u>₩ 1,094,217</u>	<u>₩ (1,112,080)</u>	<u>₩ (69,781)</u>	<u>₩ 16,188,895</u>

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

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

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 5,133,264	₩ 3,607,623	₩ 4,344,591	₩ 304,944
BHAF (*)	4,336,696	-	3,528,417	-
WAE	738,646	946,985	297,889	536,814
HMGC	590,119	450,563	504,539	267,787
PTS	747,165	240,156	505,439	142,762
Kia Motors Corporation	20,119,918	29,309,773	15,832,410	8,331,074
Hyundai Engineering & Construction Co., Ltd.	14,652,436	4,977,041	8,621,849	3,297,631
Hyundai WIA Corporation	3,832,038	3,129,284	1,837,869	1,893,734
Hyundai Powertech Co., Ltd.	1,152,094	1,446,337	771,929	533,200
Hyundai Dymos Inc.	1,386,356	991,161	1,107,936	552,894
Hyundai Commercial Inc. (*)	5,667,437	-	5,061,040	-
HMC Investment Securities Co., Ltd. (*)	7,548,933	-	6,804,841	-
Eukor Car Carriers Inc.	371,516	2,995,130	282,951	1,571,184
Haevichi Hotels & Resorts Co., Ltd.	14,935	435,806	120,045	160,604

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	₩ 9,598,864	₩ 669,661	₩ -	₩ 669,661
BHAF (*)	242,560	57,732	-	57,732
WAE	709,009	22,828	-	22,828
HMGC	292,797	(21,328)	-	(21,328)
PTS	1,042,619	32,964	-	32,964
Kia Motors Corporation	27,099,348	1,770,270	(262,907)	1,507,363
Hyundai Engineering & Construction Co., Ltd.	8,974,461	254,713	72,422	327,135
Hyundai WIA Corporation	3,787,373	107,133	(11,380)	95,753
Hyundai Powertech Co., Ltd.	1,798,084	140,185	(2,855)	137,330
Hyundai Dymos Inc.	1,961,779	40,790	(6,695)	34,095
Hyundai Commercial Inc. (*)	185,820	45,236	975	46,211
HMC Investment Securities Co., Ltd. (*)	299,685	30,497	6,785	37,282
Eukor Car Carriers Inc.	871,293	26,991	13,257	40,248
Haevichi Hotels & Resorts Co., Ltd.	35,180	372	-	372

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

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

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
	(In millions of Korean Won)			
BHMC	₩ 5,915,885	₩ 2,879,034	₩ 5,184,504	₩ 330,731
BHAF (*)	2,870,406	-	2,463,251	-
WAE	727,025	1,009,240	323,700	548,103
HMGC	490,584	356,280	377,016	130,928
Kia Motors Corporation	18,729,548	25,968,763	14,470,262	6,954,577
Hyundai Engineering & Construction Co., Ltd.	14,208,921	4,981,540	8,314,329	3,789,170
Hyundai WIA Corporation	3,606,722	2,799,125	1,882,338	1,458,168
Hyundai Powertech Co., Ltd.	841,017	1,351,154	654,149	391,988
Hyundai Dymos Inc.	1,170,249	818,754	788,124	556,153
Hyundai Commercial Inc. (*)	5,094,259	-	4,589,977	-
HMC Investment Securities Co., Ltd. (*)	6,628,011	-	5,927,883	-
Eukor Car Carriers Inc.	481,149	2,918,778	287,609	1,597,018
Haevichi Hotels & Resorts Co., Ltd.	17,084	432,787	126,753	156,657

Name of the company	Sales	Profit (loss) for the period from continuing operations	Other comprehensive income (loss)	Total comprehensive income (loss)
	(In millions of Korean Won)			
BHMC	₩ 8,807,757	₩ 607,614	₩ -	₩ 607,614
BHAF (*)	153,321	32,156	-	32,156
WAE	870,599	65,587	-	65,587
HMGC	509,564	(7,201)	-	(7,201)
Kia Motors Corporation	23,618,777	1,649,734	(309,858)	1,339,876
Hyundai Engineering & Construction Co., Ltd.	8,758,753	255,792	(37,072)	218,720
Hyundai WIA Corporation	3,992,932	226,226	11,492	237,718
Hyundai Powertech Co., Ltd.	1,802,457	114,443	4,507	118,950
Hyundai Dymos Inc.	1,528,100	35,144	1,131	36,275
Hyundai Commercial Inc. (*)	183,773	24,059	1,325	25,384
HMC Investment Securities Co., Ltd. (*)	295,643	29,048	1,557	30,605
Eukor Car Carriers Inc.	1,185,864	127,531	34,059	161,590
Haevichi Hotels & Resorts Co., Ltd.	29,185	268	-	268

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

(4) Summarized additional financial information of the Group's major joint ventures as of and for the six months ended June 30, 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	₩ 225,196	₩ -	₩ 244,538	₩ 178,621	₩ 9,504	₩ 53,705	₩ 222,305
BHAF (*)	508,021	3,370,734	-	1,542	232,896	80,231	19,251
HMGC	57,840	199,124	167,555	11,193	330	9,746	177

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

Summarized additional financial information of the Group's major joint ventures as of and for the six months ended June 30, 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	₩ 1,555,541	₩ -	₩ 253,526	₩ 156,391	₩ 25,927	₩ 45,899	₩ 202,538
BHAF (*)	388,399	2,161,254	-	992	148,391	56,944	10,736
HMGC	35,972	198,316	130,928	4,130	144	7,835	581

(*) 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 and comprehensive income for the six months ended June 30, 2016 and 2015 are as follows:

Description	Six months ended June 30,	
	2016	2015
(In millions of Korean Won)		
Profit (loss) for the period	₩ (5,570)	₩ 42,248
Other comprehensive income (loss)	(8,864)	3,758
Total comprehensive income (loss)	₩ (14,434)	₩ 46,006

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

Name of the company	Group's share of net assets	Goodwill	Unrealized profit (loss) and others	Carrying amounts
BHMC	₩ 2,045,676	₩ -	₩ (51,209)	₩ 1,994,467
BHAF	428,388	-	-	428,388
WAE	187,204	-	-	187,204
HMGC	130,479	-	(5,853)	124,626
PTS	101,736	-	-	101,736
Kia Motors Corporation	8,237,591	197,089	(44,871)	8,389,809
Hyundai Engineering & Construction Co., Ltd. (*)	2,070,253	1,137,357	-	3,207,610
Hyundai WIA Corporation	818,388	-	(3,156)	815,232
Hyundai Powertech Co., Ltd.	485,934	-	(1,314)	484,620
Hyundai Dymos Inc.	334,110	-	(2,129)	331,981
Hyundai Commercial Inc.	251,488	-	-	251,488
HMC Investment Securities Co., Ltd.	204,572	40,052	-	244,624
Eukor Car Carriers Inc.	181,501	-	262	181,763
Haevichi Hotels & Resorts Co., Ltd. (*)	105,378	3,576	-	108,954

(*) 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	Goodwill	Unrealized profit (loss) and others	Carrying amounts
BHMC	₩ 2,226,774	₩ -	₩ (37,453)	₩ 2,189,321
BHAF	220,475	-	-	220,475
WAE	184,255	-	-	184,255
HMGC	143,976	-	(8,976)	135,000
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 June 30, 2016 is as follows:

Name of the company	Price per share	Total number of shares	Market value
Kia Motors Corporation	₩ 43,200	137,318,251	₩ 5,932,148
Hyundai Engineering & Construction Co., Ltd.	33,350	23,327,400	777,969
Hyundai WIA Corporation	89,100	6,893,596	614,219
HMC Investment Securities Co., Ltd.	9,790	8,065,595	78,962

13. FINANCIAL SERVICES RECEIVABLES:

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

Description	June 30,		December 31,	
	2016		2015	
	(In millions of Korean Won)			
Loan obligations	₩	36,203,735	₩	35,018,152
Card receivables		11,390,838		11,512,949
Financial lease receivables		2,599,044		2,672,159
Others		25,212		23,224
		50,218,829		49,226,484
Allowance for doubtful accounts		(970,906)		(938,300)
Loan origination fee		44,801		58,215
Present value discount accounts		(9,164)		(9,999)
	₩	49,283,560	₩	48,336,400

(2) Aging analysis of financial services receivables

As of June 30, 2016 and December 31, 2015, total financial services receivables that are past due, but not impaired, amount to ₩1,709,469 million and ₩1,607,033 million, respectively; among them, financial services receivables past due less than 90 days are ₩1,709,430 million and ₩1,607,006 million, respectively. As of June 30, 2016 and December 31, 2015, the impaired financial services receivables amount to ₩426,828 million and ₩463,846 million, respectively.

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

Description	2016		2015	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Beginning of the period	₩ 940,718	₩ 938,300	₩ 866,609	₩ 845,566
Impairment loss	163,171	306,014	131,425	265,924
Write-off	(119,176)	(241,057)	(111,774)	(210,113)
Disposals and others	(15,586)	(30,670)	(17,194)	(33,230)
Effect of foreign exchange differences	1,779	(1,681)	3,341	4,260
End of the period	₩ 970,906	₩ 970,906	₩ 872,407	₩ 872,407

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

Description	June 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	₩ 1,321,630	₩ 1,174,762	₩ 1,261,488	₩ 1,108,473
Later than one year and not later than five years	1,534,792	1,422,068	1,680,201	1,560,693
Later than five years	199	198	409	407
	₩ 2,856,621	₩ 2,597,028	₩ 2,942,098	₩ 2,669,573

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

Description	June 30, 2016	December 31, 2015
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 2,856,621	₩ 2,942,098
Net lease investments:		
Present value of minimum lease receipts	2,597,028	2,669,573
Present value of unguaranteed residual value	2,016	2,586
	2,599,044	2,672,159
Unearned interest income	₩ 257,577	₩ 269,939

14. OPERATING LEASE ASSETS:

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

Description	June 30, 2016	December 31, 2015
	(In millions of Korean Won)	
Acquisition cost	₩ 21,953,355	₩ 20,483,754
Accumulated depreciation	(2,831,618)	(2,692,378)
Accumulated impairment loss	(107,157)	(71,770)
	₩ 19,014,580	₩ 17,719,606

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

Description	June 30, 2016	December 31, 2015
	(In millions of Korean Won)	
Not later than one year	₩ 3,394,223	₩ 3,097,758
Later than one year and not later than five years	4,056,534	3,636,986
Later than five years	7	2
	₩ 7,450,764	₩ 6,734,746

15. BORROWINGS AND DEBENTURES:

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

Description	Lender	Annual interest rate	June 30, 2016	June 30, 2016	December 31, 2015
		(%)	(In millions of Korean Won)		
Overdrafts	Citi Bank and others	0.10~1.07	₩	260,839	₩ 74,365
General loans	Kookmin Bank and others	0.59~7.46		2,720,616	3,685,555
Loans on trade receivables collateral	Citi Bank and others	LIBOR+0.18~0.40		1,319,312	1,320,446
Banker's Usance	Kookmin Bank and others	LIBOR+0.31~0.40		373,776	400,341
Short-term debentures		1.80~2.04		219,922	439,557
Commercial paper	Shinhan Bank and others	0.55~2.10		2,875,385	3,463,901
			₩	7,769,850	₩ 9,384,165

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

Description	Lender	Annual interest rate	June 30, 2016	June 30, 2016	December 31, 2015
		June 30, 2016			
		(%)		(In millions of Korean Won)	
General loans	Shinhan Bank and others	0.10~7.46	₩	5,167,184	₩ 4,553,924
Facility loan	Korea Development Bank and others	1.00~5.85		315,134	347,066
Commercial paper	KTB Investment & Securities and others	1.88~1.89		250,000	-
Asset-backed securities	JP Morgan and others	0.74~1.88		7,394,053	7,055,970
Others	NH Investment & Securities and others			272,329	15,000
				13,398,700	11,971,960
Less: present value discounts				105,344	113,844
Less: current maturities				3,769,388	3,305,494
				₩ 9,523,968	₩ 8,552,622

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

Description	Latest maturity date	Annual interest rate	June 30, 2016	June 30, 2016	December 31, 2015
		June 30, 2016			
		(%)		(In millions of Korean Won)	
Guaranteed public debentures	June 8, 2017	4.00	₩	582,350	₩ 1,172,000
Non-guaranteed public debentures	June 28, 2026	0.00~6.53		23,394,658	22,954,336
Non-guaranteed private debentures	June 15, 2021	1.45~4.65		8,968,859	6,561,168
Asset-backed securities	July 15, 2022	0.39~3.32		13,753,472	13,093,193
				46,699,339	43,780,697
Less: discount on debentures				96,994	90,638
Less: current maturities				10,479,985	7,482,555
				₩ 36,122,360	₩ 36,207,504

16. PROVISIONS:

The changes in provisions for the six months ended June 30, 2016 are as follows:

Description	Other long-term		
	Warranty	employee benefits	Others
	(In millions of Korean Won)		
Beginning of the period	₩ 5,639,595	₩ 643,274	₩ 459,031
Charged	723,840	30,053	141,263
Utilized	(659,706)	(35,746)	(121,347)
Amortization of present value discounts	51,943	-	1,184
Changes in expected reimbursements by third parties	16,728	-	-
Effect of foreign exchange differences	8,455	9	14,128
End of the period	₩ 5,780,855	₩ 637,590	₩ 494,259

The changes in provisions for the six months ended June 30, 2015 are as follows:

Description	Warranty		Other long-term employee benefits		Others
	(In millions of Korean Won)				
Beginning of the period	₩	5,613,785	₩	674,397	₩ 438,688
Charged		464,921		33,609	158,771
Utilized		(532,532)		(24,786)	(94,740)
Amortization of present value discounts		56,095		-	1,400
Changes in expected reimbursements by third parties		15,203		-	-
Effect of foreign exchange differences		(9,649)		(32)	(7,105)
End of the period	₩	5,607,823	₩	683,188	₩ 497,014

17. OTHER FINANCIAL LIABILITIES:

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

Description	June 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Financial liabilities at FVTPL	₩ 11,110	₩ 20,184	₩ 37,276	₩ 172
Derivative liabilities that are effective hedging instruments	101,370	100,346	16,180	145,110
Financial lease liabilities	-	-	714	-
Other (*)	621,267	-	621,267	-
	₩ 733,747	₩ 120,530	₩ 675,437	₩ 145,282

(*) The Company recognized the gross obligation in respect of the agreements written over the shares of a subsidiary in accordance with K-IFRS 1032.

18. OTHER LIABILITIES:

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

Description	June 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Advances received	₩ 853,626	₩ 119,613	₩ 655,727	₩ 103,059
Withholdings	1,109,761	338,728	1,153,527	417,223
Accrued expenses	3,441,080	-	3,051,435	-
Unearned income	393,511	921,568	404,359	821,813
Due to customers for contract work	425,784	-	462,675	-
Others	181,594	1,186,682	134,423	1,129,643
	₩ 6,405,356	₩ 2,566,591	₩ 5,862,146	₩ 2,471,738

19. FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of June 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	₩ -	₩ 6,413,722	₩ -	₩ -	₩ 6,413,722	₩ 6,413,722
Short-term and long-term financial instruments	-	8,063,224	-	-	8,063,224	8,063,224
Trade notes and accounts receivable	-	4,444,620	-	-	4,444,620	4,444,620
Other receivables	-	2,978,476	-	-	2,978,476	2,978,476
Other financial assets	10,944,194	13,898	2,107,208	255,665	13,320,965	13,320,965
Other assets	-	304,014	-	-	304,014	304,014
Financial services receivables	-	49,283,560	-	-	49,283,560	51,694,382
	<u>₩ 10,944,194</u>	<u>₩ 71,501,514</u>	<u>₩ 2,107,208</u>	<u>₩ 255,665</u>	<u>₩ 84,808,581</u>	<u>₩ 87,219,403</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 June 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	₩	-	₩	6,894,824	₩	-	₩ 6,894,824	₩ 6,894,824
Other payables		-		3,408,812		-	3,408,812	3,408,812
Borrowings and debentures		-		67,665,551		-	67,665,551	68,156,520
Other financial liabilities		31,294		621,267		201,716	854,277	854,277
Other liabilities		-		3,441,334		-	3,441,334	3,441,334
	₩	31,294	₩	82,031,788	₩	201,716	₩ 82,264,798	₩ 82,755,767

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 June 30, 2016 are as follows:

Description	June 30, 2016			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets at FVTPL	₩ 89,075	₩ 10,855,119	₩ -	₩ 10,944,194
Derivatives designated as hedging instruments	-	255,665	-	255,665
AFS financial assets	1,675,817	189,591	241,800	2,107,208
	<u>₩ 1,764,892</u>	<u>₩ 11,300,375</u>	<u>₩ 241,800</u>	<u>₩ 13,307,067</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 31,294	₩ -	₩ 31,294
Derivatives designated as hedging instruments	-	201,716	-	201,716
	<u>₩ -</u>	<u>₩ 233,010</u>	<u>₩ -</u>	<u>₩ 233,010</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 six months ended June 30, 2016 are as follows:

Description	Beginning of the period						End of the period
	Purchases	Disposals	Valuation	Transfers			
	(In millions of Korean Won)						
AFS financial assets	₩ 232,557	₩ 11,039	₩ (3,267)	₩ 1,471	₩ -	₩ 241,800	

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

Description	Beginning of the period						End of the period
	Purchases	Disposals	Valuation	Transfers			
	(In millions of Korean Won)						
AFS financial assets	₩ 247,483	₩ 684	₩ (195)	₩ (12)	₩ -	₩ 247,960	

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

Description	Six months ended June 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	₩ 107,485	₩ -	₩ -	₩ 106,709	₩ -	₩ -
Financial assets (liabilities) at FVTPL	74,122	-	2,578	169,914	-	-
AFS financial assets	-	35,135	-	693	13,643	-
Financial liabilities carried at amortized cost	-	-	105,712	-	-	92,969
	<u>₩ 181,607</u>	<u>₩ 35,135</u>	<u>₩ 108,290</u>	<u>₩ 277,316</u>	<u>₩ 13,643</u>	<u>₩ 92,969</u>
Financial services:						
Loans and receivables	₩ 1,604,045	₩ -	₩ -	₩ 1,197,112	₩ -	₩ -
Financial assets at FVTPL	11,703	1,198	-	13,027	-	-
AFS financial assets	601	2,333	-	601	-	-
Financial liabilities carried at amortized cost	-	-	689,231	-	-	646,585
	<u>₩ 1,616,349</u>	<u>₩ 3,531</u>	<u>₩ 689,231</u>	<u>₩ 1,210,740</u>	<u>₩ -</u>	<u>₩ 646,585</u>

- (5) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities at FVTPL for the six months ended June 30, 2016 and 2015 are ₩873,772 million and ₩825,131 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 six months ended June 30, 2016 and 2015 are ₩428,831 million and ₩397,190 million, respectively.
- (6) The Group recognizes transfers between levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There are no significant transfers between Level 1 and Level 2 for the six months ended June 30, 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 June 30, 2016 (In millions of Korean Won)	Valuation techniques	Unobservable inputs	Description of relationship
Unlisted equity securities	₩ 224,979	Discounted cash flow and others	Sales growth rate Pre-tax operating income ratio 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 June 30, 2016 and December 31, 2015 consist of the following:

(1) Common stock

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

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

21. CAPITAL SURPLUS:

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

Description	June 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	249,833	199,061
	₩ 3,571,167	₩ 3,520,395

22. OTHER CAPITAL ITEMS:

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

Description	June 30, 2016	December 31, 2015
	(Number of shares)	
Common stock	13,222,314	13,209,474
1 st preferred stock	2,202,059	2,202,059
2 nd preferred stock	1,376,138	1,376,138
3 rd preferred stock	24,782	24,782

23. ACCUMULATED OTHER COMPREHENSIVE LOSS:

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

Description	June 30, 2016	December 31, 2015
	(In millions of Korean Won)	
Gain on valuation of AFS financial assets	₩ 524,346	₩ 784,129
Loss on valuation of AFS financial assets	(357,455)	(339,984)
Gain on valuation of cash flow hedge derivatives	23,909	2,540
Loss on valuation of cash flow hedge derivatives	(38,501)	(33,543)
Gain on share of the other comprehensive income of equity-accounted investees	175,873	245,806
Loss on share of the other comprehensive income of equity-accounted investees	(545,069)	(505,373)
Loss on foreign operations translation, net	(1,463,220)	(1,585,396)
	₩ (1,680,117)	₩ (1,431,821)

24. RETAINED EARNINGS:

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

Description	June 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		17,881,317		19,874,061
	₩	62,474,300	₩	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 six months ended June 30, 2016 and 2015 consist of the following:

Description	2016		2015	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Sales of goods	₩ 21,676,981	₩ 40,974,133	₩ 20,038,867	₩ 38,378,527
Rendering of services	377,813	734,478	327,812	613,903
Royalties	56,099	103,574	46,778	83,254
Financial services revenue	2,447,182	4,990,866	2,326,446	4,537,169
Others	118,651	224,299	81,724	151,530
	₩ 24,676,726	₩ 47,027,350	₩ 22,821,627	₩ 43,764,383

26. SELLING AND ADMINISTRATIVE EXPENSES:

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

Description	2016		2015	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Selling expenses:				
Export expenses	₩ 192,908	₩ 355,797	₩ 206,799	₩ 411,012
Overseas market expenses	127,115	210,254	81,145	166,522
Advertisements and sales promotion	551,314	1,101,566	444,563	911,532
Sales commissions	172,704	327,657	167,539	309,757
Expenses for warranties	515,567	812,588	343,826	598,480
Transportation expenses	61,930	119,561	63,048	124,621
	<u>1,621,538</u>	<u>2,927,423</u>	<u>1,306,920</u>	<u>2,521,924</u>
Administrative expenses:				
Payroll	634,688	1,259,031	628,485	1,268,891
Post-employment benefits	44,149	88,106	46,877	90,715
Welfare expenses	104,119	209,655	103,406	205,889
Service charges	290,128	585,804	291,236	557,364
Research	229,857	419,635	207,212	374,496
Others	336,937	668,643	307,144	615,754
	<u>1,639,878</u>	<u>3,230,874</u>	<u>1,584,360</u>	<u>3,113,109</u>
	<u>₩ 3,261,416</u>	<u>₩ 6,158,297</u>	<u>₩ 2,891,280</u>	<u>₩ 5,635,033</u>

27. GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

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

Description	2016		2015	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Gain on share of earnings of equity-accounted investees, net	₩ 602,030	₩ 1,072,395	₩ 478,029	₩ 1,094,217

28. FINANCE INCOME AND EXPENSES:

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

Description	2016		2015	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Interest income	₩ 88,251	₩ 181,607	₩ 129,747	₩ 277,316
Gain on foreign exchange transactions	31,811	50,277	93,692	106,768
Gain on foreign currency translation	62,773	89,506	99,879	96,958
Dividend income	358	35,135	46	13,643
Gain on valuation of derivatives	2,887	12,358	3	2,599
Gain on disposals of AFS financial assets and others	1,524	266,004	2,251	5,054
	<u>₩ 187,604</u>	<u>₩ 634,887</u>	<u>₩ 325,618</u>	<u>₩ 502,338</u>

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

Description	2016		2015	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Interest expenses	₩ 69,437	₩ 137,191	₩ 55,460	₩ 125,148
Loss on foreign exchange transactions	44,061	65,656	88,689	97,185
Loss on foreign currency translation	33,559	59,426	34,236	96,776
Loss on valuation of derivatives	12,306	7,057	82,220	10,059
Impairment loss on AFS financial assets	-	7,630	-	-
Loss on disposals of AFS financial assets and others	14,690	23,121	774	1,661
	<u>₩ 174,053</u>	<u>₩ 300,081</u>	<u>₩ 261,379</u>	<u>₩ 330,829</u>

29. OTHER INCOME AND EXPENSES:

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

Description	2016		2015	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Gain on foreign exchange transactions	₩ 110,374	₩ 262,042	₩ 151,907	₩ 265,961
Gain on foreign currency translation	51,982	117,062	94,253	126,317
Gain on disposals of PP&E	5,540	9,596	14,530	19,300
Commission income	25,423	47,278	22,582	40,623
Rental income	19,278	41,558	17,085	36,228
Others	58,906	136,706	87,314	181,931
	<u>₩ 271,503</u>	<u>₩ 614,242</u>	<u>₩ 387,671</u>	<u>₩ 670,360</u>

(2) Other expenses for the three months and six months ended June 30, 2016 and 2015 consist of the following:

Description	2016		2015	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Loss on foreign exchange transactions	₩ 113,985	₩ 270,052	₩ 118,935	₩ 290,065
Loss on foreign currency translation	38,711	88,364	96,924	122,045
Loss on disposals of PP&E	10,015	15,294	15,077	18,611
Impairment loss on non-current assets classified as held for sale	-	18,575	-	-
Donations	20,060	37,816	24,367	31,318
Others	84,565	150,554	55,859	122,295
	<u>₩ 267,336</u>	<u>₩ 580,655</u>	<u>₩ 311,162</u>	<u>₩ 584,334</u>

30. EXPENSES BY NATURE:

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

Description	2016		2015	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Changes in inventories	₩ (114,129)	₩ (1,472,445)	₩ (1,027,607)	₩ (1,950,579)
Raw materials and merchandise used	13,699,470	26,942,228	13,184,342	25,044,509
Employee benefits	2,227,807	4,444,974	2,195,827	4,394,832
Depreciation	526,467	1,055,513	488,174	964,928
Amortization	284,350	557,186	189,382	372,130
Others	6,558,258	12,976,319	6,351,763	12,183,961
Total (*)	<u>₩ 23,182,223</u>	<u>₩ 44,503,775</u>	<u>₩ 21,381,881</u>	<u>₩ 41,009,781</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 six months ended June 30, 2016 are computed as follows:

Description	2016					
	Three months ended June 30,			Six months ended June 30,		
	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ 1,276,864	207,054,165	₩ 6,167	₩ 2,576,136	206,894,123	₩ 12,451
1 st Preferred stock (*2)	141,555	22,907,923	6,179	285,589	22,907,923	12,467
2 nd Preferred stock	224,377	36,237,727	6,192	452,676	36,237,727	12,492
3 rd Preferred stock	15,161	2,453,517	6,179	30,588	2,453,517	12,467

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

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

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

Description	2015					
	Three months ended June 30,			Six months ended June 30,		
	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit available to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ 1,311,379	207,067,005	₩ 6,333	₩ 2,781,668	207,184,813	₩ 13,426
1 st Preferred stock (*2)	145,365	22,907,923	6,346	308,310	22,924,718	13,449
2 nd Preferred stock	230,404	36,237,727	6,358	488,617	36,261,978	13,475
3 rd Preferred stock	15,569	2,453,517	6,346	33,021	2,454,999	13,451

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

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

The Group does not compute diluted earnings per common stock for three and the six months ended June 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 six months ended June 30, 2016 and 2015 are 22.3% and 19.5%, respectively.

33. RETIREMENT BENEFIT PLAN:

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

Description	Six months ended June 30,	
	2016	2015
	(In millions of Korean Won)	
Paid in cash	₩ 3,519	₩ 4,883
Recognized liability	680	489
	<u>₩ 4,199</u>	<u>₩ 5,372</u>

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

Description	June 30, 2016	December 31, 2015
Discount rate	3.23%	3.30%
Rate of expected future salary increase	4.40%	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 June 30, 2016 and December 31, 2015 consist of the following:

Description	June 30, 2016	December 31, 2015
	(In millions of Korean Won)	
Present value of defined benefit obligations	₩ 4,709,408	₩ 4,464,399
Fair value of plan assets	(4,087,100)	(3,859,966)
Net defined benefit liabilities	<u>₩ 622,308</u>	<u>₩ 604,433</u>

(4) Changes in net defined benefit liabilities for the six months ended June 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		267,962		-	267,962
Interest expenses (income)		66,479		(58,142)	8,337
		<u>4,798,840</u>		<u>(3,918,108)</u>	<u>880,732</u>
Remeasurements:					
Return on plan assets		-		(9,254)	(9,254)
Actuarial gains and losses arising from changes in financial assumptions		42,817		-	42,817
Actuarial gains and losses arising from experience adjustments and others		(1,232)		-	(1,232)
		<u>41,585</u>		<u>(9,254)</u>	<u>32,331</u>
Contributions		-		(279,839)	(279,839)
Benefits paid		(136,559)		119,048	(17,511)
Transfers in (out)		2,041		(625)	1,416
Effect of foreign exchange differences and others		3,501		1,678	5,179
End of the period	₩	<u>4,709,408</u>	₩	<u>(4,087,100)</u>	₩ <u>622,308</u>

Changes in net defined benefit liabilities for the six months ended June 30, 2015 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	₩	4,065,742	₩	(3,471,803)	₩ 593,939
Current service cost		264,015		-	264,015
Interest expenses (income)		70,406		(60,543)	9,863
		<u>4,400,163</u>		<u>(3,532,346)</u>	<u>867,817</u>
Remeasurements:					
Return on plan assets		-		5,384	5,384
Actuarial gains and losses arising from changes in financial assumptions		(8,276)		-	(8,276)
		<u>(8,276)</u>		<u>5,384</u>	<u>(2,892)</u>
Contributions		-		(4,528)	(4,528)
Benefits paid		(87,548)		65,193	(22,355)
Transfers in		380		285	665
Effect of foreign exchange differences and others		9,472		(4,237)	5,235
End of the period	₩	<u>4,314,191</u>	₩	<u>(3,470,249)</u>	₩ <u>843,942</u>

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

Description	June 30, 2016		December 31, 2015	
	(In millions of Korean Won)			
Insurance instruments	₩	3,824,990	₩	3,616,437
Debt instruments		111,316		98,586
Others		150,794		144,943
	₩	<u>4,087,100</u>	₩	<u>3,859,966</u>

34. CASH GENERATED FROM OPERATIONS:

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

Description	Six months ended June 30,	
	2016	2015
	(In millions of Korean Won)	
Profit for the period	₩ 3,532,053	₩ 3,773,702
Adjustments:		
Post-employment benefits	276,979	274,367
Depreciation	1,055,513	964,928
Amortization of intangible assets	557,186	372,130
Provision for warranties	723,840	464,921
Income tax expense	1,012,965	916,986
Gain on foreign currency translation, net	(58,778)	(4,454)
Loss (gain) on disposals of PP&E, net	5,698	(689)
Interest income, net	(44,416)	(152,168)
Gain on disposals of AFS financial assets, net	(244,742)	(4,830)
Gain on share of earnings of equity-accounted investees, net	(1,072,395)	(1,094,217)
Cost of sales from financial services, net	2,847,894	2,272,237
Others	239,459	228,055
	5,299,203	4,237,266
Changes in operating assets and liabilities:		
Decrease (increase) in trade notes and accounts receivable	205,317	(812,264)
Decrease in other receivables	660,238	145,831
Decrease (increase) in other financial assets	(812,603)	444,844
Increase in inventories	(1,647,012)	(2,162,407)
Decrease (increase) in other assets	60,155	(112,891)
Increase (decrease) in trade notes and accounts payable	(327,497)	351,027
Decrease in other payables	(724,386)	(906,065)
Increase in other liabilities	719,905	1,328,262
Decrease in other financial liabilities	(9,475)	(15,183)
Changes in net defined benefit liabilities	(274,096)	1,215
Payment of severance benefits	(17,511)	(22,355)
Decrease in provisions	(816,799)	(652,058)
Changes in financial services receivables	(1,514,951)	(609,577)
Increase in operating lease assets	(3,091,357)	(2,700,233)
Others	(29,853)	12,182
	(7,619,925)	(5,709,672)
Cash generated from operations	₩ 1,211,331	₩ 2,301,296

35. RISK MANAGEMENT:

(1) Capital risk management

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

Description	June 30, 2016		December 31, 2015	
	(In millions of Korean Won)			
Total liabilities	₩	100,542,325	₩	98,486,545
Total equity		69,175,778		66,881,401
Debt-to-equity ratio		145.3%		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 June 30, 2016 would be as follows:

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ (33,820)	₩ 33,820
EUR	(28,809)	28,809
JPY	(6,084)	6,084

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

b) Interest rate risk management

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

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

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 11,313	₩ (11,313)
Financial assets at FVTPL	(5,753)	5,989
Short-term and long-term financial instruments	8,432	(8,432)
Borrowings and debentures	(120,510)	120,510
Financial liabilities at FVTPL	5,177	(5,177)

The Company's subsidiaries, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., that are operating financial business, are managing interest rate risk by utilizing value at risk (VaR). VaR is defined as a threshold value which is a statistical estimate of the maximum potential loss based on normal distribution. As of June 30, 2016 and December 31, 2015, the amounts of interest rate risk measured at VaR are ₩140,505 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 June 30, 2016, the amounts of held for trading equity instruments and AFS equity instruments measured at fair value are ₩89,075 million and ₩1,868,690 million, respectively.

2) Credit risk

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

3) Liquidity risk

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

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

The Group's maturity analysis of its non-derivative liabilities according to their remaining contract period before expiration as of June 30, 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	₩ 14,344,489	₩ 22,471	₩ 736	₩ 14,367,696
Interest-bearing liabilities	23,267,885	45,868,741	1,596,009	70,732,635
Financial guarantee	1,202,352	47,682	24,327	1,274,361

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 June 30, 2016 and December 31, 2015, the Group deferred a net loss of ₩14,592 million and ₩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 68 months as of June 30, 2016.

For the six months ended June 30, 2016 and 2015, the Group recognizes a net loss of ₩49,361 million and a net profit of ₩122,791 million in profit or loss (before tax), respectively, which resulted from the ineffective portion of its cash flow hedging instruments and changes in the valuation of its other non-hedging derivative instruments.

36. RELATED-PARTY TRANSACTIONS:

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

- (1) For the six months ended June 30, 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	₩ 499,636	₩ 4,271	₩ 2,281,026	₩ 7,448
Hyundai MOBIS Co., Ltd.	31,252	3,340	753,152	7,658
Mobis Alabama, LLC	1	233	866,775	-
Mobis Automotive Czech s.r.o.	21,208	978	488,075	1,241
Mobis India, Ltd.	18,488	3,603	371,723	243
Mobis Parts America, LLC	6,601	7,108	147,549	27
Mobis Parts Europe N.V.				
Mobis Brasil Fabricacao De Auto Pecas Ltda	1,887	-	112,428	-
Mobis Module CIS, LLC	131	157	94,173	-
Others	21,528	1,314	370,954	1,330
Joint ventures and associates	482,961	193,592	76,412	149,394
Kia Motors Corporation				
Kia Motors Manufacturing Georgia, Inc.	392,479	948	1,546,680	1,826
Kia Motors Russia LLC	387,800	27	-	-
Kia Motors Slovakia s.r.o.	65,071	6,467	432,041	3
BHMC	729,685	36,372	231	-
HMGC	5,792	1	312	1,670
Hyundai WIA Corporation	91,078	325	437,288	248
Others	229,759	18,570	1,325,484	896,779
Other related parties	1,091	1,165	-	-
Affiliates by the Act	396,753	49,701	2,739,012	866,364

For the six months ended June 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)					
Entities with significant influence over the Company	Hyundai MOBIS Co., Ltd.	₩ 471,920	₩ 3,976	₩ 2,336,086	₩ 25,737
	Mobis Alabama, LLC	9,339	7,855	611,301	167
	Mobis Automotive Czech s.r.o.	14	190	570,809	-
	Mobis India, Ltd.	17,936	461	407,664	792
	Mobis Parts America, LLC	4,751	3,346	303,599	892
	Mobis Parts Europe N.V.	3,502	2,407	122,528	11
	Mobis Brasil Fabricacao De Auto Pecas Ltda	1,545	-	131,560	-
	Mobis Module CIS, LLC	-	154	84,235	1
	Others	29,367	44,746	333,960	10,988
	Joint ventures and associates	Kia Motors Corporation	502,878	186,034	63,223
Kia Motors Manufacturing Georgia, Inc.		328,027	611	1,306,230	98
Kia Motors Russia LLC		359,813	-	-	2,017
Kia Motors Slovakia s.r.o.		57,389	11,254	334,490	155
BHMC		505,884	31,300	240	-
HMGC		100,047	3	1,326	1,539
Hyundai WIA Corporation		120,271	488	516,491	418
Hyundai HYSCO Co., Ltd.		8,372	770	6,855	-
Others		255,658	16,883	1,518,526	826,151
Other related parties		1,661	12	-	-
Affiliates by the Act	543,909	31,989	2,210,769	824,816	

(2) As of June 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.	₩ 216,284	₩ 26,116	₩ 764,212	₩ 97,457	
	Mobis Alabama, LLC	34	5,824	133,177	-	
	Mobis Automotive Czech s.r.o.	40	402	184,933	-	
	Mobis India, Ltd.	550	5,379	128,476	5	
	Mobis Parts America, LLC	4,782	75	67,323	-	
	Mobis Parts Europe N.V.	8,888	248	26,721	-	
	Mobis Module CIS, LLC	-	72	24,161	-	
	Others	22,389	438	82,565	1,162	
	Joint ventures and associates	Kia Motors Corporation	282,354	143,353	34,681	110,578
		Kia Motors Manufacturing Georgia, Inc.	60,661	15,227	317,080	944
Kia Motors Russia LLC		116,766	34	-	322	
Kia Motors Slovakia s.r.o.		9,467	1,134	75,610	48	
Kia Motors America, Inc.		-	93,999	72	20,006	
BHMC		241,291	32,723	-	26,993	
HMGC		-	351	-	763	
Hyundai WIA Corporation		82,322	16,325	88,996	68,827	
Others		201,630	36,962	380,266	464,100	
Other related parties		322	265	-	-	
Affiliates by the Act	181,636	770,861	803,628	333,614		

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 six months ended June 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)						
Entities with significant influence over the Company	\$ -	\$ 140,000	\$ -	\$ -	\$ -	₩ -
Joint ventures and associates	\$ -	\$ -	\$ -	\$ -	\$ 19,181	₩ 430,448

Significant fund transactions and equity contribution transactions for the six months ended June 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)						
Joint ventures and associates	\$ -	\$ -	\$ -	\$ -	\$ -	₩ 119,205

For the six months ended June 30, 2016, the Group traded in other financial assets and others of ₩1,189,950 million with HMC Investment Securities Co., Ltd., an associate of the Group. The Group has other financial assets of ₩1,549,950 million in the consolidated statement of financial position as of June 30, 2016.

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

Description	Six months ended June 30,	
	2016	2015
	(In millions of Korean Won)	
Short-term employee salaries	₩ 83,904	₩ 82,659
Post-employment benefits	17,685	18,389
Other long-term benefits	497	177
	₩ 102,086	₩ 101,225

37. COMMITMENTS AND CONTINGENCIES:

- (1) As of June 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	₩	47,682
To others		7,745		1,223,372
	₩	9,056	₩	1,271,054

- (*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of June 30, 2016.
- (2) As of June 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 June 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 June 30, 2016, a substantial portion of the Group's PP&E is pledged as collateral for various loans up to ₩799,911 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 and ₩2,020,000 million with Kookmin Bank and 25 other financial institutions, as of June 30, 2016.
- (5) Hyundai Card Co., Ltd, a subsidiary of the Company, has a Revolving Credit Facility Agreement which credit line is ₩510,000 million with Kookmin Bank and 8 other financial institutions, as of June 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 six months ended June 30, 2016 and 2015 are as follows:

For the six months ended June 30, 2016					
	Vehicle	Finance	Others	Consolidation adjustments	Total
(In millions of Korean Won)					
Total sales	₩ 56,548,167	₩ 7,241,199	₩ 3,828,401	₩ (20,590,417)	₩ 47,027,350
Inter-company sales	(19,888,523)	(150,912)	(550,982)	20,590,417	-
Net sales	36,659,644	7,090,287	3,277,419	-	47,027,350
Operating income	2,440,262	458,601	255,749	(50,382)	3,104,230

For the six months ended June 30, 2015					
	Vehicle	Finance	Others	Consolidation adjustments	Total
(In millions of Korean Won)					
Total sales	₩ 51,503,674	₩ 6,205,167	₩ 3,773,115	₩ (17,717,573)	₩ 43,764,383
Inter-company sales	(17,145,543)	(123,879)	(448,151)	17,717,573	-
Net sales	34,358,131	6,081,288	3,324,964	-	43,764,383
Operating income	2,635,170	556,902	99,145	47,719	3,338,936

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

As of June 30, 2016					
	Vehicle	Finance	Others	Consolidation adjustments	Total
(In millions of Korean Won)					
Total assets	₩ 96,074,714	₩ 79,189,334	₩ 7,762,843	₩ (13,308,788)	₩ 169,718,103
Total liabilities	33,965,039	69,408,233	4,937,607	(7,768,554)	100,542,325
Borrowings and debentures	5,922,207	61,360,024	2,837,639	(2,454,319)	67,665,551

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 six months ended June 30, 2016 and 2015 are as follows:

	For the six months ended June 30, 2016						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 27,304,336	₩ 20,044,500	₩ 3,882,035	₩ 15,418,476	₩ 968,420	₩ (20,590,417)	₩ 47,027,350
Inter-company sales	(8,103,003)	(4,101,494)	(209,451)	(8,176,405)	(64)	20,590,417	-
Net sales	19,201,333	15,943,006	3,672,584	7,242,071	968,356	-	47,027,350

	For the six months ended June 30, 2015						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 27,827,615	₩ 16,730,273	₩ 3,371,633	₩ 12,460,300	₩ 1,092,135	₩ (17,717,573)	₩ 43,764,383
Inter-company sales	(7,702,861)	(3,293,484)	(180,456)	(6,540,725)	(47)	17,717,573	-
Net sales	20,124,754	13,436,789	3,191,177	5,919,575	1,092,088	-	43,764,383

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

Description	June 30, 2016	December 31, 2015
(In millions of Korean Won)		
Korea	₩ 27,680,241	₩ 27,735,116
North America	2,412,684	2,358,588
Asia	1,061,628	1,153,577
Europe	1,947,852	1,864,713
Others	406,326	294,438
	33,508,731	33,406,432
Consolidation adjustments	(126,445)	(117,993)
Total (*)	₩ 33,382,286	₩ 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 six months ended June 30, 2016 and 2015.

39. CONSTRUCTION CONTRACTS:

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

Description	June 30, 2016	December 31, 2015
(In millions of Korean Won)		
Accumulated accrual cost	₩ 9,610,143	₩ 9,774,231
Accumulated income	1,053,791	961,631
Accumulated construction in process	10,663,934	10,735,862
Progress billing	(9,702,760)	(9,361,257)
Due from customers	1,386,958	1,837,280
Due to customers	(425,784)	(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 June 30, 2016 are as follows:

Description	June 30, 2016
	(In millions of Korean Won)
Changes in accounting estimates of total contract revenue	₩ 50,771
Changes in accounting estimates of total contract costs	126,546
Effects on profit or loss of current period	2,745
Effects on profit or loss of future periods	(78,520)
Changes in due from customers	3,111
Provision for construction loss	146,867

Effects on profit or loss of current and future periods were calculated by total contract costs estimated based on the situation occurred since the commencement of the contract to June 30, 2016 and the estimates of contract revenue as of June 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 six months ended June 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	₩ -

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD:

The Company declared interim dividend the resolution of the Board of Directors held on July 26, 2016, the details are as follows:

Description	Contents
Interim dividend amounts	Dividend per share : ₩1,000 (Gross amounts of dividend : ₩268,653 million)
Dividend yield ratio	0.7% (Common stock criteria)
Base date of dividend	June 30, 2016

