Annual Report 2016

TRUE COLORS OF

KIA MOTORS

Annual Report 2016

KIA MOTORS





Kia Motors has continued to reinvent our business activities to be able to respond more flexibly to changes and strengthen our long-term competitiveness.

20 Page
OUR PERFORMANCE



In 2016, we continued to pursue the delivery of the best in “qualitivity” by offering customers a better way to drive and by generating long-term value for all our stakeholders. This in turn has enabled us to create new engines for growth.

32 Page
OUR STRENGTH



We are continually asking ourselves questions about ‘A Better Way to Go’, the path to the better world that we want to build with automobiles. In 2016, we looked carefully into safe & accident-free driving, zero-emissions vehicles, and fundamental solutions to social issues.

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OUR FUTURE



You can download this report as a PDF file at Kia Motors website (www.kia.com)

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Driven by a spirit of innovation, and a commitment to becoming the leader in future mobility, Kia Motors is accelerating the pace of our worldwide growth while fulfilling our responsibilities as a global corporate citizen.

We will continue to strive for excellence, contribute actively to the advancement of the automotive industry, and maintain a clear focus on creating long-term value for our stakeholders.



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48 Page
OUR FUTURE



Our responsible management practices,
coupled with corporate stability,
will enable us to manage uncertainties
and deliver sustained growth.

Chairman I **Mong-Koo Chung**

In 2016, Kia Motors sold more than 3 million vehicles for the third consecutive year despite difficult market conditions, thereby further reinforcing our leading position in the global automobile market.

With the spread of protectionism, intensifying market competition and persistently sluggish global economic growth, the automobile industry faces profound uncertainties on the road ahead.

Our plan for 2017, therefore, is to respond to these challenges with agility and flexibility by strengthening our own corporate stability and promoting responsible management, which, in turn, will help us move a step closer to a future of exciting new growth possibilities.

Above all, we will maintain our world-leading quality competitiveness and strive to create differentiated sales and service operations that will further enhance customer confidence in the Kia brand.

We will strengthen the product competitiveness of our luxury and eco-friendly line-up, while responding actively to market changing requirements by continuously releasing new vehicles. R&D investment will be increased in order to strengthen our key technologies, including autonomous driving innovations, which will enable us to lead the future of mobility.

In addition, we will fulfill our social responsibilities as a corporate citizen by increasing the transparency of our management practices and by expanding social contribution activities with an aim toward contributing to the happiness of people.

Everyone at Kia Motors will work in unison in 2017 in order to make great strides in the next phase of our journey forward.

Thank you.



Thanks to our rising product competitiveness and brand power, Kia Motors made good progress in 2016, selling more than 3 million vehicles for the third year in a row despite a particularly uncertain year for the global economy.

Vice Chairman & CEO I **Hyoung-Keun Lee**

DEAR SHAREHOLDERS,

I would like to thank you all sincerely for the unwavering support and affection you have shown to Kia Motors over the last year.

The global economy suffered a marked downturn in 2016. The US saw its lowest growth since the 2008 financial crisis, the Brexit vote caused a slowdown in Europe's recovery, and many developing nations continued their slow growth patterns. As a result, competition in the automobile market has intensified.

Despite this difficult business environment, we achieved record sales in the Korean market, thanks in large part to strong sales of RVs, which have seen rising demand. Our sales growth also exceeded the market average in Western Europe. Together, these factors enabled us to maintain sales and production above 3 million units for the third consecutive year. In addition, we strengthened our line-up by successfully launching the Niro, our first eco-friendly compact SUV, and the Cadenza (K7), our flagship mid- to large-size premium sedan.

These accomplishments have resulted in significant improvements to our business performance. Revenues rose 6.4% to reach KRW 52.7 trillion, the first time we have exceeded KRW 50 trillion in annual sales, while our operating profits grew by 4.6% to KRW 2.5 trillion.

Our brand value also continued to trend upwards, rising 12% to USD 6.3 billion in 2016, which positioned Kia Motors as one of the world's top 100 brands for the fifth consecutive year as well as a top-70 brand for the first time in the company history, according to Interbrand.

One of our proudest achievements of 2016 was becoming the first Korean automobile company to take the top spot in J.D. Power & Associates' renowned Initial Quality Study (IQS). This achievement is a direct result of the constant improvements in our quality management activities that always place the highest priority on product quality. We are therefore very pleased to have received such strong customer recognition for the quality of our entire line-up of vehicles.

None of these achievements could have been possible without your steadfast support. I would like to take this opportunity to extend my heartfelt gratitude to you once again.

The global economy is forecast to see continued low growth in 2017. International trade will come under pressure with the spread of protectionism and potential downturns in consumption and investments due to rising interest rates. In the automotive industry, growth is expected to decrease in major markets, including the US, Europe, and China. Demand is also forecast to drop in the Korean market, due to the continuing downward pressure on economic growth.

Meanwhile, the automobile market is expected to undergo extensive change in the near future, with innovations such as alliances and acquisitions aimed at consolidating leadership in the future of the automotive industry, including eco-friendly cars, autonomous driving vehicles and mobility services, taking place at a rapid rate.

Against this backdrop, we will aim to strength our position in the global market and actively respond to shifts in the automotive industry by executing our mid- to long-term 'Strategy 2020' that Kia Motors mapped out in 2016. By doing so, we will make both quantitative and qualitative improvements across all areas of the business to solidify the path toward sustainable growth. Accordingly, we will undertake the following key strategic tasks.

First, we will increase sales by releasing an extensive selection of new vehicles.

We will further improve Kia's brand image by launching the Stinger, a premium sports sedan, following the successful release of the Niro and the Cadenza (K7), which were consumer favorites in 2016. We will also advance further into global markets by releasing new generation versions of the Picanto (Morning) and the Rio (Pride), two models which have become very popular both at home and abroad, and also by launching localized strategic models that are optimized for their target countries.

Second, we will continue to strengthen our competitive edge in product and marketing innovation.

We will improve our positions in the eco-friendly and luxury vehicle markets through the global launches of the Niro PHEV and the Stinger, both of which feature distinctive designs and market attractiveness. In addition, digital technologies will offer pioneering customer experiences not only with our products but also at our sales and service points. We will continue to develop autonomous driving vehicles and connected cars, and will actively respond to all the changes that unfold in the global automotive industry.

Third, we will implement proactive strategies to improve profitability.

We will increase profits by focusing on sales of models with high returns. In addition, strict quality management and innovations in production efficiency will bring about cost reductions and improved profitability.

Fourth, we will solidify the foundations for sustainable growth.

We will build a risk management system that will proactively and preemptively respond to uncertainties in the business environment. We will also improve our overseas business by strengthening our global organization and the skills of our personnel. In addition, continued efforts will be made to undertake corporate social responsibility activities in Korea and abroad, fulfilling our responsibilities as a global corporate citizen.

Everyone at Kia Motors regards 2017 as a starting point for further advances, rather than becoming complacent about past achievements. We will commit ourselves to building the foundation for new growth opportunities by making our company stronger through the continued introduction of pioneering innovations.

In doing so, Kia Motors aims to achieve industry-leading growth and profitability. We will become the most innovative brand in our industry, and will lead industry changes into the future, thus satisfying the high expectations of all our stakeholders.

I ask for your continued encouragement for Kia Motors in 2017, and wish you and your families good health and happiness in the year ahead.

Thank you.

BOARD OF DIRECTORS

Kia Motors is aware that healthy corporate governance is not only a prerequisite for a company's sustainable growth, but also vital to shareholder and corporate value. We have therefore established a system of advanced corporate governance centered on the BOD. As of the end of 2016, our BOD was comprised of three standing, one special non-standing, and five non-standing directors.

As the top decision-making body at Kia Motors, BOD members are appointed at the general shareholders' meeting (GSM) and speak on behalf of the interests of shareholders and other stakeholders. The BOD also oversees and votes on key business issues concerning the company's long-term growth. It is in charge of monitoring and controlling overall business activities, ranging from the establishment and execution of corporate strategies to evaluating the achievement of performance goals and deciding on management remuneration.

The BOD holds regular meetings to vote on key issues, and management also takes into consideration shareholder and employee feedback gathered at relevant meetings when formulating business policies. In 2016, the BOD convened nine meetings to deliberate and vote on agenda items, including the convening of the 72nd GSM (FY2015) and approval of its agenda. The BOD was presented with a total of 36 agenda items and briefings, and the non-standing directors' attendance rate was 97.8%. Because of the nature of the automobile industry, which requires fast decision-making, the CEO chairs the BOD. Therefore, in order to guarantee the independence of the BOD, which is potentially affected by having the CEO serve as its chair, all agenda items are explained in detail, along with all supporting information, ahead of every BOD meeting, which allows non-standing directors to clearly and firmly voice their opinions.

BOD COMMITTEES

Committees have been set up under the BOD in order to promote stable corporate governance and the strengthening of BOD expertise and efficiency. They consist of the Audit Committee, the Board Nominating Committee, and the Transparent Management Committee. In March 2016, the previous Ethics Committee was renamed the Transparent Management Committee and given more functions in order to protect shareholder interests and strengthen communications with shareholders.

AUDIT COMMITTEE _ The Audit Committee is comprised of three non-standing directors. It reviews Kia Motors' financial affairs and accounting, and makes sure all the company's business activities are conducted in a fair manner and in compliance with all laws and regulations. All members of the committee are non-standing directors to ensure the independence of the audit process, and committee members have easy access to all pertinent information related to the company's business operations. In 2016, the Audit Committee convened seven meetings, and was presented with 10 agenda items and briefings. The committee deliberated and voted on agenda items including an evaluation of the company's internal accounting control system.

TRANSPARENT MANAGEMENT COMMITTEE _ The Transparent Management Committee is an independent organization that was established to protect shareholder interests and enhance value through improved communications. It is in charge of reflecting shareholder rights and interests when considering important business matters that impact shareholder value, including M&As and major asset acquisitions, as well as any other matters that the committee may deem important, such as the company's payout policy. All five members are non-standing directors, with one member specifically charged with protecting shareholder interests. This committee member attends meetings with domestic investors and also the Non Deal Roadshows (NDRs) held for overseas investors in order to facilitate better and more direct communications between the BOD and shareholders.

The committee held five meetings in 2016, and was presented with 22 agenda items and briefings. It deliberated and voted on agenda items including internal trading approvals. The committee member specifically in charge of shareholder rights had meetings with overseas investors, and the committee also held a corporate governance seminar featuring an outside lecturer. Details of its activities are disclosed through diverse channels, including our annual sustainability report.

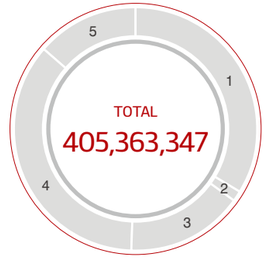
BOARD NOMINATING COMMITTEE _ The Board Nominating Committee consists of two standing and three non-standing directors, as per the stipulation that the majority of this committee be comprised of non-standing directors. The committee has the right to recommend non-standing director candidates for election at the GSM. It recommended one non-standing director candidate to the 72nd GSM (FY2015) in 2016.

Kia Motors promotes fair and efficient decision-making as well as management transparency through a systematic and independent Board of Directors (BOD).

MAJOR SHAREHOLDERS

Shareholder	No. of Shares	Ownership (%)
Hyundai Motor Company	137,318,251	33.88
Employee Stock Ownership Association (ESOA)	5,302,280	1.31
Individual investors (excluding ESOA)	63,353,194	15.63
International investors	144,767,089	35.71
Others (financial institutions, etc.)	54,622,533	13.47
Total	**405,363,347**	**100.00**

* As of December 31, 2016



COMPOSITION OF BOD

	Name	Position	Profile
Standing Directors	Hyoung-Keun Lee	Vice Chairman & CEO, Chairman of the Board of Directors, Chairman of the Board Nominating Committee	Currently Vice Chairman & CEO, Kia Motors Formerly CEO, Kia Motors
	Han-Woo Park	President & CEO	Currently President & CEO, Kia Motors Formerly Vice President & CFO, Kia Motors
	Chun-Soo Han	-	Currently Executive Vice President & CFO, Kia Motors Formerly Director of Finance Department, Kia Motors
Special Non-standing Director	Euisun Chung	Member of the Board Nominating Committee	Currently Vice Chairman, Hyundai Motor Company Formerly President, Kia Motors
Non-standing Directors	Sang-Gu Nam	Member of Audit Committee, Chair of Transparent Management Committee (Director in charge of protecting shareholder interests), Member of the Board Nominating Committee	Currently Chair-Professor of Business Administration, Gachon University Formerly Private Sector Chairperson, Financial Services Commission
	Hyun-Kook Hong	Chair of Audit Committee, Member of Transparent Management Committee	Currently Chairman, Gaduk Tax Consulting Associates Formerly Auditor, National Tax Service
	Kwi-Nam Lee	Member of Transparent Management Committee, Member of Board Nominating Committee	Currently Lawyer, LKN Law institute Formerly 61st Minister of Justice
	Won-Joon Kim	Member of Transparent Management Committee, Member of Board Nominating Committee	Currently Advisor, Kim & Chang Law Firm Formerly Director of Competition Policy Department and Acting Secretary, Korea Fair Trade Commission
	Doo-Hee Lee	Member of Audit Committee, Member of Board Nominating Committee	Currently Professor of Business School, Korea University Formerly Chairman, Korean Marketing Association

* As of December 31, 2016

Kia Motors at a Glance

Kia Motors has redefined the automobile as a space in which to make everyday life better and more convenient, not just a means to transport. We will open a new chapter in future mobility by delivering world-class products and services.

1944 — 2016 → 2020



Q1

Jan. Launched all-new Cadenza (K7)

Feb. Optima (K5) and Sportage received iF Design Award

Mar. Established the Transparent Management Committee to protect the rights of shareholders

Launched Niro, an eco-friendly compact SUV

Optima (K5) and Sportage received red dot Design Award



Q2

Jun. Received the Grand Award at the 2016 Transparent Accounting Awards for two consecutive years, the first time for a listed company

Kia Motors ranked first in the Initial Quality Study (IQS) by J.D. Power and Associates (U.S.)



Q3

Jul. Launched 2017 Optima (K5) and Optima (K5) PHEV

Aug. Optima (K5) mobile app received red dot Design Award

Released refreshed Soul

Sep. Officially opened new production facility in Mexico

Kia Motors ranked fourth in China-IQS by J.D. Power and Associates

Q4

Oct. Held 'Surprise Weekend,' a Kia brand experience event

Ranked 69th in Best Global Brands 2016 by Interbrand

Nov. Released K2, a localized strategic compact car for the Chinese market

Launched the all-new K7 Hybrid 700h

Dec. Received the Consumer Centered Management Certification for the third consecutive time



Kia Motors at a Glance

Kia Motors has redefined the automobile as a space in which to make everyday life better and more convenient, not just a means to transport. We will open a new chapter in future mobility by delivering world-class products and services.



COMPANY HISTORY

Ever since its establishment in 1994, Kia Motors has continued to seek change for the better by creating added value through automobiles. This has enabled us to grow into a leading global company, selling more than 3 million vehicles per annum worldwide. We will accelerate our pace of innovation to drive to a 'Different Beat' across all of the markets we serve.

1944

1944-1999

1944
Dec. Company founded as Kyungsung Precision Industries

1952
April Company name changed to Kia Industries
Launched Samcheonri, Korea's first bicycle

1962
Jan. Began production of K-360 three wheeler

1973
Jun. Completed construction of Sohari Plant

1973
Apr. Began production of Brisa pickup truck

1981
Aug. Began production of Bongo 1-ton multipurpose diesel car

1989
Jul. Completed construction of Hwaseong plant

1992
Oct. Established Kia Motors America (KMA)

1993
Jul. Introduced Sportage, the world's first compact SUV

1995
Feb. Established Kia Motors Europe (KME)

1998
Jan. Launched the Carnival (Sedona), Korea's first minivan

1998
Dec. Hyundai Motor Company and Kia Motors Corporation merged

2000-2004

2000
Jul. Launched Optima (K5) midsize sedan

2001
May Introduced Carnival (Sedona) to the U.S.
Oct. Received the Korea HRD Award
Nov. Received the Korea Quality Award

2002
May Launched Sorento midsize SUV
Apr. Cumulative production exceeded 10 million units

2003
Mar. Launched Amanti (Opirus) full-size premium sedan
Cumulative U.S. sales exceeded 1 million units
Jun. Declared initiative to pursue environment-friendly operations globally
Nov. Exports exceeded 4 million units
Received the USD 5 Billion Export Tower Award

2004
Apr. Began construction of Slovakia plant
May Signed investment agreement for second plant in China
Aug. Launched all-new Sportage compact SUV
Ranked first in automobiles category in KS-SQI (Korean Standard Service Quality Index) survey by Korean Standards Association
Oct. Received the Silver Tower of Industrial Service Merit at the Korea Logistics Awards
Nov. Received the USD 7 Billion Export Tower Award
Dec. Sportage won Korea Industrial Design Award (KIDA)

2005-2007

2005
Mar. Exports reached 5 million units
Jul. Named number one in RV category by the National Customer Satisfaction Index (NCSI)
Sep. Sportage and Amanti (Opirus) ranked first in customer satisfaction survey by J.D. Power and Associates

2006
Jun. Rio (Pride) ranked first in subcompact category in Initial Quality Study by J.D. Power and Associates of the U.S.
Sep. Ranked first in the automobile category in the KS-SQI (Korean Standard Service Quality Index) for the third consecutive year
Oct. Began construction of Georgia plant in the U.S.
Received Presidential Award at the Korea e-Business Awards
Nov. Named winner of Environmental Management Award

2007
Apr. Completed construction of Slovakia plant
Sep. Ranked first in the automobile category in the KS-SQI for the fourth consecutive year
Dec. Completed construction of second plant in China

2008-2010

2008
Jan. Launched the Borrego (Mohave) large SUV
Mar. Car Book (U.S.) recommended Kia models as 'Best Bets'
Apr. Hyundai Motor Group declared socially responsible management
Jun. Completed construction of new corporate campus of U.S. subsidiary and Kia Design Center America
Sep. Ranked first in the automobile category in the KS-SQI for the fifth consecutive year
Launched Soul urban crossover
Nov. Received Presidential Award for exceptional design management
Amanti (Opirus) received the 'Best Value Award' from Strategic Vision (U.S.)

2009
Mar. Soul became Korea's first car to receive a red dot Design Award
Apr. Launched second generation Sorento midsize SUV
Jul. Selected as the best automaker of the year by the renowned 'Motor Trader' magazine (U.K.)
Nov. Launched Cadenza (K7) full-size luxury sedan
Dec. Venga received iF Design Award

2010
Feb. Completed construction of Georgia, U.S. plant
Mar. Venga received red dot Design Award
Launched all-new Sportage compact SUV
Jun. cee'd ranked first in customer satisfaction survey in Europe
Jul. Kia's sustainability report 'MOVE' received platinum award at the Vision Awards (U.S.)

2011-2013

2011
Mar. Cumulative exports reached 10 million units
Optima (K5) and Sportage received red dot Design Award
May Kia' corporate brochure for the global market received platinum award at the Spotlight Awards (U.S.)
Jul. Ranked top in the brand design category at the '2011 Automotive Brand Contest' hosted by the German Design Council
Nov. Picanto (Morning) received iF Design Award
Dec. Launched Ray EV, the first all-electric vehicle in Korea

2012
Mar. Received red dot Design Award for the fourth consecutive year
May Launched Quoris (K900/ K9) premium large size sedan
Jun. Began construction of third plant in China
Oct. Ranked 87th in Best Global Brands 2012 by Interbrand

2013
Feb. Cumulative overseas sales exceeded 50 million units
Mar. Received red dot Design Award for four models
Sep. Six models ranked top in the China Automobile Customer Satisfaction Index
Oct. Launched all-new Soul urban crossover
Nov. Soul topped compact MPV and compact utility categories in the Best Resale Value Awards (U.S.)

2014-2015

2014
Jan. Soul received iF Design Award
Feb. Obtained UL Environmental Claim Validation for Soul EV, a first in the domestic and global automotive industry
Mar. Soul received red dot Design Award
Apr. Launched Soul EV
May Cumulative global sales exceeded 30 million units
Jul. Kia's sustainability report 'MOVE' received platinum award at the Vision Awards (U.S.)
Aug. Signed investment agreement for Mexico plant
Oct. Ranked 74th in Best Global Brands 2014 by Interbrand
Received the best award at the 2014 Galaxy Awards
Nov. Cerato (K3/Forte) was selected as the 'Best Car' by Edmunds.com

2015
Jan. All-new Sedona (Grand Carnival/ Carnival) received the best award at the Car of the Year 2015 Awards (Korea)
Feb. Sorento received iF Design Award
Mar. Released KX3, a localized strategic subcompact SUV for the Chinese market
Apr. Sedona (Grand Carnival/ Carnival) and Sorento received top safety rating from the U.S. National Highway Traffic Safety Administration
Jun. Cumulative exports reached 15 million units
Aug. Cumulative sales by Kia Motors Russia exceeded one million units
Sept. Released all-new Sportage compact SUV
Dec. Kia Motors ranked number one in quality survey by Auto Bild (Germany)

2016







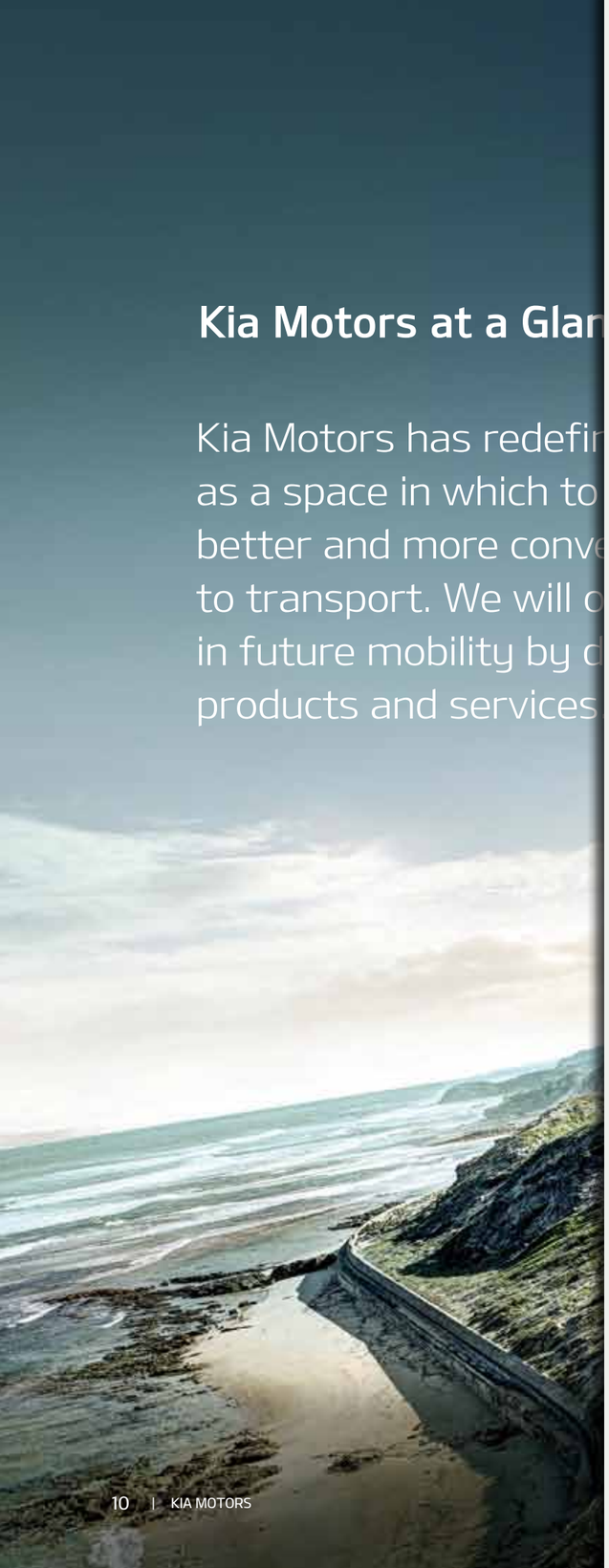
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Optima (K5) and Sportage received red dot Design Award

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Jun. Received the Grand Award at the 2016 Transparent Accounting Awards for two consecutive years, the first time for a listed company
Kia Motors ranked first in the Initial Quality Study (IQS) by J.D. Power and Associates (U.S.)

Q3
Jul. Launched 2017 Optima (K5) and Optima (K5) PHEV
Aug. Optima (K5) mobile app received red dot Design Award
Released refreshed Soul
Sep. Officially opened new production facility in Mexico
Kia Motors ranked fourth in China-IQS by J.D. Power and Associates

Q4
Oct. Held 'Surprise Weekend,' a Kia brand experience event
Ranked 69th in Best Global Brands 2016 by Interbrand
Nov. Released K2, a localized strategic compact car for the Chinese market
Launched the all-new K7 Hybrid 700h
Dec. Received the Consumer Centered Management Certification for the third consecutive time





Kia Motors at a Glar

Kia Motors has redefi
as a space in which to
better and more conve
to transport. We will c
in future mobility by d
products and services

CORPORATE PHILOSOPHY

Through Kia Motors' global brand campaign "RE:Design Your Life" and Hyundai Motor Group's vision "Together for a Better Future", we will redesign every moment our customers' experience our products so that they enjoy true added value.

Kia Motors' well-established corporate philosophy has served as the basis for our business activities. In addition, we are infusing a special 'Kia Spirit' into the minds of all employees to build an organizational culture that strengthens our identity and showcases Kia's unique values. This 'Kia Spirit' will operate on two tracks – a value system that presents a young, dynamic image and an action system for change, which will together play a key role in achieving the goals of our 'Strategy 2020'.

Management Philosophy

Unlimited Sense of Responsibility /
Realization of Possibilities / Respect for Mankind

Vision

Lifetime Partner in Automobiles and Beyond

Core Values

CUSTOMER
We promote a customer-driven corporate culture by providing the best quality and impeccable service with all values centered on our customers.

CHALLENGE
We refuse to be complacent, embrace every opportunity for greater challenge, and are confident in achieving our goals with unwavering passion and ingenious thinking.

COLLABORATION
We create synergy through a sense of "togetherness" that is fostered by mutual communication and cooperation within the company and with our business partners.

PEOPLE
We believe the future of our organization lies in the hearts and capabilities of individual team members, and we will help them develop their potential by creating a corporate culture that respects talent.

GLOBALITY
We respect the diversity of cultures and customs, aspire to be the world's best at what we do, and strive to become a respected global corporate citizen.

CORPORATE STRATEGY 2020

Kia Motors' new corporate strategy slogan is 'Re:Design Kia', which means "redesign Kia Motors' future journey of innovation", while Strategy 2020 was established to accomplish our mid- to long-term goals.

Based on a new management system designed to transform Kia Motors into a leading automotive company, Strategy 2020 consists of three strategic directions – extending market presence, developing Kia's unique competitive edge, and achieving operational excellence. Kia Motors will generate distinctive customer value and continue to pave the way for growth through the steadfast execution of Strategy 2020.

Strategy 2020

Re:Design Kia

Redesign Kia Motors' future journey of innovation

Redefine the domain

Expanding market presence for continued growth

- Strengthen the company's stature in advanced markets
- Advance into the second phase of Chinese market expansion
- Identify emerging high-potential markets
- Pioneer growth opportunities in the small- to mid-sized vehicle market

Refine Kia's identity

Developing a unique competitive edge to enhance customer value

- Establish a defined product identity
- Differentiate and enhance customer experiences
- Strengthen execution of global brand strategies
- Exploit new business opportunities

Reinforce Kia's capability

Achieving operational excellence to strengthen our core

- Optimize global production/SCM
- Improve quality management in response to market changes and customer needs
- Bolster product development competitiveness
- Strengthen sales and service operations

Reorganize Kia's management system

Building a new management system to transform into a leading automobile company

- Operate a "glocalized" organization
- Strengthen talent-fostering and support system
- Establish advanced global system for corporate culture and CSR
- Build an intelligent management foundation

Kia Spirit

A DIFFERENT BEAT

Brand Essence
As the core of our brand identity, brand essence describes the values and characteristics that Kia pursues.

"Be Young at Heart"

Kia Spirit
Our thoughts, actions and mindset to create 'A Different Beat'

Young Heart Mode

Action guide
Commitments that should be made and observed by young-spirited Kia team members

01. Do not hesitate to take action and simply begin
02. Use the word 'challenge' rather than 'difficulty'
03. Do not stop learning
04. Do not be embarrassed to ask questions
05. Do not acknowledge your limits
06. Work smart and leave work at a proper time
07. Do not place importance only on your work
08. Do not stick to inefficient formalities
09. Treat people with respect and persuasion
10. Acknowledge the differences of colleagues

The Beat Designer

Mission
Our role in creating 'A Different Beat'



2016 Highlights

In 2016, Kia Motors achieved significant quantitative and qualitative milestones. Our annual sales exceeded 3 million vehicles for the first time in 2014, and we have maintained this level of global sales for three consecutive years. We also solidified the foundations for future growth by launching new cars, enhancing brand value, and boosting our R&D capabilities.

01
Business Highlights
Page 12

With the completion of our new plant in Mexico, boasting an annual production capacity of 400,000 units, we now have global production capacity of 3.55 million units. Total sales from our overseas plants also rose in 2016, confirming our steadily expanding global presence.

02
Financial Highlights
Page 13

Amidst the challenging business environment at home and abroad, Kia Motors performed well financially in 2016, with revenues up 6.4% and operating profits up 4.6% for the year, thanks to outstanding product quality and a distinctive brand experience.

03
2016 New Models
Page 14-15

Kia Motors' strong growth in 2016 was mainly led by the Niro, the first hybrid SUV in Korea, the Cadenza (K7), our flagship premium sedan, and the K2, a localized strategic compact car for the Chinese market.



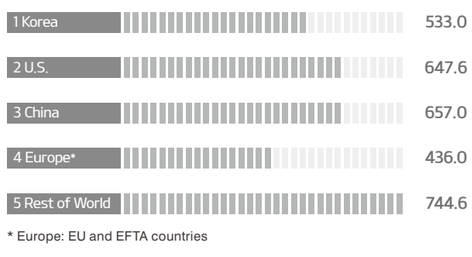
BUSINESS HIGHLIGHTS

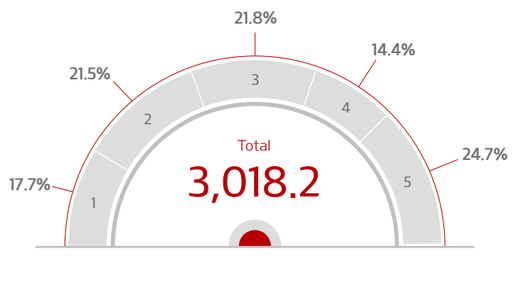
Global Retail Sales

(Unit: thousand vehicles)

	2016	2015	2014	2013	2012
Korea	533	527	465	458	481
Overseas	2,485	2,345	2,432	2,282	2,218
Total	**3,018**	**2,871**	**2,896**	**2,740**	**2,699**

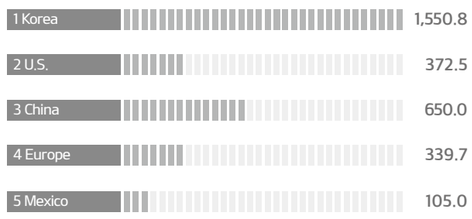
Sales by Region (Unit: thousand vehicles, %)

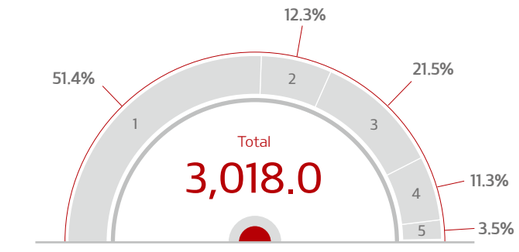




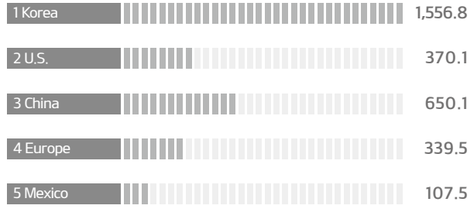
* Europe: EU and EFTA countries

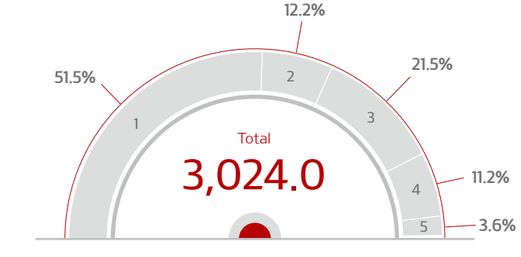
Sales by Plant (Unit: thousand vehicles, %)





Production by Plant (Unit: thousand vehicles, %)





FINANCIAL HIGHLIGHTS

Consolidated Statement of Financial Position*

(Unit: KRW million)

	2016	2015	2014	2013	2012
Total Assets	**50,889,260**	**45,980,113**	**41,044,202**	**36,182,040**	**32,398,314**
Cash Items (Liquidity)	8,592,909	7,052,979	7,313,777	6,346,643	4,270,539
Current Assets	20,912,221	18,390,784	16,655,401	13,472,386	11,139,430
Total Liabilities	**24,309,836**	**21,776,082**	**18,560,337**	**15,927,245**	**15,550,252**
Short-term Debt	4,131,427	2,781,090	1,808,930	1,640,958	1,404,947
Current Liabilities	16,246,900	14,579,485	11,974,338	10,806,238	10,000,239
Long-term Debt	3,937,041	3,531,941	2,882,263	1,698,194	2,471,132
Total Debt	8,068,469	6,313,031	4,691,193	3,339,152	3,876,079
Net Debt	(524,441)	(739,948)	(2,622,584)	(3,007,491)	(394,460)
Total Stockholders' Equity	**26,579,424**	**24,204,031**	**22,483,865**	**20,254,795**	**16,848,062**
Total Liabilities & Stockholders' Equity	50,889,260	45,980,113	41,044,202	36,182,040	32,398,314
Liability-to-Equity Ratio (%)	91.5	90.0	82.6	78.6	92.3
Debt-to-Equity Ratio (%)	30.4	26.1	20.9	16.5	23.0
Net Debt-to-Equity Ratio (%)	(2.0)	(3.1)	(11.7)	(14.9)	(2.3)

Consolidated Statement of Income*

(Unit: KRW million)

	2016	2015	2014	2013	2012
Revenue	52,712,906	49,521,447	47,097,049	47,597,897	47,242,933
Cost of Sales	42,281,590	39,653,769	37,754,115	37,511,941	36,536,005
Cost of Sales (%)	80.2	80.1	80.2	78.8	77.3
Gross Profit	10,431,316	9,867,678	9,342,934	10,085,956	10,706,928
Operating Profit	2,461,480	2,354,273	2,572,549	3,177,100	3,522,251
Margin (%)	4.7	4.8	5.5	6.7	7.5
Pretax Profit	3,442,034	3,100,266	3,816,316	4,828,576	5,164,056
Net Profit	2,754,640	2,630,600	2,993,593	3,817,059	3,864,704
Margin (%)	5.2	5.3	6.4	8.0	8.2

Consolidated Statement of Cash Flows*

(Unit: KRW million)

	2016	2015	2014	2013	2012
Cash Flows from Operating Activities	3,275,882	3,375,248	2,363,825	4,776,593	4,345,425
Cash Flows from Investing Activities	(2,312,301)	(5,613,823)	(2,983,406)	(3,513,940)	(2,842,577)
Cash Flows from Financing Activities	945,401	906,397	986,491	(791,207)	(1,810,114)
Cash and Cash Equivalents, Beginning of Year	1,104,928	2,478,470	2,311,264	1,903,309	2,304,169
Net Increase (Decrease)	1,959,263	(1,373,542)	167,206	407,955	(400,860)
Cash and Cash Equivalents, End of Year	3,064,191	1,104,928	2,478,470	2,311,264	1,903,309

* Based on Korean International Financial Reporting Standards (K-IFRS) consolidated financial statements

Credit Rating

		2016	2015	2014	2013	2012
Domestic	KIS	AA+	AA+	AA+	AA+	AA+
	KOREA Rating	AA+	AA+	AA+	AA+	AA+
Overseas	Moody's	Baa1	Baa1	Baa1	Baa1	Baa1
	S&P	A-	A-	BBB+	BBB+	BBB+





CADENZA

niro

K2

By unleashing new strategic models into the global marketplace through continuous innovation, Kia Motors has firmly established growth drivers for the future while offering distinctive value to our customers.

A new vision for premium sedans
All-new Cadenza (K7)

Launched in January 2016, the all-new Cadenza (K7) is the result of Kia's technological prowess and its vision for next-generation premium sedans. This second generation model was released seven years after the Cadenza (K7) was first launched in 2009, and has already drawn a hugely positive response from consumers in the mid- to large-size sedan market. 51,758 units of the all-new Cadenza (K7) were sold in 2016, becoming the first large sedan from Kia to exceed sales of 50,000 units in a year.

Equipped with a front-wheel 8-speed automatic transmission exclusively developed by Kia for the first time in the automotive industry, the all-new Cadenza (K7) not only offers best-in-class fuel efficiency but also maximizes the smooth driving performance that sedans can provide. The new design comes from combining the previous model's refined styling with a new intaglio-type radiator grille and unique headlamps accentuated by a Z-shape motif, thereby offering greater sophistication and style. Safety was improved by using many of the cutting-edge driving assistance technologies offered by Kia's 'Drive Wise' autonomous driving sub-brand.

The very unique, smart SUV
Niro

The Niro is the first small SUV in Korea to house a hybrid engine, and it is an icon of passion created by bringing together Kia's latest technologies and imaginative company spirit. The Niro houses a hybrid-specific engine and transmission for outstanding fuel efficiency. The car body has been made lighter by using more aluminum, and the design is more aerodynamic, all of which result in combined fuel economy of 19.5 Km/l, the best of any SUV sold in Korea. The new hybrid-specific Kappa 1.6 GDi engine in the Niro has a maximum output of 105 horsepower and maximum torque of 15.0 kgf/m, and the 32 kW motor has a maximum output of 43.5 horsepower and maximum torque of 17.3 kgf/m. Together, they offer excellent fuel efficiency as well as a fun driving experience.

Unveiled in Korea in March 2016, 18,603 unit of Niro have been sold s as of the end of 2016, accounting for 51% of the increase in eco-friendly car sales in Korea. Meanwhile, we have been moving rapidly into overseas markets, including successful entry into the U.S. market, with the goal of making the Niro the world's number one eco-friendly small SUV.

Advancing into the Chinese market
K2

Launched in November 2016 as one of the flagship models leading Kia Motors' 'glocalization' strategy, the new K2 features the kind of design and extensive internal space that are suitable for a premium small sedan in the Chinese market. The improved driving performance and safety and convenience specifications have also enhanced the marketability of the new K2. The exterior design sports a strong, dynamic style based on our design philosophy, 'The Simplicity of the Straight Line'. The substantial interior roominess, which is the largest in its class, was created because of the known preference of Chinese customers for having plenty of space. The K2's driving performance was also optimized for the Chinese roads, and 51% of the vehicle's body frame is comprised of Advanced High Strength Steel (AHSS) to enhance both safety and driving performance.

To ensure that the new K2 is even more successful than the first generation K2, we will maximize the impact of the launch of the new car through diverse marketing activities that mainly target young Chinese consumers. After launching the four-door version of the new K2, we will add a five-door model to the line-up, which will enable us to achieve smart growth in China amidst intense competition.



BLUEPRINT FOR

Kia Motors has been expanding its global footprint by using a strategy of comprehensive localization. In addition, we bring together the expertise and experience that we have accumulated while growing into a global automobile company, enabling us to act with foresight to lead long-term changes in the automotive industry.

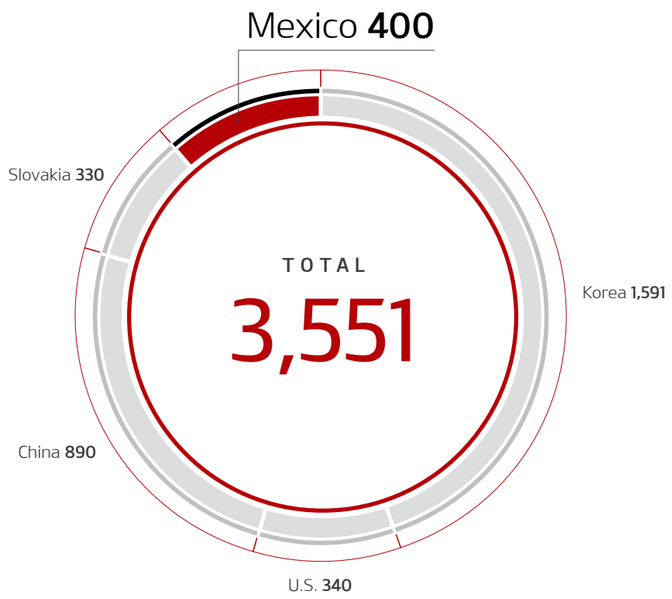
GLOBALITY

Building Global Momentum

3,551,000 VEHICLES

ANNUAL PRODUCTION CAPACITY BY PLANT

(Unit: thousand vehicles; as of the end of 2016)



Kia Motors' fourth overseas plant, located in Pesqueria, Nuevo Leon in Mexico, commenced mass production in May 2016 with an annual production capacity of 400,000 units, which is Kia's second largest overseas plant following the plant in China. Having established plants in China, Europe, the U.S., and Mexico, we now operate global production bases that enable access to markets on every continent. Annual global production capacity now totals 3.55 million units, including domestic capacity of 1.59 million units. With the opening of the Mexico plant, overseas production capacity has risen from 49.5% to 55.2% of the total, enabling us to react to developments in global markets with greater flexibility and agility. We plan to use the Mexico plant to make a stronger push into both the Mexican automobile market, which is continuing to grow at a very strong annual rate of 10%, and the North American market.

Our new plant in Mexico began operations with the start of mass production of the Forte/Cerato (K3) in May 2016, and production volume totaled 107,500 units as of the end of December. The production line was based on a one-shift operation until the end of 2016, but we plan to increase production by changing to two-shift operations in early 2017, and then to full three-shift operations in late 2017.

Meanwhile, our market share in Mexico has risen rapidly thanks to the completion of the plant. We sold 58,112 vehicles in Mexico in 2016, including the Forte/Cerato (K3), Sportage, Sorento, Soul, and Optima (K5), lifting our market share substantially from 1.5% in 2015 to 3.6% at the end of 2016. Given this remarkable growth, we have also increased the number of dealerships from 21 upon market entry to 73 at the end of 2016. We continue to strive to establish an efficient sales and maintenance network, and to provide optimal customer service.

KOREA

44.8%

Portion of total global production capacity



Sohari Plant, Hwaseong Plant, Gwangju Plant

2016 Production Volume 1,326,589

Flagship Model Cadenza (K7)
2016 Sales Volume: 62,513

*Excluding Seosan Plant

U.S.

9.6%

Portion of total global production capacity



Kia Motors Manufacturing Georgia

2016 Production Volume 370,100

Flagship Model Optima (K5)
2016 Sales Volume: 112,488

CHINA

25.0%

Portion of total global production capacity



Dongfeng Yueda Kia Motors (No. 1, 2 & 3 plants)

2016 Production Volume 650,100

Flagship Model K3
2016 Sales Volume: 193,408

EUROPE

9.3%

Portion of total global production capacity



Kia Motors Slovakia

2016 Production Volume 339,500

Flagship Model Sportage
2016 Sales Volume: 218,993

MEXICO

11.3%

Portion of total global production capacity

2016 Sales Volume in Mexico

58,112 units

Market Share in Mexico

3.6%



Kia Motors Mexico

2016 Production Volume 107,500

Flagship Model Forte/Cerato (K3)
2016 Sales Volume: 105,044

* As of the end of 2016

22 DOMESTIC BUSINESS PERFORMANCE
24 OVERSEAS BUSINESS PERFORMANCE

PERFORMANCE REVIEW

Kia Motors has continued to reinvent our business activities to be able to respond more flexibly to changes and strengthen our long-term competitiveness. This has enabled us to amplify 'A Different Beat' all around the world, and to achieve continued growth in 2016 despite uncertain market conditions. We have also built firm foundations on which to continue our strong and sustainable growth.



DOMESTIC BUSINESS PERFORMANCE

2016 was another significant year for Kia Motors as we maintained sales and market share growth amidst intense competition and uncertainty in the Korean automobile market. Guided by a disciplined strategy of maximized performance, we will achieve stronger and more stable growth in 2017 and beyond.

CONTINUED GROWTH DESPITE CHALLENGING MARKET CONDITIONS

Kia Motors sold 533,042 vehicles in Korea in 2016, up 1.2% over the previous year. Sales were strong in the first half of the year thanks to a reduction in the individual consumption tax on automobiles, but trended downwards after the policy came to an end. Our domestic sales performance was especially noteworthy given that industry demand for the year was just 1,822,000 units, a year-on-year decrease of 0.5%. Meanwhile, Kia's market share also increased by 0.5%p to 29.2%.

We were able to maintain sales growth in the domestic Korean market thanks to successful launches of new models, including the all-new K7 (Cadenza), Niro, and Mohave, as well as continuing sales increase of our popular RV models. While demand for sedans fell 4.4% year-on-year to 240,090 units, RV sales reached 233,038 units, up 10.8% from 2015. In line with the strong demand for RVs over the last several years, the Sorento and Carnival (Grand Carnival/Sedona) sold 80,590 units and 65,911 units, respectively, reinforcing their strong positions in the RV market. The Mohave sold 14,972 units, further driving the growth of RV sales. Moreover, we met our target for the Niro, Korea's first eco-friendly small SUV, with sales of 18,603 units. Although overall sedan sales declined, our new cars performed well – launched early in the year, the all-new K7 (Cadenza) achieved annual sales of 51,758 units, exceeding the first-generation K7's annual sales record of 42,446 units set in 2010.

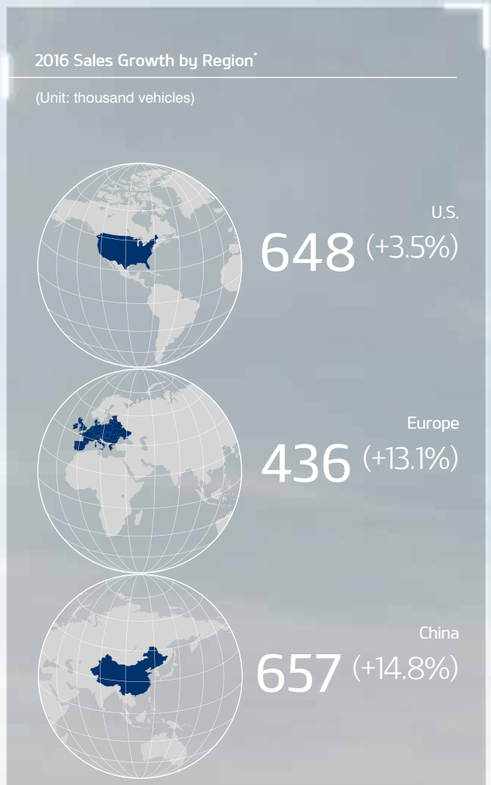
PLANS FOR STRONGER AND SUSTAINABLE GROWTH

Forecasts for the Korean automobile market in 2017 are not positive. Total demand is expected to record 1.76 million units, a 3.5% decline compared to 2016, due to rising household debt and the phasing out of policies that have supported the purchase of new cars. We also expect fiercer competition in the year ahead. Nevertheless, we are aiming to increase Kia's market share by launching new cars, enhancing brand value, and strengthening R&D capabilities.

In particular, Kia Motors will continue our aggressive new vehicle launch cadence in order to increase domestic market share to more than 30%. After launching the all-new Morning (Picanto) in January 2017, we will introduce the Niro Plug-in Hybrid Electric Vehicle (PHEV), the Stinger, a new small SUV model, and the all-new Pride (Rio). At the end of 2016, the Morning (Picanto) was only 60,000 units short of 1 million cumulative sales, so in 2017 we expect it to become the first compact car from Hyundai Motor Group to become a million seller in Korea. The Niro PHEV is expected to build on the success of the Niro Hybrid Electric Vehicle (HEV), which was released in March last year and sold 18,603 units in just ten months. This will further solidify our presence in the eco-friendly car market.

The Stinger is a premium rear-wheel-drive sports sedan based on the design of the GT concept car first unveiled at the Frankfurt Motor Show in 2011. After six years of development, the Stinger made its world debut at the North American International Auto Show in Detroit in early 2017 where it received many favorable reviews, and was introduced domestically at the Seoul Motor Show in March 2017. It has a maximum output of 370 horsepower and can accelerate from zero to 100 km/h in just 4.9 seconds. With its outstanding performance and design, the Stinger is expected to serve as a halo car for the Kia brand in the global market.

By continuing to launch new cars, Kia Motors will offer customers a wider choice in 2017, helping us to overcome challenging market conditions. We also aim to increase the number of customers making repeat purchases by using data to target customers more carefully, and by using both online and offline communication platforms to listen closely to customer opinions. In doing so, we will be able to build customer trust and achieve stable growth.



OVERSEAS BUSINESS PERFORMANCE

Kia Motors remained diligent in its global business management during 2016, and our sights are set on growing into a major player in the global automobile market by accelerating the pace of innovation and expansion into overseas markets based on our annual production capacity of 3.55 million units.

CONTINUED GROWTH IN THE GLOBAL MARKET

The global automotive market continued to face many challenges in 2016, although there was some recovery in growth. Major economies, including the U.S. and Europe, saw slowing growth in the second half of the year after pent-up demand was exhausted, while there was intense competition between global automakers. Emerging markets continued to experience sluggish demand, due in part to low oil prices which resulted in economic downturn.

Even in this challenging environment, Kia Motors' overseas sales totaled 2,485,000 units in 2016 on an ex-factory sales basis thanks to competitive new cars and our strong RV line-up. 1,467,000 vehicles were produced at Kia's overseas plants, a year-on-year increase of 10.7%. Global sales, including Korea, reached 3,018,000 units, representing the third consecutive year since 2014 that Kia Motors has sold more than 3 million units annually.

Increased sales of cars produced at overseas plants was helped in part by the completion of a new plant in Mexico that boasts an annual production capacity of 400,000 units and a cutting-edge manufacturing system that reduces costs and boosts efficiency. Along with other plants in China, Europe, and the U.S., the Mexico plant has lifted our overseas plant production capacity to 55.2% of total global capacity. Accordingly, overseas plant sales in 2016 were up 5.2%p over 2015 to 48.6% of total sales.

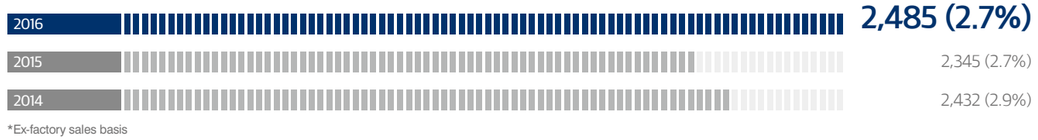
The Sportage, including both the all-new and predecessor models, continued to be Kia Motors' best-selling overseas car, achieving sales of 504,300 units. The Rio (Pride) was our second best-selling model at 445,734 units and the Cerato/Forte (K3) followed with 400,309 units. The Niro was launched into the European market in the second half of 2016 and sales in the U.S. began in December – exports for the year were 25,949 units, giving Kia Motors a new source of revenue.

Kia Motors' sales in the U.S. reached 647,598 units for a year-on-year increase of 3.5%, while our market share also rose slightly to 3.7%. With RVs remaining popular in the U.S. due in part to low oil prices, sales of the Sportage and the Sedona/Grand Carnival (Carnival) soared by 50.9% and 20.4%, respectively, over the previous year, thereby driving Kia's overall sales growth in the U.S. In Europe, we sold a total of 436,006 units, up 13.1% over the previous year. This performance was attributable to strong sales of new RV models such as the Sportage and Niro, as well as steady increases in sales of our strategic models in Europe, including the Venga and cee'd. In China, where a reduction in purchase taxes helped the market rebound, Kia Motors achieved sales of 657,000 units, a year-on-year increase of 14.8%, led by localized strategic models such as the new K2, KX3, and KX5.



Overseas Sales* (Overseas Market Share)

(Unit: thousand vehicles)



*Ex-factory sales basis

KIA MEXICO PLANT



With its cutting-edge facilities and efficient production systems, the Mexico plant can produce 68 units per hour, or 1 unit every 53 seconds. This is one of the most competitive figures of any car manufacturing plant in the world.



Our new plant in Mexico began operations in May 2016, and produced 107,500 units of the Forte/Cerato (K3) in 2016. Production at the plant will increase to an annual 400,000 units in the near future.

2016 Best-selling Models*

* Including sales in Korea; retail sales basis

Sportage
553,994 units



Rio (Pride)
450,157 units



Forte/Cerato (K3)
436,881 units



Sorento
271,229 units



Optima (K5)
256,210 units



PLANS TO MAINTAIN GROWTH IN THE GLOBAL MARKET

The global automobile market will continue to face difficulties in 2017 as a result of low growth, the spread of protectionism, and intensified competition. In order to respond preemptively to this challenging environment, Kia Motors will strengthen our product line-up, release new models for specific markets from specific overseas plants, and implement a customized strategy for each region, with a focus on the release of localized new cars. We will also improve global management to maximize the effectiveness of our production bases now located across numerous continents, from China to Europe, the U.S., and Mexico.

In the U.S., where strong demand is expected for small SUVs and high-performance mid- to large-size sedans, we plan to increase sales by launching the Niro, Cadenza (K7), and Stinger. In Europe, there are both positives, such as continuing low interest rates and falling unemployment, as well as uncertainties, including Brexit. Our strategy for Europe is therefore to release new versions of the Rio (Pride) and the Picanto (Morning), and to launch a small SUV. We will also expand financial programs that utilize low interest rates to maximize the impact of new car launches. In China, despite a slowing market, we will continue to launch new cars, including actively responding to the fast-growing SUV market by offering a line-up of three SUVs, including the KX7, a mid-size SUV that will be launched in March.

Kia Motors remains strong in an industry filled with constant changes. With the global automotive market continuing to see radical transformation, we will offer products and sales strategies that are optimized for local markets, and will generate global success through localization. We will enhance brand value and product quality, building further on our exceptional performance in 2016, and will strive to achieve our global sales target of 3,170,000 units, including a target of 2,655,000 units in overseas markets.



REDESIGN FOR

We rely on the innovative power of 'A Different Beat' which stands at the heart of our passion for, and commitment to, creative design, distinctive marketing and branding, and world-class product quality. This is how we offer our customers the different kind of driving pleasure that only Kia can deliver.

QUALITY

Reaching New Heights

BEST GLOBAL BRAND

BRAND RANKING



69th

6.3

BRAND VALUE

(Unit: USD billion)

The Kia brand is now globally recognized, and continues to increase in value. In 2016, Kia Motors was selected as the world's 69th most valuable brand by Interbrand, a global brand consulting company, in their 'Best Global Brands' survey, with our brand value reaching USD 6.3 billion, up 12% over the previous year. We thus reinforced our position as one of the world's leading brands.

In 2005, we created 'The Power to Surprise' as our brand slogan in order to strengthen awareness of the Kia brand and to enhance our image. Based on this slogan, we continued to forge innovations in product development, customer communication and sales. As a result, in 2012, Kia Motors was selected for the first time as one of the 100 Best Global Brands, and, thanks to continued brand value growth, became a top 70 Best Global Brand in 2016.

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42 GLOBAL QUALITY MANAGEMENT

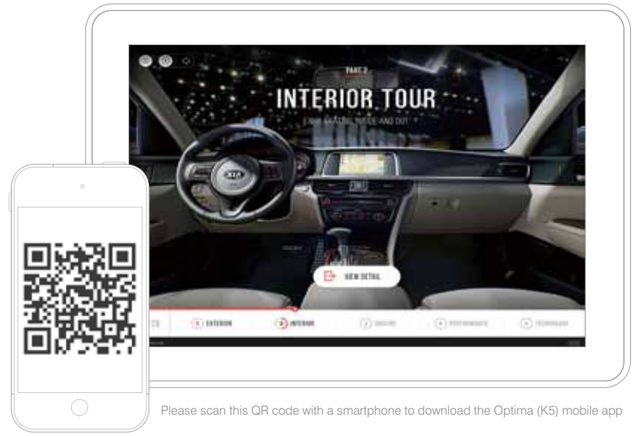
OUR STRENGTH

Innovation and creativity are the driving forces behind our dynamic growth. In 2016, we continued to pursue the delivery of the best in “qualitivity” by offering customers a better way to drive and by generating long-term value for all our stakeholders. This in turn has enabled us to create new engines for growth.





DESIGN MANAGEMENT



Please scan this QR code with a smartphone to download the Optima (K5) mobile app

Kia Motors has made remarkable advances through design management, and Kia's design excellence is an important asset in the company's future growth.

INNOVATION OF DESIGN MANAGEMENT

After setting out our 'design management' philosophy in 2006, Kia Motors has been focusing on strengthening its design capabilities. This has resulted in the creation of designs that embody our unique philosophy and aesthetics, and is now recognized as part of our distinctive brand identity. A key element of Kia's designs is 'The Simplicity of the Straight Line'. A straight line is clear, precise, and distinctive, so we use straight lines to create clear structures that are not complex, as well as exquisite interior and exterior details. Our unique, distinctive designs add value to the Kia brand.

Our design management began to see tangible results in 2009. The Soul, featuring Kia's family look, became the first Korean car to receive the red dot Design Award, and the Venga, a strategic model for the European market, became the first Kia vehicle to receive the iF Design Award. Later on, Kia's flagship models, including the Optima (K5) and Sportage, won other major global design awards, including the red dot Design Award, iF Design Award, and the Good Design Award, in addition to enjoying strong sales performance. Our design management has now fully come to fruition, with the Soul receiving all top three global automotive design awards – the iF Design Award, red dot Design Award, and IDEA Award. In addition to the success of our products, our communication channels, including mobile apps and PR homepage, have also been recognized at global design competitions.

Our definition of design is more than simply automobile design. We apply design management not only to our products, but also to our customer communications and the spaces where we meet our customers. Meanwhile, design is being infused into our corporate culture of innovative and creative thinking. We will continue to increase the role of design within Kia while redefining design as a central part of our strategy for future growth.









GLOBAL DESIGN NETWORK FOR THE FUTURE OF DESIGN KIA

In 2014, Kia Motors built an independent design center inside the Namyang R&D Center in order to strengthen our global design abilities. The Namyang Design Center has one story below ground and two above, covering a total area of 18,000 m^2. The Center undertakes Kia Motors' overall design work, ranging from design planning to the creation of unique exterior designs and ergonomic interiors with the Kia family look, digital modeling using cutting-edge computers, and the development of new colors.

The Namyang Design Center is cultivating world-leading design capabilities through a system of seamless cooperation with Kia Motors' global design network in the US, Europe, and other locations. In 2016, the Namyang Design Center unveiled the fourth-generation Rio (Pride), reflecting our unique design philosophy, in collaboration with Kia Design Center Europe and Kia Design Center America. Located in Frankfurt, Germany, Kia Design Center Europe led the development of the fourth-generation Sportage, which reflects European sensibility; the Niro, Kia Motors' first dedicated-hybrid compact SUV; and the Stinger, a sports sedan which brings together Kia's strong design prowess and outstanding R&D technologies. Located in California, Kia Design Center America's various concept car designs are garnering considerable attention, with the Telluride, a premium SUV concept car, winning the Good Design Award in 2016.

WORLD'S BEST DESIGN CAPABILITIES

In January 2016, the Optima (K5) and Sportage won Germany's iF Design Award. Kia has won an iF Design Award for seven consecutive years. We first won with the Venga in 2010, followed by wins for the Optima (K5) and Sportage in 2011, the Picanto (Morning) in 2012, the pro_cee'd in 2013, the Soul in 2014, and the Sorento in 2015. At the red dot Design Award, one of the three major global design awards alongside the iF Design Award, the Optima (K5) won the Best of the Best distinction and the Sportage took home the Winner accolade. In addition, the all-new Optima (K5) mobile app was named Winner in the communication design category. Between 2009, when the Soul won the red dot Design Award, and 2016, Kia Motors has won a total of 21 red dot Design Awards, including 15 in product design and 6 in communication design.



DESIGN AWARDS

2016

Sportage
- Winner of 2016 iF Design Award, Product Design Category
- Winner of 2016 red dot Design Award, Product Design Category

Optima (K5)
- Winner of 2016 iF Design Award, Product Design Category
- Best of the Best in 2016 red dot Design Award, Product Design Category
- Mobile App: Winner of the 2016 red dot Design Award, Communication Design Category

Cadenza (K7)
- Winner of 2016 Good Design Award, Transportation Category

Telluride Concept Car
- Winner of 2016 Good Design Award, Transportation Category

2015

Sorento
- Winner of 2015 red dot Design Award, Product Design Category
- Mobile App: Best of the Best in Communication Design Category at the 2015 red dot Design Award
- Winner of 2015 iF Product Design Award, Product Design Category

Soul EV
- Winner of 2015 red dot Design Award, Product Design Category
- Mobile App: Best of the Best in Communication Design Category at the 2015 red dot Design Award

2014

Soul
- Best of the Best in Exterior Design Category at the Automotive Brand Contest
- Winner of 2014 red dot Design Award, Product Design Category
- Winner of 2014 iF Product Design Award, Product Design Category

Soul EV
- Winner of 2014 Good Design Award, Transportation Design Category

K900/Quoris (K9)
- Winner of 2014 Good Design Award, Transportation Design Category

GT4 Stinger
- Winner of 2014 Good Design Award, Transportation Design Category

Provo
- Best of the Best in Concept Category at the Automotive Brand Contest

pro_cee'd GT
- Best in Automobile Design Category at the Australian Good Design Awards

2013

pro_cee'd
- Best of the Best at the 2013 red dot Design Award, Product Design Category

cee'd
- Best of the Best at the 2013 red dot Design Award, Product Design Category

cee'd Sportswagon
- Best of the Best at the 2013 red dot Design Award, Product Design Category

Carens/Rondo
- Best of the Best at the 2013 red dot Design Award, Product Design Category

Forte/Cerato
- Winner of 2013 Ward's 10 Best Interiors

2012

cee'd
- Special Mention at the German Design Award, Transportation and Interior Categories
- Special Mention at the Automotive Brand Contest, Interior Category
- Best Exterior Design at the Automotive Brand Contest, Exterior Category

pro_cee'd
- Winner of 2012 iF Product Design Award, Transportation Design Category

Rio (Pride)
- Winner of 2012 red dot Design Award, Product Design Category
- Bronze of IDEA Design Award, Transportation Design Category

Picanto (Morning)
- Winner of 2012 red dot Design Award, Product Design Category

2011

Optima (K5)
- Best of the Best at the 2011 red dot Design Award, Product Design Category
- Winner of 2011 iF Design Award, Product Design Category
- Winner of 2011 Australian International Design Awards
- Winner of Automotive Brand Contest, Exterior Category

Sportage
- Best of the Best at the 2011 red dot Design Award, Product Design Category
- Winner of Automotive Brand Contest, Exterior Category

Picanto (Morning)
- Winner of 2011 iF Product Design Award, Transportation Design Category

Rio (Pride)
- Winner of Automotive Brand Contest, Exterior Category

Rio (Pride) 5-Door
- Winner of 2011 Good Design Award, Transportation Design Category

Cadenza (K7) Concept Car
- Winner of 2011 Good Design Award, Transportation Design Category

2010

Sportage
- Winner of 2010 iF Design Award, Product Design Category
- Winner of 2010 Good Design Award, Transportation Design Category
- President's Award at the Good Design Award by the Korea Institute of Design Promotion

Optima (K5)
- Winner of 2010 iF Design Award, Product Design Category
- Winner of 2010 Good Design Award, Transportation Design Category
- Prime Minister's Award at the 2010 Korea Designs Award by the Ministry of Knowledge Economy

Venga
- Best of the Best at the 2010 red dot Design Award, Product Design Category

2009

Venga
- Winner of 2009 iF Design Award, Product Design Category

Soul
- Honorable Mention at the 2009 red dot Design Award, Product Design Category
- Best of the Best at the 2009 Best Interior Award by Ward's Auto World

2010

Kia Motors
- Presidential Award at the 2008 Korea Design Awards, Design Management Category



When we created 'The Power to Surprise' as our brand slogan to enhance awareness of the Kia brand and our corporate image

2005

When we established 'A Different Beat' as our brand identity, to become a brand that is delivering new experiences

2012

'A DIFFERENT BEAT' POWERED BY KIA

Extensive amounts of information about brands can be accessed through both online and offline media, as well as on social networks. It is therefore essential to make long-term efforts to convey a consistent brand identity to the public. We therefore created 'The Power to Surprise' as our brand slogan in 2005 to enhance both awareness of the Kia brand and our corporate image. Since then, we have continued to effectively implement this slogan at all customer contact points.

In 2012, we also established 'A Different Beat' as our brand identity, and undertook a global campaign to inform customers around the world of our determination to become a brand that is delivering new and emotional experiences. Accordingly, we are living out the three major elements of 'A Different Beat' – Vibrant, Distinctive, and Reliable – in everything we do.

Kia Motors uses diverse channels to communicate with customers, with the aim of becoming recognized as a brand that delivers emotional experiences, rather than just as an automobile company. Launched in 2013, our sensory branding project encourages customers to experience Kia's brand identity through the human senses. In March 2013, we unveiled 'Advent of the Kians', our brand identity song, to publicize Kia through sound. In October of the same year, we developed the 'Kia Fragrance' to publicize our brand through the sense of smell, which was followed by the unveiling of a sonic branding initiative in July 2014 to enable people to experience Kia's dynamism through sound. Finally, the launch of the 'Taste of Kia' recipes in October 2014 emphasized Kia's youthful and sophisticated brand characteristics through food.

In 2015, we released a brand collection embodying Kia's unique brand attributes. The collection includes a wide range of lifestyle products, from car accessories and travel and leisure goods to household items, office supplies, fashion items, and miscellaneous goods.



Kia Motors has built a dynamic and innovative global automotive brand and will continue to deliver unsurpassed driving pleasure to our customers around the world.

ONE OF BEST GLOBAL BRANDS IN 2016

Kia Motors continues to grow across global markets through brand innovation and outstanding product competitiveness.

In 2016, Interbrand, a major brand consulting company, valued the Kia Motors brand at USD 6.3 billion, up 12% year-on-year, meaning that Kia Motors became one of the top 70 Best Global Brands for the first time. Our brand value has risen more seven-fold since being valued at USD 900 million in 2006, when we first set out our "design management" philosophy. Interbrand said of Kia Motors: "It is the fastest growing automobile brand in the world. This is the result of the company's efforts to deliver outstanding product quality and to build an innovative brand image".

In the '2016 Annual Auto Reliability Survey' from Consumer Reports, a non-profit US consumer association, Kia Motors achieved its highest ever ranking, coming in fifth place. In addition, Kia Motors ranked first among both premium and non-premium brands in J.D. Power & Associates' 2016 Initial Quality Study in June, receiving recognition for its strong product competitiveness. We also have won many major global design awards, including the red dot Design Award, IDEA, and iF Design Award, firmly establishing our competitiveness in both in product quality and design.

Rather than becoming complacent about our current successes, we at Kia Motors will press on toward becoming a brand that earns greater admiration from a greater number of customers.



Please scan this QR code with a smartphone for the list of the Best Global Brands 2016 Rankings by Interbrand



Marketing campaign launched as part of our commitment to design anew all the moments when customers encounter Kia

Re:Design Campaign

Various educational programs supported by Kia Motors with an aim of helping to develop young leaders

Kia Motors Youth Program

RE:DESIGN THE MOMENT OF TRUTH

Kia Motors strives to enrichen the daily lives of our customers. ‘Re:Design’ is a marketing campaign launched as part of our commitment to design anew all the moments when customers encounter Kia cars.

In 2014, we launched the ‘Father & Son’s Road Trip’ campaign, which focused on the life values shared between a father and son as they go on a journey in their Kia. During the ‘Gear Up’ campaign in 2015, we delivered a message of encouragement to young people who were speeding along on the paths of their lives. The videos for these two campaigns were warmly received by customers around the world. We will continue to change the role of the car through the Re:Design campaign, suggesting new ways to enjoy a better life in partnership with Kia cars.

Kia Motors recognizes the role of cars in defining people’s lifestyles. We therefore meet our customers in a variety of effective and creative ways, all across the globe.



BEST MOMENTS IN SPORTS WITH KIA

Kia Motors is increasing its brand awareness at various major sports competitions around the world to support its young, dynamic brand image.

We have been sponsoring the Australian Open tennis tournament since 2002, and in January 2017, we held an official vehicle handover ceremony at Melbourne Park, with participation from Kia Motors, officials from the Australian Open, and Kia Motors’ global PR ambassador, Rafael Nadal. Kia Motors is also the title sponsor of the Association of Tennis Professionals (ATP) Champions Tour, the major competition for stars who have retired from the main ATP circuit, and Kia Motors sponsored a Champions Tour event held in Korea in November 2016.

2016 marked the 30th anniversary of the Kia Korea Women’s Open, one of the most prestigious golf tournaments in Korea. Kia Motors re-established the tournament’s reputation by increasing the prize money considerably, and hosted many events to allow a greater number of golf fans to further enjoy the tournament.

We also sponsor major sports leagues and events around the world, including the FIFA World Cup, the UEFA EURO 2016, LPGA, NBA League, and the Copa America. Sports fans are thus associating Kia with the emotions and drama delivered by the most exciting sports across the globe.





GROWING WITH FUTURE GENERATIONS

Kia Motors supports various educational programs that help to develop young leaders. In 2016, we launched ‘Red Clover’, a program which involves undergraduate students in the planning and execution of social contribution activities. Participants undertook activities and performances for people who find it difficult to travel, reflecting Kia Motors’ social contribution value of “mobility”. We also held the ‘Kia Global Workcamp’ for undergraduate students and the ‘Kia EcoDynamics Expedition’, a program for junior high and high school students based on the theme of developing eco-friendly solutions for societal problems. We are thus contributing to the development of young talent that will support a sustainable tomorrow for future generations.

In May 2016, we hosted the ‘Eco-friendly Kids Auto Show’, a brand experience activity for children, at Seoul Grand Park. Children learned about the principles and technologies behind eco-friendly vehicles, including the Optima (K5) Hybrid, Soul EV, and Niro, in an easy and exciting way. They also took part in an experiential program on producing electric power.

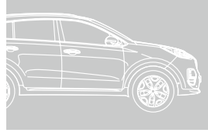
GLOBAL QUALITY MANAGEMENT



Kia Motors was ranked number o ne in the 2016 IQS from J.D. Power and Associates in the U.S.

No.1

K2, our strategic model for China, was selected as a segment winner in the compact car segment



No.1

THE QUALITY FIRST PRINCIPLE OF KIA MOTORS

The “quality first” principle demonstrates our commitment to producing automobiles that customers can rely on. Strict quality control begins with new car development activities, which were bolstered by the establishment of a Global Quality Center in 2014 that verifies the quality of new cars before mass production. We also apply the ‘Q-Standard’ to strengthen the development criteria for existing cars. We have fully systemized the quality inspections made during production with an aim to eliminate all quality issues, while we engage in constant quality improvement that focuses on the customer through the ‘Q-Cluster’, a collaborative system through which we verify actual quality in the field with suppliers. Also, in order to check quality issues that arise after sales and make immediate improvements, we operate an around-the-clock Global Situation Room.

Quality is our number one priority and a clear differentiator for the competitiveness of our brand. We have built the world’s best quality management systems across the entire organization, from new car development to finished car production.





GLOBAL RECOGNITION FOR KIA'S QUALITY MANAGEMENTS

Kia Motors’ quality earned worldwide recognition in 2016. We became the first Korean car company to be ranked number one among 33 brands in the 2016 Initial Quality Study (IQS) from J.D. Power and Associates in the U.S. The Soul and the Sportage won their respective segments, and in total, seven Kia models achieved excellent results in their segments. In the 2016 Annual Auto Reliability Survey conducted by Consumer Reports, a consumer magazine of the U.S., Kia Motors ranked fifth, our highest ranking so far in this survey.

In China, we came in fourth among 45 brands in the China IQS from J.D. Power, and the K2, our strategic model for China, was selected as a segment winner in the compact car segment. In the 2016 China Automobile Customer Satisfaction Index from the China Association for Quality, the KX5 (Sportage) won new car of the year in the mid-size SUV segment, and in the sedan category, the Cerato (K3) and the Optima (K5) were first in overall satisfaction in their respective segments.

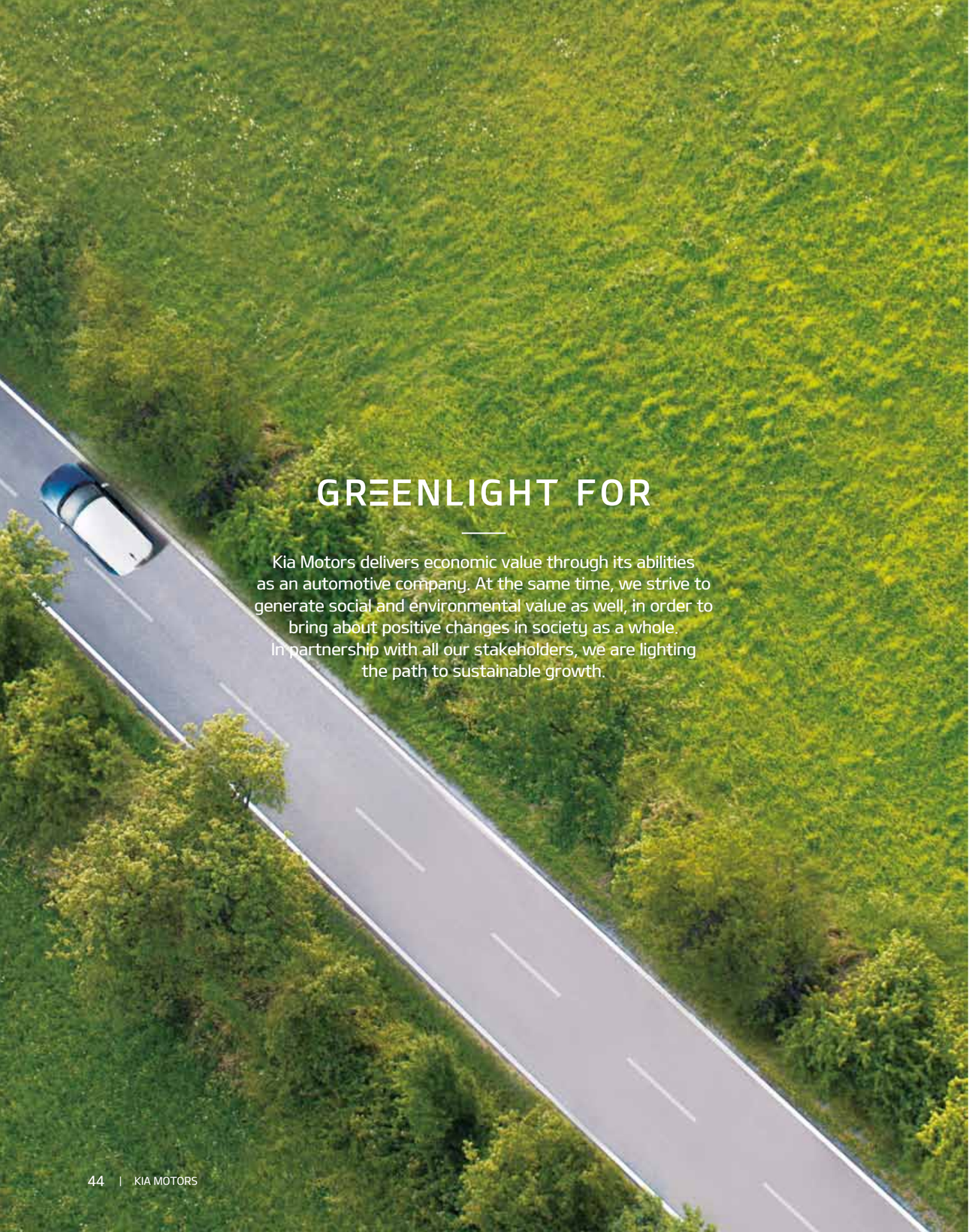
In Europe, we ranked fourth in the Quality Report from AutoBild, a highly-respected German automobile magazine, thus proving our competitive advantage in product quality once again.



THE BEST PRODUCTION FACILITIES FOR THE BEST QUALITY

One of the main reasons that Kia has won praise across the globe for its quality is that our production facilities are operated based on a system of thorough quality control. Our Gwangju plant, for example, produces a wide variety of vehicles, ranging from our highly profitable models such as the Soul and Sportage to commercial and even military vehicles. With an annual production capacity of 620,000 finished vehicles, it has grown into an advanced plant thanks to rationalization and continuous investment. As a result, in the 2016 US IQS, the Gwangju plant won the Gold Plant Quality Award in the Asia region for the second consecutive year.

Meanwhile, our new plant in Mexico began full operations in 2016. Its technologies and construction methods support high levels of quality control, as do its facilities and equipment. The plant features a world’s best quality control system, including a Quality Center with integrated quality facilities and functions, a bumpy test road to enable precise inspections under the most demanding conditions, and an Assembly Training Center, which improves workers’ skills and trains them on the vital importance of quality. Backed by this comprehensive quality control system, the Mexico plant is producing top-quality finished cars.



GREENLIGHT FOR

Kia Motors delivers economic value through its abilities as an automotive company. At the same time, we strive to generate social and environmental value as well, in order to bring about positive changes in society as a whole.
In partnership with all our stakeholders, we are lighting the path to sustainable growth.

SUSTAINABILITY

Setting Future Roadmap

2020

ECO-FRIENDLINESS



Established EcoDynamics, an eco-friendly brand — 2009

2011 — Launched Optima Hybrid (K5 Hybrid 500h)



2012 — Launched Ray EV

2014 — Launched K7 Hybrid 700h and Soul EV

2016 — Launched Niro, Optima PHEV (K5 PHEV), all-new K7 Hybrid 700h

2017 — Plan to launch Niro PHEV

2020 — Plan to establish an eco-friendly car line-up featuring 14 models

ROADMAP FOR ECO-FRIENDLY VEHICLES

Eco-friendly cars are essential to the sustainable growth of the automotive industry. Kia Motors, therefore, has created a roadmap to develop alternative powertrain vehicles and to lead the transition into an eco-friendly car society, with the goal of staying ahead of the competition in the future mobility market.

AUTONOMOUS DRIVING

DRIVE WiSE

ROADMAP FOR AUTONOMOUS DRIVING

Kia Motors has presented a roadmap for developing autonomous driving technology, which not only offers safe, convenient and efficient driving but also is the key to the future of mobility. By achieving the plans set forth in the roadmap for the period until 2030, we aim to usher in an era of complete autonomous driving.



2016 — Launched DRIVE WiSE sub-brand to offer drivers "hassle-free, delightful driving" experiences through our smart car technologies

2017 — Plan to commercialize highway autonomous driving (HAD) system

2020 — Plan to commercialize urban autonomous driving (UAD) system

2030 — Plan to achieve fully autonomous driving

2030

CORPORATE SOCIAL RESPONSIBILITY 50
RESEARCH & DEVELOPMENT 52
CONCEPT CAR 58

OUR FUTURE

We are continually asking ourselves questions about ‘A Better Way to Go’, the path to the better world that we want to build with automobiles. In 2016, we looked carefully into safe & accident-free driving, zero-emissions vehicles, and fundamental solutions to social issues. By setting and achieving specific goals, we have made progress on our journey towards a better tomorrow.

CORPORATE SOCIAL RESPONSIBILITY



The GLP project was active in nine local communities in six African countries as of the end of 2016

A BETTER WAY TO GO GREEN LIGHT

9 LOCAL COMMUNITIES

The Kia EcoDynamics Expedition, run jointly by Kia Motors and the UNEP National Committee for the Republic of Korea

UNEP

CSR MISSION AND DIRECTIONS

Kia Motors does not undertake one-off CSR activities; instead, guided by our CSR mission to “fulfill our corporate social responsibilities and take on new challenges to contribute to a better world”, we are making long-term efforts to create a better world based on the shared values of universal “mobility”, which we pursue as an automotive company, and “challenge”, which reflects our corporate identity.

CSR HIGHLIGHTS

Green Light Project

The Green Light Project (GLP) is our flagship global social contribution program that has been in operation since 2012. It aims to provide people in less developed nations with opportunities to improve their lives, to help individuals grow their skills, and to build self-reliance in local communities. We build schools and community centers to provide educational opportunities and medical services, which help local communities establish the foundations for self-reliance and development. In particular, we provide the transport services that are needed throughout this process. As of the end of 2016, the GLP project was active in nine local communities in six African countries – Tanzania, Malawi, Kenya, Mozambique, Uganda, and Ethiopia. We will steadily widen the regions covered by the GLP project in the future.



Kia Motors’ philosophy of corporate social responsibility (CSR) is ‘A Better Way to Go’. By implementing social contribution projects that leverage our capabilities as an automotive company, we look to find new ways to change the world for the better.

Kia EcoDynamics Expedition

The Kia EcoDynamics Expedition is run jointly by Kia Motors and the United Nations Environment Programme National Committee for the Republic of Korea. It is aimed at developing teenagers into environmental leaders through volunteer work. Since launching the program in 2010, we have recruited Korean junior high and high school students, and members of the 7th Expedition were recruited in 2016. EcoDynamics Expedition volunteers benefit from a variety of experiences, including lectures and cultural exchanges. In particular, they get the opportunity to plan a design project to improve the social environment in a developing nation, and then to put that project design into practice overseas.

Green Trip

The Green Trip is a social outreach program from Kia Motors to help people with difficulties traveling due to a physical disability to go on trips. Green Trip provides specially-produced ‘Carnival Easy Move’ vehicles to people with disabilities, enabling them both to drive themselves and to transport their wheelchairs in the vehicles. We also provide drivers for people who find it difficult to drive themselves. The total distance travelled under the Green Trip program from June 2012, when it was first launched, to December 2016 is 1.59 million kilometers, the equivalent of 40 trips around the world, and the total number of days that vehicles have been driven to help people travel with their families has exceeded 10,000. As of December 2016, more than 25,000 people have benefited from the Green Trip program.

Mobility Challenge

Joint Labor-Management CSR Programs

Kia Motors supports the development of local communities where our worksites are located through joint labor-management programs and social contribution activities. At every domestic and overseas plant, and every domestic sales office and service center, labor and management work together to help resolve social issues in the local community. Labor and management undertake social contribution activities together, including volunteer work, providing scholarships, and donating vehicles. These efforts not only promote growth in local communities, but also create a sense of unity among staff while improving labor-management relations. In 2016, Kia Motors donated 18 vehicles to social service agencies in Korea, and the labor union and the company together provided scholarships worth a total of KRW 500 million to children whose parents had fallen victim to traffic accidents. Kia Motors has also implemented the Kia Dream Tour project in partnership with the Korea National Council on Social Welfare to provide multi-cultural families with the opportunity to visit their home countries. In addition, the Gwangju plant donated a total of KRW 130 million to provide food and other support to the underprivileged in the local community.





RESEARCH & DEVELOPMENT



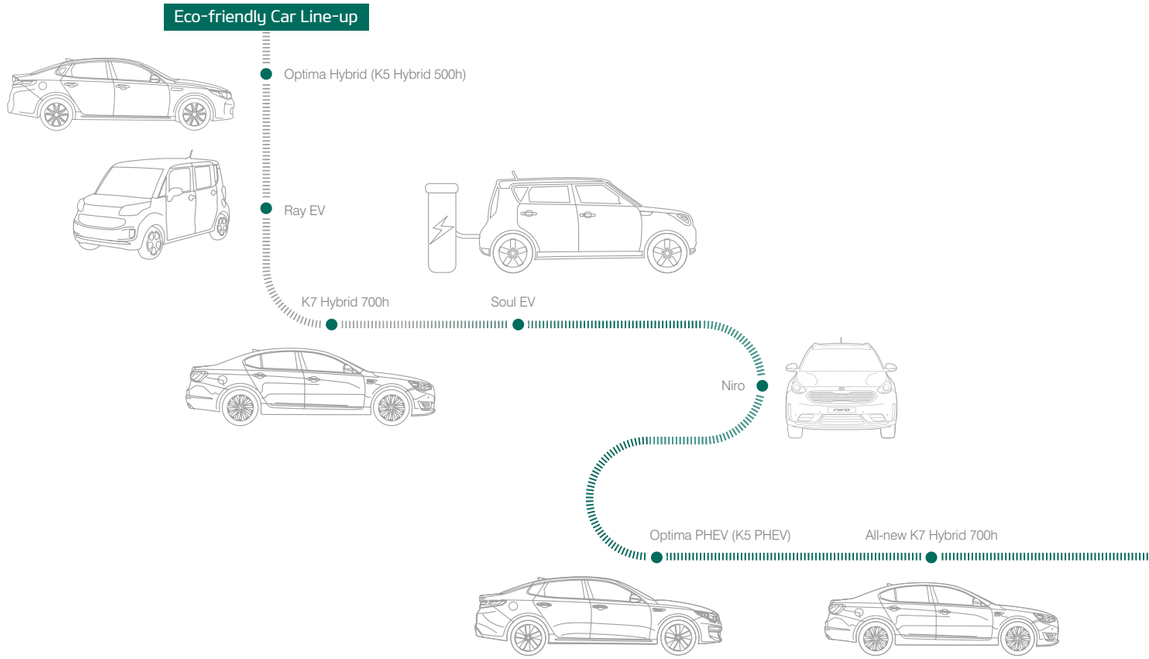
2020 Fuel Efficiency Improvement Roadmap to improve fuel efficiency by 25% from 2014 to 2020

25%

Plan to achieve fully autonomous driving by 2030

100%

We are accelerating the pace of R&D investments in order to provide the ultimate freedom and enjoyment in clean mobility that is free from emissions and smart mobility that is free from the inconveniences of driving and the risk of accidents.



CLEAN MOBILITY — EcoDynamics

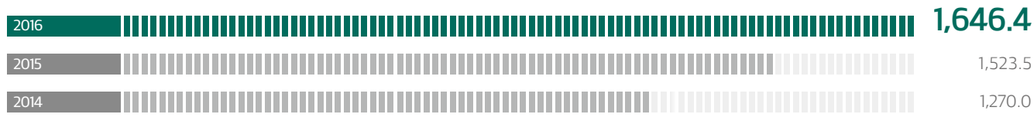
Kia Motors established the EcoDynamics eco-friendly brand in 2009 with the target of achieving zero emissions. In 2014, we announced the '2020 Fuel Efficiency Improvement Roadmap', through which we are increasing investments in the development of eco-friendly cars with the aim of improving fuel efficiency by 25% from 2014 to 2020.

As of the end of 2016, our eco-friendly car line-up included the Optima Hybrid (K5 Hybrid 500h), K7 Hybrid 700h, Soul EV, Ray EV, Niro, Optima (K5) PHEV, and all-new K7 Hybrid 700h, the last three of which were launched in 2016. The line-up will include 14 eco-friendly cars by 2020 and will include five hybrid models, four PHEVs, four EVs and one Fuel Cell Electric Vehicle (FCEV), including the Niro PHEV, which will be released in 2017. In doing so, we will respond proactively to the ever-changing automobile market and build the foundations for sustainable growth.



Kia Motors embarked on its roadmap for the future of eco-friendly products with the launch of the Optima (K5) PHEV and the all-new K7 Hybrid 700h in 2016. With a 2.0-liter gasoline engine and 50 kW motor, the Optima (K5) PHEV has a maximum output of 156 horsepower and maximum torque of 19.3 kgf/m. The maximum driving range in EV mode is 44 km when the battery is fully charged. The all-new K7 Hybrid 700h offers best-in-class fuel consumption of 16.2 km/l, silent driving, as well as advanced driving performance and a charismatic exterior design.

Investment in R&D (Unit: KRW billion)

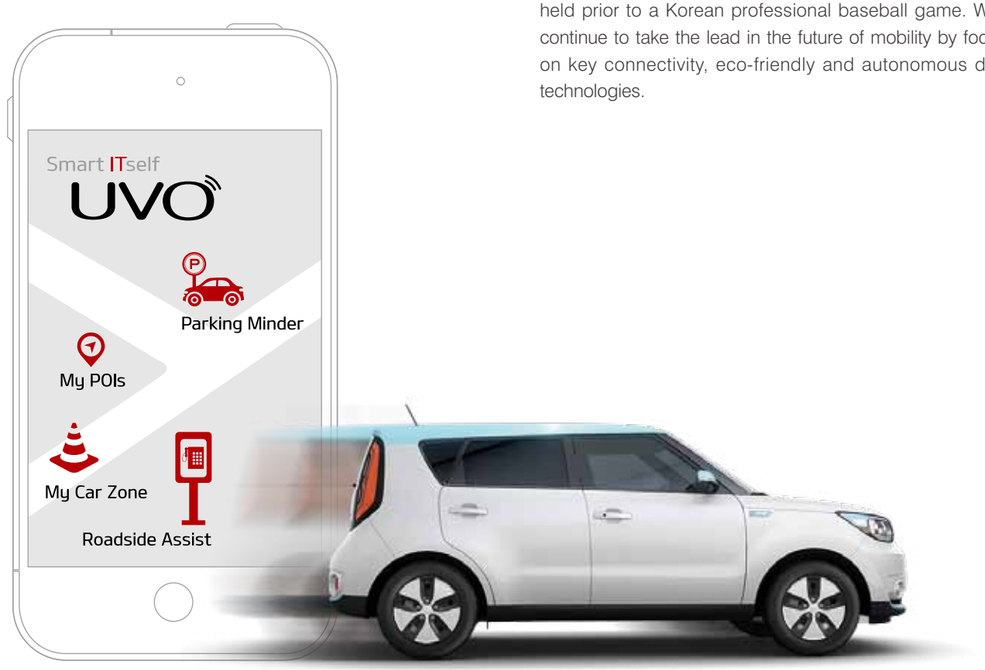


SMART MOBILITY — DRIVE WiSE

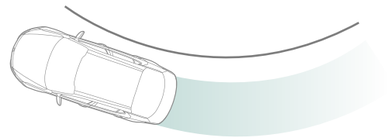
DRIVE WiSE is Kia Motors' smart car technology brand launched in January 2016 at the Consumer Electronics Show (CES) as part of our roadmap for autonomous driving. DRIVE WiSE minimizes all accident risks and uses our Advanced Driver Assistance System (ADAS) and car-IT connectivity technologies to connect cars with objects or with other cars, thus providing drivers with optimal convenience. Its aim is to support efficient driving, and thus create a more innovative means of transport that will ultimately improve quality of life. After the DRIVE WiSE brand was launched in 2016, Kia Motors has been rapidly developing all the relevant technologies – our plan is to commercialize urban autonomous driving (UAD) system by 2020, and to bring about completely autonomous driving vehicles by 2030.

Kia Motors is already utilizing various ADAS technologies in its mass-produced cars to improve driver and passenger safety and convenience, and to lay the groundwork for complete autonomous driving. The all-new Cadenza (K7) released in 2016 features many cutting-edge safety and convenience features from our DRIVE WiSE brand, and the all-new Picanto (Morning) to be launched in 2017 will feature a level of ADAS technology unprecedented among compact cars, including Forward Collision Warning System (FCWS) and Autonomous Emergency Braking (AEB). Vehicle Stability Management (VSM) has already been applied to most of our mass-produced models, and AEB will be applied to all models by 2020.

At CES 2016, we displayed a Soul EV autonomous driving vehicle which combined all of our autonomous driving technologies, and in September, we demonstrated Kia's advanced autonomous driving capabilities during an event held prior to a Korean professional baseball game. We will continue to take the lead in the future of mobility by focusing on key connectivity, eco-friendly and autonomous driving technologies.

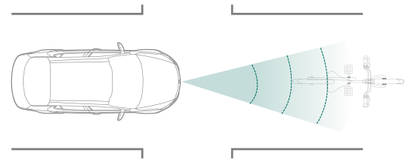


VEHICLE STABILITY MANAGEMENT (VSM)



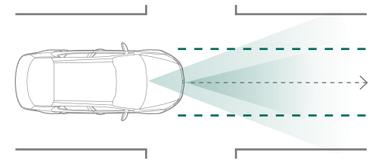
VSM is a system that enhances braking and driving stability by keeping the vehicle in a stable position even in difficult driving conditions, such as slippery roads, under sudden braking, and through quick turns. It is installed in the Cerato/Forte (K3), Optima (K5), Optima Hybrid (K5 Hybrid 500h), Cadenza (K7), K900/Quoris (K9), Ray, Soul, Rondo/Carens, and Sorento.

AUTONOMOUS EMERGENCY BRAKING (AEB)



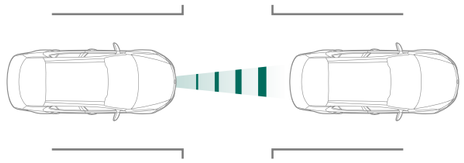
AEB is a cutting-edge driving assistance system that uses radar signals and front detection camera signals, and automatically engages the brakes in the event of unexpected emergency stopping situations such as a potential collision with another vehicle, object or pedestrian. AEB is currently applied to the K900/Quoris (K9), Optima (K5), and all-new Picanto (Morning).

LANE KEEPING ASSIST SYSTEM (LKAS)



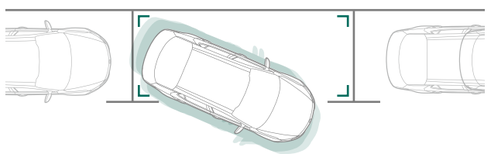
LKAS uses a camera installed on the vehicle to sense lanes and operates the steering wheel if the vehicle departs from its lane. It can be interfaced with the Advanced Smart Cruise Control (ASCC) system, which keeps a safe distance from the vehicle in front, to enable partially autonomous driving.

FORWARD COLLISION WARNING SYSTEM (FCWS)



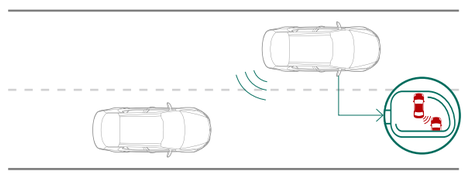
FCWS monitors lanes and vehicles in front through signals from the front detection camera. It alerts the driver when it expects a collision by sounding an alarm and vibrating the steering wheel, thus helping drivers prevent collisions.

SMART PARKING ASSIST SYSTEM (SPAS)



SPAS identifies suitably-sized parking spaces and helps drivers semi-autonomously park their vehicles by using sensors and controlling the steering wheel. This function supports both perpendicular parking and parallel parking. It is installed in the Cerato/Forte (K3), Optima (K5), Cadenza (K7), Rondo/Carens, and Sorento.

BLIND SPOT DETECTION (BSD)



BSD detects vehicles and obstacles in the blind spots through two radar sensors mounted on the rear bumper, and warns the driver with a visual alert on the side mirror. It is available in models such as the Sportage, Sorento, Mohave and Sedona/Grand Carnival (Carnival).

R&D GLOBAL NETWORK



U.S.

1 America Technical Center

The America Technical Center plays a central R&D role within the U.S. and is connected with the America Design & Technical Center and Proving Ground in California.

Superior Township, Michigan, U.S.

Technical Center

2 America Design & Technical Center

The America Design & Technical Center undertakes research into concept cars and the develop-ment of mass-production cars suitable for the U.S. market.

Irvine, California, U.S. (Technical & Design Center) | Chino, California, U.S. (Technical Center)

Design Studio and Technical Center

3 Kia Design Center America

Boasting world-class facilities and personnel, the Kia Design Center America is the birthplace of innovative models under the Kia label.

Irvine, California, U.S.

Design & Remodeling Studio, Painting Facilities, New Model Presentation Room, Visual Presentation Room, etc.

3 California Proving Ground

The California Proving Ground plays a key role in developing vehicles for the North American market. This is where performance and durability tests are conducted on all Kia vehicles sold in the U.S. and on locally developed parts.

California City, California, U.S.

Ground area: 17.52 million m^2 (4,329 acres) / 8 test tracks with total length of 116 km (72 miles)

Europe

5 Kia Design Center Europe

Situated within Kia Motors' Europe-an headquarters, the Kia Design Center Europe is boosting Kia's design capabilities in Europe.

Frankfurt, Germany

Design Center

5 Europe Technical Center/ Hyundai Design Center Europe

Working with our local subsidiary that oversees product planning, sales, and marketing in Europe, the Europe Technical Center is strengthening our regional sales capabilities.

Russelsheim, Germany

Technical and Design Center

ASIA

7 China R&D Center

Construction on the China R&D Center began in February 2013. The Center will develop cars for the Chinese market, which has become one of the largest and fastest-growing car markets. The construction of the China R&D Center is progressing on its 1,840,000 m2 site and will serve as an R&D hub to expand the presence of Hyundai Motor Company and Kia Motors Corp. in China.

Yantai, China

Technical Center

8 Japan R&D Center

Located close to Tokyo, the Japan R&D Center focuses on developing the latest electronic and hybrid technologies.

Yokohama, Japan

Technical and Design Center

9 India R&D Center

The India R&D Center in Hyderabad supports the design and evaluation of automobiles, with a particular focus on developing localized products.

Hyderabad, India

Technical Center

10 Hyundai Kia Motors R&D Center

Hwaseong, Gyeonggi-do

3,470,000 m^2

Engineering Design Building, Design Center, Powertrain R&D Center, Wind Tunnel, Proving Ground, etc.

11 Eco-Technology Research Institute

Yongin, Gyeonggi-do

29,519 m^2

Hydrogen Fueling Station, Fuel Cell Durability Tester, ELV Dismantling System, etc.

11 Central Advanced Research & Engineering Institute

Uiwang, Gyeonggi-do

17,058 m^2

Dry & Clean Room, HMI Lab, Nano-Materials Lab, Autonomous Driving Control Lab, Venture Plaza, etc.



KIA TELLURIDE

Kia's design language goes in a bold new direction with a future premium large SUV.

The Telluride brings together a modern yet upright form, a dignified poise, and Kia's cutting-edge technologies. It is based on an existing platform, and reflects our brand strategy to develop an outstanding premium SUV that will go beyond the Sorento.





The Telluride has the aesthetic characteristics of an all-new luxury SUV, featuring solid, futuristic technologies. It delivers a sense of stability that considers passengers in the back seats, as well as the driver. It is longer, wider, and bigger than the recently re-designed Sorento CUV, thus shedding light on the direction of a future Kia full-size 7-passenger SUV.

The Telluride's front doors and rear-hinged back doors open in opposite directions, at an angle of 90 degrees. This creates a wider feel, and serves to welcome passengers into an interior that unfolds like a panorama. The captain's seats are made of four types of sophisticated black leather, and emphasize the roomy interior in front of the folded third row. The spacious interior allows the middle seats to fold almost flat, and also enables greater leg-room for exceptional comfort. All four seats feature a precise diamond cut series, and include smart sensors that analyze the driver's and passengers' health information.

The California-based Kia Design Center America was in charge of the design of the Telluride's interior and exterior.

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INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 9, 2017

To the Shareholders and the Board of Directors of Kia Motors Corporation:

We have audited the accompanying consolidated financial statements of Kia Motors Corporation (the "Company") and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, all expressed in Korean won, for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement.

Auditors' Responsibility

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

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

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

Opinion

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

Other

The accompanying consolidated financial statements of the Company and its subsidiaries as of December 31, 2015, were audited by other auditor, which expressed an unqualified opinion in its independent auditors' report as at February 29, 2016.

Deloitte Anjin LLC

March 9, 2017

This report is effective as of March 9, 2017, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the financial statements and may result in modifications to the auditors' report.

KIA MOTORS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2016 and 2015

(In millions of Korean won)

	Notes	December 31, 2016	December 31, 2015
Assets			
Cash and cash equivalents	5, 32	₩ 3,064,191	1,104,928
Short-term financial instruments	5, 32	3,482,272	2,875,137
Short-term available-for-sale financial assets	7, 32	1,806,374	2,872,653
Accounts and notes receivable – trade	32, 33	2,402,540	2,388,911
Accounts and notes receivable – other	32, 33	762,172	696,593
Advance payments	33	51,699	26,387
Current tax assets		107,864	250,169
Inventories	6	8,854,373	7,695,346
Other current assets	13, 20, 32	380,736	319,386
Non-current assets held for sale	14	-	161,274
Total current assets		**20,912,221**	**18,390,784**
Long-term financial instruments	5, 32	115,576	93,352
Long-term available-for-sale financial assets	7, 32	509,466	724,356
Long-term accounts and notes receivable - trade	32	3,803	3,145
Investments in joint ventures and associates	8	12,658,559	10,971,504
Property, plant and equipment	4, 9	13,493,203	13,042,121
Investment property	4, 10	29,714	53,474
Intangible assets	4, 11, 12	2,295,308	2,133,785
Guarantee deposits	32	175,467	171,553
Other non-current assets	13, 20, 32	275,255	117,460
Deferred tax assets	28	420,688	278,579
Total non-current assets		**29,977,039**	**27,589,329**
Total assets		₩ **50,889,260**	**45,980,113**

(In millions of Korean won)

	Notes	December 31, 2016	December 31, 2015
Liabilities			
Accounts and notes payable - trade	32, 33	₩ 6,128,049	5,885,651
Short-term borrowings	15, 32	2,876,276	1,512,424
Accounts and notes payable - other	32, 33	2,376,365	2,653,394
Advances received	33	676,968	590,686
Accrued expenses	32	1,827,634	1,521,078
Current tax liabilities		231,431	400,681
Current portion of long-term debt and bonds	15, 32	1,255,151	1,268,666
Provisions - current	18	827,474	698,492
Other current liabilities	16, 20, 32	47,552	48,413
Total current liabilities		**16,246,900**	**14,579,485**
Bonds	15, 32	1,665,407	927,052
Long-term debt	15, 19, 32	2,271,634	2,604,889
Long-term advances received		88,083	76,747
Net defined benefit liabilities	17	26,614	256,341
Provision for other long-term employee benefits		266,806	259,815
Provisions	18	2,266,158	1,691,670
Other non-current liabilities	16, 20, 32	76,310	71,166
Deferred tax liabilities	28	1,401,924	1,308,917
Total non-current liabilities		**8,062,936**	**7,196,597**
Total liabilities		**24,309,836**	**21,776,082**
Equity			
Common stock	21	2,139,317	2,139,317
Capital surplus		1,560,650	1,560,650
Retained earnings	22	23,465,759	21,039,080
Accumulated other comprehensive loss	7, 21	(525,228)	(473,682)
Other equity	21	(61,074)	(59,666)
Other capital item expected to be held for sale	21	-	(1,668)
Total equity		**26,579,424**	**24,204,031**
Total liabilities and equity		₩ **50,889,260**	**45,980,113**

See accompanying notes to consolidated financial statements.

KIA MOTORS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2016 and 2015

(In millions of Korean won, except earnings per share information)

	Notes	2016	2015
Sales	4, 33	₩ 52,712,906	49,521,447
Cost of sales	29, 33	(42,281,590)	(39,653,769)
Gross profit		**10,431,316**	**9,867,678**
Selling expenses	25, 29, 33	(5,127,449)	(4,711,708)
General and administrative expenses	25, 29, 33	(2,842,387)	(2,801,697)
Operating profit		**2,461,480**	**2,354,273**
Share of profit of joint ventures and associates, net	8	1,159,899	894,873
Finance income	26, 32, 33	249,938	359,567
Finance expenses	26, 32, 33	(293,353)	(275,925)
Other income	27, 33	817,114	657,123
Other expenses	27, 33	(953,044)	(889,645)
Profit before income taxes		**3,442,034**	**3,100,266**
Income tax expense	28	(687,394)	(469,666)
Profit for the year		₩ **2,754,640**	**2,630,600**
Profit attributable to:			
Owners of the Company		2,754,640	2,630,600
Non-controlling interests		-	-
Earnings per share			
Basic earnings per share in Korean won	23	₩ 6,873	6,559

See accompanying notes to consolidated financial statements.

KIA MOTORS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2015

(In millions of Korean won)

	2016	2015
Profit for the year	₩ **2,754,640**	**2,630,600**
Other comprehensive income (loss) for the year:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit obligations	98,972	(60)
Remeasurements of defined benefit obligations of associates, net	14,092	(3,056)
	113,064	**(3,116)**
Items that may be reclassified subsequently to profit or loss:		
Net fair value gain on available-for-sale financial assets during the year	(108,568)	(325,824)
Effective portion of changes in fair value of cash flow hedges, net	(57)	430
Changes in accumulated other comprehensive loss due to changes in equity of the joint ventures and associates, net	57,511	(31,130)
Exchange differences on translating foreign operations, net	(432)	(525)
Reclassification of non-current assets as held for sale	1,668	-
	(49,878)	(357,049)
Other comprehensive income (loss) for the year	**63,186**	**(360,165)**
Total comprehensive income for the year	₩ **2,817,826**	**2,270,435**
Comprehensive income attributable to:		
Owners of the Company	2,817,826	2,270,435
Non-controlling interests	-	-

See accompanying notes to consolidated financial statements.

KIA MOTORS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2016 and 2015

(In millions of Korean won)

	Attributable to owners of the Company						
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive loss	Other equity	Other capital items expected to be held for sale	Total
Balance at January 1, 2015	₩ **2,139,317**	**1,560,650**	**18,815,654**	**(118,301)**	**86,545**	**-**	**22,483,865**
Profit for the year	-	-	2,630,600	-	-	-	2,630,600
Net fair value gain on available-for-sale financial assets during the year	-	-	-	(325,824)	-	-	(325,824)
Effective portion of changes in fair value of cash flow hedges	-	-	-	430	-	-	430
Changes in accumulated other comprehensive loss due to changes in equity of the joint ventures and associates, net	-	-	-	(31,130)	-	-	(31,130)
Reclassification of non-current assets as held for sale	-	-	-	1,668	-	(1,668)	-
Remeasurements of defined benefit obligation	-	-	(60)	-	-	-	(60)
Remeasurements of defined benefit obligations of associates, net	-	-	(3,056)	-	-	-	(3,056)
Exchange differences on translating foreign operations, net	-	-	-	(525)	-	-	(525)
Payment of cash dividends	-	-	(404,058)	-	-	-	(404,058)
Purchases of treasury stock	-	-	-	-	(146,211)	-	(146,211)
Balance at December 31, 2015	₩ **2,139,317**	**1,560,650**	**21,039,080**	**(473,682)**	**(59,666)**	**(1,668)**	**24,204,031**

(In millions of Korean won)

	Attributable to owners of the Company						
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive loss	Other equity	Other capital items expected to be held for sale	Total
Balance at January 1, 2016	**₩ 2,139,317**	**1,560,650**	**21,039,080**	**(473,682)**	**(59,666)**	**(1,668)**	**24,204,031**
Profit for the year	-	-	2,754,640	-	-	-	2,754,640
Net fair value gain on available-for-sale financial assets during the year	-	-	-	(108,568)	-	-	(108,568)
Effective portion of changes in fair value of cash flow hedges	-	-	-	(57)	-	-	(57)
Changes in accumulated other comprehensive loss due to changes in equity of the joint ventures and associates, net	-	-	-	57,511	-	-	57,511
Reclassification of non-current assets as held for sale	-	-	-	-	-	1,668	1,668
Remeasurements of defined benefit obligation	-	-	98,972	-	-	-	98,972
Remeasurements of defined benefit obligations of associates, net	-	-	14,092	-	-	-	14,092
Exchange differences on translating foreign operations, net	-	-	-	(432)	-	-	(432)
Payment of cash dividends	-	-	(441,025)	-	-	-	(441,025)
Purchases of treasury stock	-	-	-	-	(131,813)	-	(131,813)
Disposals of treasury stock	-	-	-	-	130,405	-	130,405
Balance at December 31, 2016	**₩ 2,139,317**	**1,560,650**	**23,465,759**	**(525,228)**	**(61,074)**	**-**	**26,579,424**

See accompanying notes to the consolidated financial statements.

KIA MOTORS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

(In millions of Korean won)

	Note	2016	2015
Cash flows from operating activities			
Cash generated from operations	30	₩ 3,845,239	3,567,053
Interest received		140,549	199,573
Interest paid		(151,931)	(119,184)
Dividends received		195,886	294,132
Income tax paid		(753,861)	(566,326)
Net cash generated by operating activities		**3,275,882**	**3,375,248**
Cash flows from investing activities			
Disposal of short-term financial instruments		75,514	639,262
Disposal of long-term financial instruments		5,030	2,075
Disposal of available-for-sale financial assets		1,120,365	-
Disposal of property, plant and equipment		66,251	74,569
Disposal of intangible assets		2,568	935
Cash proceeds from other investing activities		158,015	5,358
Purchase of short-term financial instruments		(634,199)	(28,154)
Purchase of long-term financial instruments		(54,815)	(32,076)
Acquisition of available-for-sale financial assets		(4,154)	(1,668,719)
Acquisition of investments in associates		(629,935)	(26,991)
Acquisition of property, plant and equipment		(1,559,538)	(3,914,610)
Acquisition of intangible assets		(813,569)	(661,419)
Cash outflows for other investing activities		(43,834)	(4,053)
Net cash used in investing activities		**(2,312,301)**	**(5,613,823)**
Cash flows from financing activities			
Proceeds from short-term borrowings and long-term debt		2,007,112	1,315,959
Proceeds from bonds		783,462	827,036
Proceeds from other financing activities		1,395	563
Repayment of short-term borrowings and long-term debt		(507,538)	(381,576)
Repayment of bonds		(761,800)	(300,000)
Dividends paid		(441,025)	(404,058)
Repayment of finance lease liabilities		(4,392)	(5,278)
Purchases of treasury stock		(131,813)	(146,211)
Cash outflows for other financing activities		-	(38)
Net cash generated by financing activities		**945,401**	**906,397**
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		**50,281**	**(41,364)**
Net increase(decrease) in cash and cash equivalents		**1,959,263**	**(1,373,542)**
Cash and cash equivalents, beginning of the year		**1,104,928**	**2,478,470**
Cash and cash equivalents, end of the year		**₩ 3,064,191**	**1,104,928**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

1. General Description of Parent Company and Subsidiaries

(1) Organization and description of the Company

Kia Motors Corporation (the "Company") was established in December 1944 under the laws of the Republic of Korea to manufacture and sell a range of passenger cars, recreational vehicles and other commercial vehicles in the domestic and international markets. The Company owns and operates three principal automobile production sites: the Sohari factory, the Hwasung factory and the Kwangju factory.

The shares of the Company have been listed on the Korea Exchange from 1973. As of December 31, 2016, the Company's largest shareholder is Hyundai Motors Company, which holds 33.88% of the Company's stock.

The consolidated financial statements of the Group comprise the Company and its subsidiaries (the "Group") and the Group's interest in joint ventures and associates.

(2) Consolidated subsidiaries

Details of consolidated subsidiaries as of December 31, 2016, are summarized as follows:

Subsidiary	Location	Business	Percentage of ownership (%)
Kia Motors America, Inc. (KMA)	U.S.A.	Exclusive importer and distributor of motor vehicles and parts	100.00
Kia Motors Manufacturing Georgia, Inc. (KMMG)(*1)	U.S.A.	Manufacturing and sale of vehicles and parts	100.00
Kia Canada Inc. (KCI)(*2)	Canada	Exclusive importer and distributor of motor vehicles and parts	100.00
Kia Motors Deutschland GmbH (KMD)	Germany	〃	100.00
Kia Motors Europe GmbH (KME)	Germany	Holding company	100.00
Kia Motors Polska Sp.z.o.o. (KMP)(*3)	Poland	Exclusive importer and distributor of motor vehicles and parts	100.00
Kia Motors Slovakia s.r.o. (KMS)	Slovakia	Manufacturing and sale of vehicles and parts	100.00
Kia Motors Sales Slovensko s.r.o.(KMSs)(*4)	Slovakia	Exclusive importer and distributor of motor vehicles and parts	100.00
Kia Motors Belgium (KMB)(*4)	Belgium	〃	100.00
Kia Motors Czech s.r.o. (KMCZ)(*4)	Czech	〃	100.00
Kia Motors UK Ltd. (KMUK)(*4)	England	〃	100.00
Kia Motors Austria GmbH (KMAS)(*4)	Austria	〃	100.00
Kia Motors Hungary K.f.t (KMH)(*4)	Hungary	〃	100.00
Kia Motors Iberia (KMIB)(*4)	Spain	〃	100.00
Kia Motors Sweden AB (KMSW)(*4)	Sweden	〃	100.00
Kia Motors France SAS (KMF)(*4)	France	〃	100.00
Kia Motors Nederland BV (KMNL)(*4)	Netherlands	〃	100.00
Kia Motors Company Italy S.r.l (KMIT)(*4)	Italy	〃	100.00
Kia Motors Russia LLC (KMR)(*5)	Russia	〃	100.00
Kia Motors Australia Pty Ltd. (KMAU)	Australia	〃	100.00
Kia Motors New Zealand Pty Ltd. (KMNZ)(*6)	New Zealand	〃	100.00
Kia Motors Mexico S.A de C.V. (KMM)(*7)	Mexico	Manufacturing and sale of vehicles and parts	100.00

(*1) 100.00% owned by KMA (*2) 17.47% owned by KMA (*3) 100.00% owned by KMD (*4) 100.00% owned by KME
(*5) 80.00% owned by KME and 20.00% owned by KMD (*6) 100.00% owned by KMAU (*7) 0.01% owned by KMA

Twenty-nine investment trusts other than stated in the note above are separate entities, and the entities are consolidated as they are under the control of the Company.

(3) Financial information of subsidiaries

Financial information of significant subsidiaries (before eliminating intra-group transaction) as of and for the years ended December 31, 2016 and 2015, are summarized as follows:

(i) Financial information as of and for the year ended December 31, 2016

(In millions of Korean won)

Company	Total assets	Total liabilities	Sales	Net income(loss)
KMA	₩ 7,162,932	6,385,971	14,800,692	(134)
KMMG	2,599,221	1,655,699	9,274,197	183,617
KMS	2,737,303	1,595,467	7,143,076	274,616
KMM	2,036,718	1,612,265	2,425,673	(151,301)
KMR	456,074	439,144	2,188,923	(25,600)

(ii) Financial information as of and for the year ended December 31, 2015

(In millions of Korean won)

Company	Total assets	Total liabilities	Sales	Net income(loss)
KMA	₩ 6,522,417	5,581,266	14,493,133	18,575
KMMG	2,451,924	1,534,815	8,764,010	154,419
KMS	2,804,382	1,713,794	6,367,957	263,758
KMM	1,197,971	849,045	262,805	(102,312)
KMR	402,144	365,163	1,959,935	(8,881)

2. Basis of Consolidation financial statements preparation

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audit of Corporations in the Republic of Korea.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the consolidated statements of financial position:

- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value
- Available-for-sale financial assets are measured at fair value
- Liabilities for defined benefit plans are recognized at the net of total present value of defined benefit obligations less the fair value of plan assets

(3) Functional and presentation currency

The consolidated financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

(4) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year are included in the following notes:

- Note 17 : Retirement Benefit Plan
- Note 18 : Provisions
- Note 19 : Commitments and Contingencies
- Note 28 : Income Tax Expense

(5) Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

3. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(1) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Intra-group transactions

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

Non-controlling interests

Non-controlling interests in a subsidiary are accounted for separately from the Company's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the Company and non-controlling interest holders even when the allocation reduces the non-controlling interest balance below zero.

Changes in the Company's ownership interest in a subsidiary

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. The difference between the consideration and the adjustments made to non-controlling interest is recognized directly in equity attributable to the owners of the Company.

(2) Business combination

Business combination

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

Each identifiable asset and liability is measured at its acquisition-date fair value except for below:

- Contingent liabilities that are a present obligation and can be measured reliably are recognized
- Deferred tax assets or liabilities are recognized and measured in accordance with K-IFRS 1012 Income Taxes
- Employee benefit arrangements are recognized and measured in accordance with K-IFRS 1019 Employee Benefits

The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed in the periods in which the costs are incurred and the services are received. The costs to issue debt or equity securities are recognized in accordance with K-IFRS 1032 Financial Instruments: Presentation and K-IFRS 1039 Financial Instruments: Recognition and Measurement.

Goodwill

Goodwill derived from business combinations occurred is as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, bargain purchase gain is immediately recognized in statements of income for the period. Goodwill is subsequently measured at cost, less accumulated impairment losses.

Acquisition of non-controlling interests is accounted for intercompany transaction, and related goodwill is not recognized.

(3) Investments in joint ventures and associates

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement, and require unanimous consent for strategic financial and operating decisions.

The investment in an associate and joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate and joint venture after the date of acquisition. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

If an associate and joint venture uses accounting policies different from those of the Group for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in applying the equity method.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has to make payments on behalf of the investee for further losses.

(4) Cash and cash equivalents

Cash and cash equivalents composed of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

(5) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined based on the specific identification method for materials-in-transit and moving-average method for all other inventories, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

When inventories are sold, the carrying amount of those inventories is recognized as cost of goods sold in same period as the related revenue. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(6) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. In order to be classified as held for sale, the assets or disposal groups must be available for immediate sale in their present condition and their sale must be highly probable. The assets or disposal groups that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. The Group recognizes an impairment loss for any initial or subsequent write-down of an asset or disposal group to fair value, less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized.

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

(7) Non-derivative financial assets

The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group recognizes financial assets in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

Financial assets at fair value through profit or loss

A financial asset is classified as financial assets at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs are recognized in profit or loss when incurred.

Held-to-maturity investments

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Group has the positive intention and ability to hold to maturity, is classified as held-to-maturity investment. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, with changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statements of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(8) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the financial liability.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value, minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statements of financial position when it is extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires).

(9) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are either recognized in profit or loss or, when the derivatives are designated in a hedging relationship and the hedge is determined to be an effective hedge, other comprehensive income.

(i) Hedge accounting

The Group holds derivative contracts to manage foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the foreign currency risk of highly probable forecasted transactions (a cash flow hedge).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship, as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated.

Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of income.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

(ii) Hedge accounting, continued

Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

(iii) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

(10) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Group can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale is not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

(11) Property, plant and equipment

Property, plant and equipment are initially measured at cost. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property, plant and equipment is carried at its cost, less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items, if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

The estimated useful lives of the Group's property, plant and equipment are as follows:

	Estimated useful lives (years)
Buildings and structures	20–40
Machinery and equipment	3–15
Dies, molds and tools	3–5
Vehicles	3–5
Other equipment	3–5

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in another income or expenses.

(12) Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

(13) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost, less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for intended use. The residual value of intangible assets is zero. However, as useful lives of intangible assets are not foreseeable to the periods over which memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

The estimated useful lives of the Group's intangible assets are as follows:

	Estimated useful lives (years)
Development costs	(*)
Industrial property rights	5, 10
Software	2–5
Membership	Indefinite
Others	25

(*) Capitalized development costs are amortized over the useful life considering the life cycle of the developed products.

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Research and development

Expenditures on research activities are recognized in profit or loss as incurred. Expenditures on development are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(14) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost, less any accumulated impairment losses.

(15) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories and deferred tax assets, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value, less costs to sell. The value in use is estimated by applying pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or a CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(16) Leases

Leases where the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. In case of financial leases, at the commencement of the lease term, the Group recognizes as finance assets and finance liabilities in its consolidated statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Also, minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Group reviews to determine whether the leased asset may be impaired.

(17) Government grants

Government grants are not recognized, unless there is a reasonable assurance that the Group will comply with the grant's conditions and that the grant will be received. Government grants whose primary condition is that the Group's purchases, constructs or otherwise acquires long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense.

Other government grants that are intended to compensate the Group for expenses incurred are deducted from related costs over the periods in which the Group recognizes the related costs as expenses. Government grants, which are intended to give immediate financial support to the Group with no future related costs, are recognized as government grant income in profit or loss.

(18) Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. The present value is determined by discounting the expected future cash flows using the interest rate of high-quality corporate bonds with similar maturing as the expected benefit payment date. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

Retirement benefits

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income (loss). The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

In addition, employees of KMA are eligible to participate, upon meeting certain service requirement, in the profit sharing retirement plan under the Internal Revenue Code 401(k) in the United States. KMA and employees of KMA paid each contributions during the period in which the employees render the related service.

(19) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

A provision shall be used only for expenditures for which the provision was originally recognized.

(20) Emission Rights

The Group accounts for greenhouse gases emission right and the relevant liability as below pursuant to the Act on Allocation and Trading of Greenhouse Gas Emission.

Greenhouse Gases Emission Right

Greenhouse Gases Emission Right consists of emission allowances that are allocated from the government free of charge or purchased from the market. The cost includes any cost directly attributable to bringing the asset and condition necessary for it to be capable of operating in the manner intended by management.

Emission Right held for the purpose of performing the obligation is classified as intangible asset. The intangible asset is initially measured at cost and after initial recognition, is carried at cost, less accumulated impairment losses.

The Group derecognizes an emission right asset when the emission allowance is unusable, disposed or submitted to government in which the future economic benefits are no longer expected to be probable.

Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. Emission liability is recognized when it is probable that outflows of resources will be required to settle the obligation and the costs required to perform the obligation are reliably estimable. Emission liability is an amount of estimated obligations for emission rights to be submitted to the government for the performing period. The emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession and the unit price for such emission rights in the market at the end of the reporting period. The Group derecognizes emission liability when it submits emission rights to the government.

(21) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Also, foreign currency differences arising on settlement of monetary assets and liabilities are recognized in profit or loss.

(22) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Company repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Company or an entity in Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

(23) Revenue

Revenue from sale of goods or the use by others of the Group assets is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates and cash incentives to the customers.

Revenue from sales of vehicles, service parts and other related products is recognized when the Group has transferred to the buyer the significant risk and rewards of ownership of the goods. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group accounts for sales of goods and services under Red Point Program as transactions with multiple revenue-generation activities or deliverables. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits ("Red Points") and the other components of the sale. The amount allocated to the Red Points is estimated by reference to the fair value of the points for which they could be sold separately. Such amount is deferred and revenue is recognized only when the Red Points are redeemed and the Group has fulfilled its obligations rather than the initial point of sales of goods and services.

Rental income from investment property is recognized in profit or loss on straight-line basis over the term of the lease.

(24) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income except for dividend from investment in associates, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, unwinding of the discount on provisions and losses on hedging instruments that are recognized in profit or loss. Interest expense of borrowings is recognized as it accrues in profit or loss, using the effective interest method.

(25) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

(26) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all potential dilutive ordinary shares.

(27) Operating segments

An operating segment is a component of the Group that 1) engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group, 2) whose operating results are reviewed regularly by the Group's chief operating decision maker (CODM) in order to allocate resources and assess its performance and 3) for which discrete financial information is available.

Management has determined that the CODM of the Group is the CEO. The CODM does not receive and, therefore, does not review discrete financial information for any component of the Group. Consequently, no operating segment information is included in these consolidated financial statements. Entity-wide disclosures of geographic and product revenue information are provided in Note 4 to the consolidated financial statements.

(28) New standards and interpretations not yet adopted

The following new standards and amendments to existing standards have been published and are mandatory for the Group for the year beginning after January 1, 2017, and the Group has not early adopted them.

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

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

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

The amendments clarifying the following that decreases below cost in the carrying amount of fixed rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary differences, irrespective of whether the debt instrument's holders expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that issuer will pay all contractual cash flows.

When an entity assesses whether taxable profits will be available against which it can utilize a deductible temporary differences, the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this. In evaluating whether sufficient future taxable profit are available, an entity should compare the deductible temporary differences with future taxable profits, excluding tax deductions resulting from the reversal of those deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the above amendments to existing standards

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

The amendments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses, and broadened types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting and the change of the hedge effectiveness test. The amendments are effective for annual periods beginning on or after January 1, 2018.

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

A. Classification and measurement of financial assets

When the Group adopts new standard of K-IFRS 1109, the Group classifies financial assets as seen in the table below based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset: as measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). If the host contract is determined in a hybrid contract, an entity may classify the entire hybrid contract as a financial asset rather than separating the embedded derivative from the host contract.

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

(*1) An entity may designate as measured at FVTPL to eliminate or significantly reduce an accounting mismatch (irrevocable).
(*2) An entity may designate as FVOCI for investments in equity instruments that are not held for trading (irrevocable).

The Group has loans and receivables of ₩10,338,496 million, AFS financial assets of ₩2,315,840 million and financial assets at FVTPL of ₩240,071 million in the consolidated statements of financial position as of December 31, 2016.

B. Classification and measurement of financial liabilities.

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

As of December 31, 2016, the Group has financial liabilities measured at amortized cost of ₩18,089,923 million.

C. Impairment: Financial assets and contract assets

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

In K-IFRS 1109, financial assets are classified into three stages depending on the extent of increase in the credit risk on financial instruments since initial recognition. The loss allowance is measured at an amount equal to 12-month expected credit losses or the lifetime expected credit losses and therefore credit losses will be recognized earlier than under the incurred loss model of K-IFRS 1039.

	Case	The loss allowance
Stage 1	Non-significant increase in credit risk since initial recognition	12-month expected credit losses : The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Stage 2	Significant increase in credit risk since initial recognition	Lifetime expected credit losses: The expected credit losses that result from all possible default events over the expected life of a financial instrument.
Stage 3	Credit-impaired financial assets	

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

As of December 31, 2016, the Group has loans, receivables and AFS financial assets and the loss allowance for these assets are ₩99,557 million.

D. Hedge Accounting

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

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

As of December 31, 2016, the Group applies hedge accounting, the Group has a deferred net profit of ₩373 million in other comprehensive income in relation to cash flow hedging instruments for the year ended December 31, 2016.

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

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

The core principle under K-IFRS 1115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The 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 general impact of the new standard on the consolidated financial statements is as follows

A. Identify the performance obligations in the contract

The Group is engaged in manufacturing and sales of vehicles and parts, leasing of vehicles and rendering vehicle maintenance services. The Group is structured with one reporting segment because leasing income and maintenance services are insignificant to total sales. In 2016, total sales of the group is ₩52,712,906 million.

Upon application of K-IFRS 1115, the Group identifies the performance obligation in the contract with customers which are (1) Vehicle sales, (2) Additional service, (3) Additional warranty and (4) Other services. Timing of the revenue recognition may change depending on when the performance obligation is satisfied, either at a point in time or over time.

B. Allocation of the transaction price

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

C. Variable consideration

Upon application of K-IFRS 1115, the Group estimates the amount of consideration depending on which method the entity expects to better predict the amount of consideration to which it will be entitled—the expected value or the most likely amount. Variable consideration is included in the transaction price only to the extent that it is probable or highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in the future periods

The Group is planning to prepare adoption for K-IFRS 1109 and K-IFRS 1115 in a specific since first quarter of 2017, and set up corresponding internal management process as well as accounting system in parallel. The Group is planning to evaluate the potential impact of the K-IFRS 1109 and K-IFRS 1115 on the financial statements and disclose the financial impact of the adoption of the standards on the financial statements for the year ended on December 31, 2017.

4. Geographic and Other Information

The Group is engaged in manufacturing and sales of vehicles and parts, leasing of vehicles and rendering vehicle maintenance services. Due to insignificant leasing income and maintenance services compared to total sales, the revenues from leasing and maintenance services are not disclosed.

(a) The following table provides information of sales and non-current assets by geographic locations where the Group's entities are located as of and for the year ended December 31, 2016:

(In millions of Korean won)

	Domestic	North America	Europe	Other region	Consolidation adjustment	Consolidation amount
Total sales	₩ 31,641,855	28,001,773	25,549,453	1,054,066	(33,534,241)	52,712,906
Intercompany sales	(13,415,128)	(7,912,953)	(12,205,949)	(211)	33,534,241	-
Net sales	18,226,727	20,088,820	13,343,504	1,053,855	-	52,712,906
Property, plant and equipment, intangible assets and other	12,423,283	2,450,437	907,847	4,105	32,553	15,818,225

(b) The following table provides information of sales and non-current assets by geographic locations where the Group's entities are located as of and for the year ended December 31, 2015:

(In millions of Korean won)

	Domestic	North America	Europe	Other region	Consolidation adjustment	Consolidation amount
Total sales	₩ 32,699,936	24,880,536	21,452,425	775,317	(30,286,767)	49,521,447
Intercompany sales	(13,739,304)	(5,984,516)	(10,562,808)	(139)	30,286,767	-
Net sales	18,960,632	18,896,020	10,889,617	775,178	-	49,521,447
Property, plant and equipment, intangible assets and other	12,172,863	1,989,548	1,007,500	3,426	56,043	15,229,380

5. Cash, Cash Equivalents and Restricted Financial Instrument

(a) Cash and cash equivalents as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Cash on hand	₩ 293	306
Deposits with financial institutions	3,063,898	1,104,622
	₩ 3,064,191	1,104,928

(b) Financial instruments, which are restricted in use for as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

		December 31, 2016	December 31, 2015
Short-term financial instruments	Deposits for dealer supporting	₩ 168	806
Long term financial instruments	Win-Win cooperation deposits	₩ 31,000	31,000
	Green growth fund	20,000	20,000
	Deposit for Lawsuits and others	6,003	9,012
		₩ 57,171	60,818

6. Inventories

Inventories as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Finished goods	₩ 7,456,246	6,424,987
Merchandise	19,445	21,492
Semifinished goods	313,532	220,443
Work in process	201,522	199,341
Raw materials	413,799	375,326
Supplies	166,438	162,506
Materials in transit	283,391	291,251
	₩ 8,854,373	7,695,346

7. Available-for-sale Financial Assets

(a) Available-for-sale financial assets as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

Company	Percentage of ownership (%)	Acquisition Cost	December 31, 2016	December 31, 2015
Marketable securities				
Hyundai WIA Corporation	13.44	₩ 237,510	266,742	409,249
HMC Investment Securities Co., Ltd.	4.90	29,574	13,665	14,384
SeAH Besteel Corp.	0.00	20	45	48
		₩ 267,104	280,452	423,681

(In millions of Korean won)

Company	Percentage of ownership (%)	Acquisition Cost	December 31, 2016	December 31, 2015
Non-marketable securities(*)				
Hyundai WIA Automotive Engine (Shang-dong) Company	18.00	₩ 54,487	54,487	54,487
Other		22,730	22,730	21,144
		77,217	77,217	75,631
Debt securities				
Bond trust and other		996,709	996,709	2,252,202
Industrial finance bond and other		935,163	935,163	822,030
Other		26,299	26,299	23,465
		1,958,171	1,958,171	3,097,697
		₩ 2,302,492	2,315,840	3,597,009

(*) Investment in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are measured at cost.

(b) Changes in fair value of available-for-sale financial assets for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Balance at January 1	₩ 171,931	601,778
Unrealized loss	(143,229)	(287,985)
Realized in loss upon disposal	-	(141,862)
Balance at December 31 before taxes	28,702	171,931
Income tax effect	(6,946)	(41,607)
Balance at December 31	₩ 21,756	130,324

8. Investments in Joint Ventures and Associates

(a) Details of investments in joint ventures and associates as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

Company	December 31, 2016		December 31, 2015	
	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
Hyundai Mobis Co., Ltd.(*1)	16.88	₩ 4,641,049	16.88	₩ 4,167,138
Hyundai Steel Company (*1)	17.27	2,743,649	17.27	2,578,536
Hyundai Engineering & Construction Co., Ltd.(*1)	5.23	816,809	5.23	795,122
Hyundai Powertech Co., Ltd.	37.58	493,991	37.58	433,871
Hyundai Card Co., Ltd.(*1)	11.48	309,261	11.48	286,326
Hyundai Capital Services, Inc.(*4)	20.10	750,577	-	-
Hyundai Dymos Inc.	45.37	350,505	45.37	314,692
EUKOR Car Carriers Inc.(*1)	8.00	115,892	8.00	127,471
Hyundai Engineering Co., Ltd.(*1)	9.35	268,715	9.35	234,643
Hyundai Partecs Co., Ltd.	31.00	23,463	31.00	22,446
Hyundai Autoever Systems Co., Ltd.(*1)	19.37	71,827	19.37	61,339
Donghee Auto Co., Ltd.	35.10	18,418	35.10	17,377
TRW Steering Co., Ltd.	29.00	1,209	29.00	1,205
Kia Tigers Co., Ltd.(*2)	100.00	-	100.00	-
Hyundai NGV Co., Ltd.	24.39	3,296	24.39	2,587
Haevichi Hotels & Resorts Co., Ltd.	23.24	40,065	23.24	39,667
Hyundai Autron Co., Ltd.	20.00	26,324	20.00	20,966
Beijing Dymos Transmission Co., Ltd.	24.08	63,432	24.08	62,232
China Millennium Corporations	30.30	32,315	30.30	29,779
Hyundai Motor Group China Ltd.	30.00	53,070	30.00	78,834
Yanji Kia Motors A/S and Repair(*2)	100.00	2,458	100.00	2,528
Hyundai Powertech (Shangdong) Co., Ltd.	25.00	95,497	25.00	78,667
Dongfeng Yueda Kia Motors Co., Ltd.(*3)	50.00	901,950	50.00	880,820
Hyundai Motor Manufacturing Rus LLC	30.00	140,575	30.00	93,250
Innocean Worldwide Americas, LLC	20.00	2,318	20.00	1,360
Hyundai Autoever America	20.00	1,646	30.00	3,921
Sewon America, Inc.	40.00	12,904	40.00	10,212
Hyundai Capital America	20.00	618,937	20.00	582,225
Hyundai Capital Services UK Ltd.(*3)	10.00	16,306	10.00	14,922
Hyundai Capital Canada Inc.(*4)	40.00	35,861	40.00	22,017
Hyundai Capital Bank Europe GmbH(*1,4)	15.00	6,240	20.00	7,351
		₩ 12,658,559		₩ 10,971,504

(*1) Though the Group's ownership is below 20%, the Group has significant influence on the financial and operating policy decisions.

(*2) Though the Group has 100% of the ownership, equity method is applied because management believes that the difference between consolidation and equity method is immaterial.

(*3) The Group classified Dongfeng Yueda Kia motors Co., Ltd. and Hyundai Capital Services UK Ltd. as joint ventures since it has the right to the net assets established by contractual agreement.

(*4) The Group acquired shares of Hyundai Capital Services, Inc., Hyundai Capital Canada Inc. and Hyundai Capital Bank Europe GmbH (formerly, Hyundai Capital Services Deutschland GmbH), amounting to ₩605,773 million, ₩18,215 million and ₩5,947 million, respectively, for the year ended December 31, 2016.

(b) Fair value of marketable securities of associates companies as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Hyundai Mobis Co., Ltd.	₩ 4,336,748	4,049,274
Hyundai Steel Company	1,313,802	1,151,305
Hyundai Engineering & Construction Co., Ltd.	249,603	166,499

(c) Changes in investments in joint ventures and associates for the year ended December 31, 2016, are summarized as follows:

(In millions of Korean won)

Company	Beginning balance	Acquisition (Disposition)	Share of profit or loss	Changes in equity	Dividends received	Other	Ending balance
Hyundai Mobis Co., Ltd.	₩ 4,167,138	-	499,346	31,037	(57,495)	1,023	4,641,049
Hyundai Steel Company	2,578,536	-	154,598	18,647	(19,584)	11,452	2,743,649
Hyundai Engineering & Construction Co., Ltd.	795,122	-	19,856	3,793	(2,916)	954	816,809
Hyundai Powertech Co., Ltd.	433,871	-	58,757	706	-	657	493,991
Hyundai Card Co., Ltd.	286,326	-	21,809	1,126	-	-	309,261
Hyundai Capital Services, Inc.	-	605,773	148,239	(3,435)	-	-	750,577
Hyundai Dymos Inc.	314,692	-	39,401	(2,870)	-	(718)	350,505
EUKOR Car Carriers Inc.	127,471	-	(9,616)	7,717	(9,680)	-	115,892
Hyundai Engineering Co., Ltd.	234,643	-	37,775	4,626	(8,520)	191	268,715
Hyundai Partecs Co., Ltd.	22,446	-	1,017	-	-	-	23,463
Hyundai Autoever Systems Co., Ltd.	61,339	-	12,554	184	(2,760)	511	71,828
Donghee Auto Co., Ltd.	17,377	-	1,041	-	-	-	18,418
TRW Steering Co., Ltd.	1,205	-	6	(2)	-	-	1,209
Kia Tigers Co., Ltd. (*)	-	-	-	-	-	-	-
Hyundai NGV Co., Ltd.	2,587	-	734	-	(25)	-	3,296
Haevichi Hotels & Resorts Co., Ltd.	39,667	-	409	-	-	(11)	40,065
Hyundai Autron Co., Ltd.	20,966	-	5,324	-	-	34	26,324
Beijing Dymos Transmission Co., Ltd.	62,232	-	3,040	(1,840)	-	-	63,432
China Millennium Corporations	29,779	-	3,429	(893)	-	-	32,315
Hyundai Motor Group China Ltd.	78,834	-	(23,439)	(2,325)	-	-	53,070
Yanji Kia Motors A/S and Repair	2,528	-	4	(74)	-	-	2,458
Hyundai Powertech (Shangdong) Co., Ltd.	78,667	-	17,403	(573)	-	-	95,497
Dongfeng Yueda Kia Motors Co., Ltd.	880,820	-	128,005	(21,596)	(85,279)	-	901,950
Hyundai Motor Manufacturing Rus LLC	93,250	-	24,435	22,890	-	-	140,575
Innocean Worldwide Americas, LLC	1,360	-	2,670	-	(1,866)	153	2,317
Hyundai AutoeverAmerica	3,921	(666)	996	-	(2,741)	136	1,646
Sewon America, Inc.	10,212	-	2,280	-	-	412	12,904
Hyundai Capital America	582,225	-	17,842	-	-	18,870	618,937
Hyundai Capital Services UK Ltd.	14,922	-	3,806	-	-	(2,422)	16,306
Hyundai Capital Canada Inc.	22,017	18,215	(5,248)	877	-	-	35,861
Hyundai Capital Bank Europe GmbH	7,351	5,947	(6,574)	(484)	-	-	6,240
	₩10,971,504	629,269	1,159,899	57,511	(190,866)	31,242	12,658,559

(*) The Group discontinued the use of the equity method for investment in associates due to the carrying amount of the Group's share being reduced to zero as of December 31, 2016.

(d) Changes in investments in joint ventures and associates for the year ended December 31, 2015, are summarized as follows:

(In millions of Korean won)

Company	Beginning balance	Acquisition (Disposition)	Share of profit or loss	Changes in equity	Dividends received	Other	Ending balance
Hyundai Mobis Co., Ltd.	₩ 3,770,722	-	502,504	(56,807)	(49,281)	-	4,167,138
Hyundai Steel Company	2,649,892	205,656	80,704	(3,408)	(17,288)	(337,020)	2,578,536
Hyundai Engineering & Construction Co., Ltd.	782,721	-	11,922	3,396	(2,917)	-	795,122
Hyundai Powertech Co., Ltd.	386,175	-	47,958	(262)	-	-	433,871
Hyundai Card Co., Ltd.	300,676	-	15,619	(1,286)	(28,683)	-	286,326
Hyundai Dymos Inc.	278,619	-	35,735	338	-	-	314,692
EUKOR Car Carriers Inc.	113,247	-	12,982	6,522	(5,280)	-	127,471
Hyundai Engineering Co., Ltd.	215,700	-	29,516	(2,053)	(8,520)	-	234,643
Hyundai Partecs Co., Ltd.	21,403	-	1,043	-	-	-	22,446
Hyundai Autoever Systems Co., Ltd.	53,786	-	10,203	(850)	(1,800)	-	61,339
Donghee Auto Co., Ltd.	16,178	-	1,515	-	(316)	-	17,377
TRW Steering Co., Ltd.	770	-	436	(1)	-	-	1,205
Kia Tigers Co., Ltd. (*)	-	-	-	-	-	-	-
Hyundai NGV Co., Ltd.	2,146	-	466	-	(25)	-	2,587
Haevichi Hotels & Resorts Co., Ltd.	21,656	224	17,756	31	-	-	39,667
Hyundai Autron Co., Ltd.	19,579	-	1,521	(134)	-	-	20,966
Beijing Dymos Transmission Co., Ltd.	57,455	-	5,699	568	(1,490)	-	62,232
China Millennium Corporations	26,006	-	3,583	190	-	-	29,779
Hyundai Motor Group China Ltd.	94,624	-	(16,837)	1,047	-	-	78,834
Yanji Kia Motors A/S and Repair	1,792	-	(955)	1,691	-	-	2,528
Hyundai Powertech (Shangdong) Co., Ltd.	36,734	-	15,783	26,150	-	-	2,528
Dongfeng Yueda Kia Motors Co., Ltd.	958,400	-	85,077	10,335	(172,992)	-	78,667
Hyundai Motor Manufacturing Rus LLC	117,029	-	(5,238)	(18,541)	-	-	880,820
Innocean Worldwide Americas, LLC	1,853	-	1,748	-	(2,471)	230	93,250
Hyundai Information System North America	3,154	-	967	-	(418)	218	1,360
Sewon America, Inc.	11,663	-	(2,147)	-	-	696	10,212
Hyundai Capital America	503,842	-	43,458	192	-	34,733	582,225
Hyundai Capital Services UK Ltd.	9,407	-	5,355	-	-	160	14,922
Hyundai Capital Canada Inc.	15,405	15,646	(7,264)	(1,770)	-	-	22,017
Hyundai Capital Bank Europe GmbH	-	11,121	(4,236)	466	-	-	7,351
	₩ 10,470,634	232,647	894,873	(34,186)	(291,481)	(300,983)	10,971,504

(e) Financial information of joint ventures and associates as of and for the year ended December 31, 2016, is summarized as follows:

(In millions of Korean won)

Company	Total assets	Total liabilities	Sales	Operating profit (loss)	Net income (loss)	Total comprehensive income (loss)
Hyundai Mobis Co., Ltd.	₩ 41,711,608	13,153,619	38,261,745	2,904,692	3,047,282	3,183,639
Hyundai Steel Company	32,389,272	16,025,633	16,691,512	1,445,002	833,979	895,109
Hyundai Engineering & Construction Co., Ltd.	19,883,459	11,741,152	18,744,454	1,052,678	650,376	759,451
Hyundai Powertech Co., Ltd.	2,781,315	1,438,640	3,600,725	298,971	183,072	184,949
Hyundai Capital Services, Inc.	25,157,406	21,371,809	2,780,964	343,344	300,702	300,702
Hyundai Card Co., Ltd.	14,596,987	11,903,178	2,746,875	249,163	189,966	189,966
Hyundai Dymos Inc.	2,403,365	1,602,956	4,281,369	177,971	128,145	120,656
EUKOR Car Carriers Inc.	3,449,977	2,001,325	1,679,763	(60,836)	(114,524)	(23,612)
Hyundai Engineering Co., Ltd.	6,705,741	3,717,216	6,940,615	494,612	361,233	391,459
Hyundai Partecs Co., Ltd.	159,231	83,545	70,648	5,432	3,278	3,278
Hyundai Autoever Systems Co., Ltd.	797,926	424,334	1,335,966	80,400	64,594	68,158
Donghee Auto Co., Ltd.	161,383	108,910	150,136	4,588	3,526	3,526
TRW Steering Co., Ltd.	23,491	19,321	58,662	8	(319)	(319)
Kia Tigers Co., Ltd.	4,778	7,112	45,278	(969)	(525)	(525)
Hyundai NGV Co., Ltd.	22,563	9,052	48,582	4,135	3,007	3,007
Haevichi Hotels & Resorts Co., Ltd.	460,160	288,536	106,261	3,814	1,762	1,904
Hyundai Autron Co., Ltd.	291,528	160,006	694,711	25,653	26,801	26,970
Beijing Dymos Transmission Co., Ltd.	731,753	468,330	759,264	33,717	12,626	12,626
China Millennium Corporations	118,147	11,610	30,854	13,264	11,317	11,317
Hyundai Motor Group China Ltd.	730,499	546,009	650,838	(95,927)	(102,851)	(102,851)
Yanji Kia Motors A/S and Repair	4,549	2,093	7,719	(1)	10	10
Hyundai Powertech (Shangdong) Co., Ltd.	969,001	595,678	2,159,373	126,417	69,615	69,615
Dongfeng Yueda Kia Motors Co., Ltd.(*)	4,507,976	2,663,340	9,799,581	414,827	263,934	263,934
Hyundai Motor Manufacturing Rus LLC	1,312,789	900,607	2,040,810	26,349	81,467	81,467
Innocean Worldwide Americas, LLC	403,423	374,941	317,975	24,944	25,031	25,031
HyundaiAutoever America	31,194	22,768	169,885	4,310	4,387	4,387
Sewon America, Inc.	293,311	261,092	396,323	11,895	5,701	5,701
Hyundai Capital Services UK Ltd.(*)	2,453,882	2,291,290	1,244,431	67,305	48,457	38,058
Hyundai Capital America	43,204,606	40,108,057	3,992,544	118,069	89,208	89,208
Hyundai Capital Canada Inc.	1,169,303	1,079,649	1,259	(26,609)	(13,119)	(13,119)
Hyundai Capital Bank Europe GmbH	64,976	14,763	-	-	(32,869)	(32,869)

(*) Additional financial information of joint ventures is summarized as follows

(In millions of Korean won)

Company	Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
Hyundai Mobis Co., Ltd.	₩ 173,120	552,332	197,276	10,852	48,406	88,000
Hyundai Capital Bank Europe GmbH	99,400	2,272,077	-	-	-	10,399

(f) Financial information of joint ventures and associates as of and for the year ended December 31, 2015, is summarized as follows:

(In millions of Korean won)

Company	Total assets	Total liabilities	Sales	Operating profit (loss)	Net income (loss)	Total comprehensive income (loss)
Hyundai Mobis Co., Ltd.	₩ 37,774,834	12,098,593	36,019,749	2,934,571	3,040,049	2,975,968
Hyundai Steel Company	31,936,434	16,416,435	16,132,513	1,464,142	739,167	743,947
Hyundai Engineering & Construction Co., Ltd.	19,457,593	11,966,328	19,122,053	986,560	584,027	622,729
Hyundai Powertech Co., Ltd.	2,342,398	1,186,003	3,452,813	158,561	130,015	129,273
Hyundai Card Co., Ltd.	13,351,438	10,857,406	2,649,930	241,495	186,762	186,762
Hyundai Dymos Inc.	2,168,287	1,464,806	3,261,418	114,073	94,111	96,408
EUKOR Car Carriers Inc.	3,527,052	1,933,668	2,275,852	228,273	174,034	269,851
Hyundai Engineering Co., Ltd.	6,412,347	3,727,408	7,348,520	442,989	329,183	303,091
Hyundai Partecs Co., Ltd.	159,807	87,399	59,784	6,399	3,366	3,366
Hyundai Autoever Systems Co., Ltd.	687,592	370,543	1,297,964	68,264	53,033	49,499
Donghee Auto Co., Ltd.	142,228	92,722	185,466	6,273	4,643	4,643
TRW Steering Co., Ltd.	27,165	23,008	70,334	(141)	552	584
Kia Tigers Co., Ltd	4,074	5,198	43,770	232	(207)	(207)
Hyundai NGV Co., Ltd.	29,366	18,760	42,264	2,505	1,910	1,910
Haevichi Hotels & Resorts Co., Ltd.	445,722	276,001	69,973	4,505	3,393	3,536
Hyundai Autron Co., Ltd	282,358	177,624	588,356	4,611	7,885	7,213
Beijing Dymos Transmission Co., Ltd.	465,077	206,639	534,056	36,626	23,667	23,667
China Millennium Corporations	110,911	12,630	31,429	14,600	11,824	11,824
Hyundai Motor Group China Ltd.	1,222,781	927,621	1,039,247	(42,369)	(53,796)	(53,796)
Yanji Kia Motors A/S and Repair	4,570	2,042	7,184	(894)	(75)	(75)
Hyundai Powertech (Shangdong) Co., Ltd.	986,834	673,508	1,877,505	103,544	58,430	58,430
Dongfeng Yueda Kia Motors Co., Ltd. (*)	5,407,950	3,613,647	9,439,043	236,330	181,332	181,332
Hyundai Motor Manufacturing Rus LLC	958,083	703,679	1,930,074	62,325	(17,626)	(17,626)
Innocean Worldwide Americas, LLC	246,894	223,459	288,299	20,286	20,362	20,362
Hyundai Information System North America	22,732	8,624	174,880	4,385	4,461	4,461
Sewon America, Inc.	317,967	292,479	385,101	25,435	(5,367)	(5,367)
Hyundai Capital Services UK Ltd. (*)	2,418,863	2,269,695	256,067	18,084	13,388	13,388
Hyundai Capital America	37,312,759	34,398,779	3,127,302	329,191	214,868	214,868
Hyundai Capital Canada Inc.	498,033	442,989	43,191	(18,569)	(18,161)	(18,161)
Hyundai Capital Bank Europe GmbH	59,254	24,263	1,602	(21,249)	(21,180)	(21,180)

(*) Additional financial information of joint ventures is summarized as follows:

(In millions of Korean won)

Company	Cash and cash equivalents	Financial liabilities	Depreciation	Interest income	Interest expense	Income tax expense
Dongfeng Yueda Kia Motors Co., Ltd.	₩ 198,311	682,698	188,003	26,869	39,612	67,833
Hyundai Capital Services UK Ltd.	90,854	2,253,104	-	-	-	2,800

(g) Financial information of significant joint ventures and associates reconciled from the proportionate share in investees' net assets to the balance in the Group's consolidated financial statements as of and for the year ended December 31, 2016, is summarized as follows:

(In millions of Korean won)

Company	Group's share of net assets	Goodwill	Intra-Group transaction and other	Carrying amount
Hyundai Mobis Co., Ltd.	₩ 4,615,120	29,519	(3,590)	4,641,049
Hyundai Steel Company	2,823,703	7,177	(87,231)	2,743,649
Hyundai Engineering & Construction Co., Ltd.	332,090	284,338	200,381	816,809
Dongfeng Yueda Kia Motors Co., Ltd.	922,318	-	(20,368)	901,950

(h) Unrecognized share of loss in investments in joint ventures and associate due to discontinuing the use of the equity method as of and for the year ended December 31, 2016, is summarized as follows:

(In millions of Korean won)

	2016	Accumulated
Kia Tigers Co., Ltd	₩ 1,211	2,334

9. Property, Plant and Equipment

(a) Details of property, plant and equipment as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016			December 31, 2015		
	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount
Land	₩ 4,912,530	-	4,912,530	4,868,513	-	4,868,513
Buildings	3,450,168	(1,085,843)	2,364,325	3,028,374	(967,756)	2,060,618
Structures	713,582	(371,016)	342,566	629,711	(346,861)	282,850
Machinery and equipment	7,429,440	(3,816,554)	3,612,886	6,663,540	(3,389,764)	3,273,776
Dies, molds and tools	4,307,801	(3,082,066)	1,225,735	3,776,522	(2,726,771)	1,049,751
Vehicles	247,436	(80,123)	167,313	214,211	(73,772)	140,439
Other equipment	549,374	(367,095)	182,279	498,566	(327,873)	170,693
Construction in progress	685,569	-	685,569	1,195,481	-	1,195,481
	₩ 22,295,900	(8,802,697)	13,493,203	20,874,918	(7,832,797)	13,042,121

(b) Details of changes in property, plant and equipment for the year ended December 31, 2016, are summarized as follows:

(In millions of Korean won)

	Beginning balance	Acquisition	Disposal	Depreciation	Transfer	Other	Ending balance(*)
Land	₩ 4,868,513	427	(6,321)	-	45,151	4,760	4,912,530
Buildings	2,060,618	4,912	(42,559)	(125,548)	446,882	20,020	2,364,325
Structures	282,850	614	(982)	(26,067)	83,281	2,870	342,566
Machinery and equipment	3,273,776	13,675	(19,766)	(454,710)	777,193	22,718	3,612,886
Dies, molds and tools	1,049,751	10,599	(3,065)	(413,584)	569,844	12,190	1,225,735
Vehicles	140,439	15,702	(51,530)	(40,740)	104,527	(1,085)	167,313
Other equipment	170,693	48,456	(3,443)	(67,501)	35,739	(1,665)	182,279
Construction in progress	1,195,481	1,479,819	(66)	-	(1,940,437)	(49,228)	685,569
	₩ 13,042,121	1,574,204	(127,732)	(1,128,150)	122,180	10,580	13,493,203

(*) The Group received government grants in 2015 through investment agreement with Slovakia government and others. The grants, amounting to ₩211,268 million, are presented as reduction of property, plant and equipment.

(c) Details of changes in property, plant and equipment for the year ended December 31, 2015, are summarized as follows:

(In millions of Korean won)

	Beginning balance	Acquisition	Disposal	Depreciation	Transfer	Other	Ending balance
Land	₩ 2,669,012	6	(22,076)	-	2,215,004	6,567	4,868,513
Buildings	1,976,817	1,291	(3,071)	(110,505)	187,535	8,551	2,060,618
Structures	277,505	1,224	(71)	(25,391)	30,472	(889)	282,850
Machinery and equipment	3,181,171	22,284	(24,034)	(416,245)	506,579	4,021	3,273,776
Dies, molds and tools	812,267	113,497	(4,536)	(317,751)	431,792	14,482	1,049,751
Vehicles	128,744	15,013	(35,825)	(35,722)	71,081	(2,852)	140,439
Other equipment	171,965	25,398	(1,018)	(62,545)	37,849	(956)	170,693
Construction in progress	896,836	3,784,196	(8,895)	-	(3,480,312)	3,656	1,195,481
	₩ 10,114,317	3,962,909	(99,526)	(968,159)	-	32,580	13,042,121

(d) The capitalized borrowing costs and capitalization interest rate for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Capitalized borrowing costs(*)	₩ 27,789	58,873
Capitalization interest rate (%)	2.35	3.03

(*) Includes borrowing costs that were capitalized in respect of development cost of ₩14,547 million and ₩16,951 million, respectively, for the years ended December 31, 2016 and 2015.

10. Investment Property

(a) Details of investment property as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016			December 31, 2015		
	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount
Land	₩ -	-	-	23,490	-	23,490
Buildings	39,435	(9,721)	29,714	38,244	(8,260)	29,984
	₩ 39,435	(9,721)	29,714	61,734	(8,260)	53,474

(b) Details of changes in property, plant and equipment for the year ended December 31, 2016, are summarized as follows:

(In millions of Korean won)

	Beginning balance	Disposal	Depreciation	Other	Ending balance
Land	₩ 23,490	(23,695)	-	205	-
Buildings	29,984	-	(1,157)	887	29,714
	₩ 53,474	(23,695)	(1,157)	1,092	29,714

(c) Details of changes in investment property for the year ended December 31, 2015 are summarized as follows:

(In millions of Korean won)

	Beginning balance	Disposal	Depreciation	Other	Ending balance
Land	₩ 22,031	-	-	1,459	23,490
Buildings	29,218	-	(1,128)	1,894	29,984
	₩ 51,249	-	(1,128)	3,353	53,474

(d) The amount recognized in profit or loss from investment property for the years ended December 31, 2016 and 2015, is summarized as follows:

(In millions of Korean won)

	2016	2015
Rental income	₩ 3,958	3,859
Operating expense	933	872

(e) Buildings held for the purpose of earning rentals are classified as investment property. In addition, the fair value of investment property does not differ from its book value significantly as of December 31, 2016.

11. Goodwill

(a) Changes in goodwill for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Balance at January 1	₩ 37,035	37,231
Other decrease	(46)	(196)
Balance at December 31	₩ 36,989	37,035

(b) Goodwill is allocated to each CGU (Cash Generating Unit) that is expected to benefit from each operating unit. The Group estimated the recoverable amount of CGU as its value in use calculated by discounting the future cash flows to be generated on the basis of business plan approved by management in five years. Cash flows expected to be generated after five years were estimated within the scope of not to exceed long term average growth rate of industry. No impairment loss was recognized as a result of the impairment tests in 2016 and 2015.

12. Intangible Assets

(a) Details of intangible assets except for goodwill as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016			December 31, 2015		
	Acquisition cost	Accumulated amortization and impairment losses	Carrying amount	Acquisition cost	Accumulated depreciation and impairment losses	Carrying amount
Development costs	₩ 4,279,033	(2,269,558)	2,009,475	3,536,145	(1,640,337)	1,895,808
Industrial property rights	42,358	(24,017)	18,341	84,614	(71,340)	13,274
Software	351,192	(228,787)	122,405	271,122	(187,553)	83,569
Membership(*)	71,616	(9,491)	62,125	74,449	(11,131)	63,318
Other	49,632	(3,659)	45,973	43,198	(2,417)	40,781
	₩ 4,793,831	(2,535,512)	2,258,319	4,009,528	(1,912,778)	2,096,750

(*) Membership has indefinite useful lives and it has been tested for impairment annually by comparing its recoverable amount to its carrying amount.

(b) Details of changes in intangible assets for the year ended December 31, 2016, are summarized as follows:

(In millions of Korean won)

	Beginning balance	Acquisition	Disposal	Amortization, Impairment losses	Transfer	Other	Ending balance
Development costs	₩ 1,895,808	741,215	-	(628,348)	-	800	2,009,475
Industrial property rights	13,274	7,905	-	(2,838)	-	-	18,341
Software	83,569	75,656	-	(41,765)	3,872	1,073	122,405
Membership	63,318	2,359	(2,248)	(1,250)	(54)	-	62,125
Other	40,781	8,529	(301)	(1,267)	(2,392)	623	45,973
	₩ 2,096,750	835,664	(2,549)	(675,468)	1,426	2,496	2,258,319

(c) Details of changes in intangible assets for the year ended December 31, 2015, are summarized as follows:

(In millions of Korean won)

	Beginning balance	Acquisition	Disposal	Amortization, Impairment losses	Transfer	Other	Ending balance
Development costs	₩ 1,649,523	663,783	-	(418,230)	-	732	1,895,808
Industrial property rights	13,908	4,550	-	(2,227)	-	(2,957)	13,274
Software	86,090	28,524	(17)	(31,545)	418	99	83,569
Membership	64,915	2,687	(848)	(3,360)	(68)	(8)	63,318
Other	37,161	5,039	-	(1,189)	(350)	120	40,781
	₩ 1,851,597	704,583	(865)	(456,551)	-	(2,014)	2,096,750

(d) Details of research and development expenditures for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Development costs	₩ 741,215	663,783
Test expenses (manufacturing costs)	112,759	93,654
Test expenses (selling and administrative expenses)	792,435	766,101
	₩ 1,646,409	1,523,538

13. Other Assets

Other assets as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Other current assets:		
Financial asset at fair value through profit or loss	₩ 240,071	200,261
Accrued income	69,419	35,820
Prepaid expenses	60,007	70,485
Derivatives asset	446	2,122
Deposits provided	1,310	2,159
Others	9,483	8,539
	₩ 380,736	319,386
Other non-current assets:		
Long-term accounts and notes receivable - other	₩ 252,263	100,605
Long-term prepaid expenses	110	89
Long-term advanced payments	4,519	10,632
Finance lease receivables	-	6,134
Derivatives asset	18,363	-
	₩ 275,255	117,460

14. Non-current Assets Held for Sale

Non-current assets held for sale as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Investment in associates(*)	₩ -	161,274

(*) On February 5, 2016, the Group contracted a total return swap agreement to transfer 3,062,553 shares of Hyundai Steel Company, which were classified as non-current assets held for sale as of December 31, 2015. Consequently, the Group has disposed of all of them under the agreement.

15. Borrowings and bonds

(a) Short-term borrowings

Short-term borrowings as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	Lender	Annual interest rate (%)	Amount	
		December 31,2016	December 31,2016	December 31,2015
Usance	Woori Bank and others	0.19–1.56	₩ 117,537	103,646
Trade financing(*)	Korea Development Bank and others	0.001–2.45	2,758,739	1,408,778
			₩ 2,876,276	1,512,424

(*) The Group is continuously recognizing the carrying amount of the outstanding receivables, which it provided a credit guarantee of, among the receivables sold to financial institutes, and cash received for transfer is recognized as collateral.

(b) Long-term debt

Long-term debt in Korean won as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	Lender	Annual interest rate (%)	Amount	
		December 31,2016	December 31,2016	December 31,2015
Facility loans	Korea Development Bank	2.47	₩ 130,000	360,000
	Nong Hyup Bank	2.11	70,000	250,000
	Woori Bank	2.48	200,000	200,000
	Kookmin Bank	2.59	150,000	-
	Shinhan Bank	2.58	30,000	-
	Hana Bank	2.59	20,000	-
			600,000	810,000
Less : current portion of long-term debt			(200,000)	(410,000)
			₩ 400,000	400,000

(c) Long-term debt, Continued

Long-term debt in foreign currencies as of December 31, 2016 and 2015, are summarized as follows,

(In millions of Korean won)

	Lender	Annual interest rate (%)	Amount	
		December 31,2016	December 31,2016	December 31,2015
General loans	Citi Bank Korea and others	1.70–2.66	₩ 1,014,634	975,310
Facility loans and others	UniCredit Bank and others	0.24–2.12	1,462,978	988,266
Overseas investment loans	The Export-Import Bank of Korea	2.49	288,832	280,108
	Korea Development Bank	2.50	60,425	58,600
			2,826,869	2,302,284
Less: current portion of long-term debt			(955,235)	(97,395)
			₩ 1,871,634	2,204,889

As of December 31, 2016, the Group has pledged its land and buildings in the amount of ₩43,272 million as collateral for long-term debt in foreign currencies.

(d) Bonds

Bonds as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	Maturity date	Annual interest rate (%)	Amount	
		December 31,2016	December 31,2016	December 31,2015
Unsecured public bonds	2017.11.24–2022.11.5	2.23–4.18	₩ 930,000	930,000
Unsecured foreign bond	2016.2.25	-	-	175,800
Foreign public bond	2016.6.14	-	-	586,000
Foreign public bonds	2021.04.21–2026.04.21	2.63–3.25	845,950	-
Less: discounts on bonds			(10,627)	(3,477)
			1,765,323	1,688,323
Less: current portion of long-term bonds			(99,916)	(761,271)
			₩ 1,665,407	927,052

16. Other Liabilities

Other liabilities as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Other current liabilities:		
Unearned income	₩ 20,345	20,372
Dividends payable	23	23
Guarantee received	1,613	840
Finance lease liabilities	-	4,383
Derivatives liabilities	1,199	44
Others	24,372	22,751
	₩ 47,552	48,413
Other non-current liabilities:		
Leasehold deposits received	₩ 16,497	15,104
Long-term unearned income	317	346
Long-term accounts and notes payable - other	2,175	2,110
Liabilities for financial guarantee	386	398
Long-term accrued expenses	56,795	53,208
Derivatives liabilities	140	-
	₩ 76,310	71,166

17. Retirement Benefits Plan

(a) Details of net defined benefit obligations as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	₩ 2,063,176	1,901,868
Fair value of plan assets	(2,036,562)	(1,645,527)
Net defined benefit obligations	₩ 26,614	256,341

(b) The components of plan assets as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Time deposits and others	₩ 2,036,562	1,645,527

(c) The components of defined benefit costs recognized in profit or loss for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Current service costs	₩ 300,212	289,706
Interest costs, net	5,326	11,687
	₩ 305,538	301,393

(d) The principal actuarial assumptions (weighted-average rate) used related to benefits plan as of December 31, 2016 and 2015, are summarized as follows:

	December 31, 2016	December 31, 2015
Discount rate (%)	3.06	3.04
Expected rate of salary increase (%)	4.00	4.00

(e) Movements in the present value of the defined benefit obligations for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Opening defined benefit obligations	₩ 1,901,868	1,603,218
Current service costs	300,212	289,706
Interest costs	55,239	56,350
Remeasurements(*)	(135,283)	(6,212)
Transfer in (out), net	643	(171)
Benefits paid	(59,503)	(41,023)
Closing defined benefit obligations	₩ 2,063,176	1,901,868

(*) Details of remeasurements as of December 31, 2016, and December 31, 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Actuarial gains(losses) arising from changes in demographic assumptions	₩ (649)	2,517
Actuarial losses arising from changes in financial assumptions	(3,778)	(109,163)
Others	(130,856)	100,434
	₩ (135,283)	(6,212)

(f) Movements in the fair value of plan assets for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Opening fair value of plan assets	₩ 1,645,527	1,271,212
Return on plan assets	49,913	44,663
Remeasurements	(5,885)	(8,042)
Contributions	390,000	360,000
Transfer in, net	634	411
Benefits paid	(43,627)	(22,717)
Closing fair value of plan assets	₩ 2,036,562	1,645,527

(g) Sensitivity analysis of defined benefit obligations from changes of assumptions for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016		December 31, 2015	
	1% Up	1% Down	1% Up	1% Down
Discount rate	₩ (235,447)	279,544	(228,321)	272,550
Rate of salary increase	278,251	(238,766)	271,240	(231,499)

18. Provisions

The Group generally provides warranty to the ultimate consumer for each product sold and accrues warranty expense at the time of sale based on the history of actual claims. Also, the Group records a provision for expenses that may occur due to replacement of parts or voluntary recalls pending as of the end of the reporting period. Other provision is comprised of provision related to loss on lawsuits.

Changes in provisions for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016			2015		
	Warranty	Others	Total	Warranty	Others	Total
Balance at January 1	₩ 2,366,662	23,500	2,390,162	2,037,303	16,067	2,053,370
Changed	1,811,971	6,973	1,818,944	1,365,271	18	1,365,289
Utilized	(1,143,317)	(606)	(1,143,923)	(1,025,118)	(2,958)	(1,028,076)
Other increase (decrease)	20,442	8,007	28,449	(10,794)	10,373	(421)
Balance at December 31	₩ 3,055,758	37,874	3,093,632	2,366,662	23,500	2,390,162
Current	791,695	35,779	827,474	677,559	20,933	698,492
Non-current	₩ 2,264,063	2,095	2,266,158	1,689,103	2,567	1,691,670

19. Commitments and Contingencies

(a) The Group provides guarantees for certain customers' financing relating to long-term installment sales. The outstanding amount for which the Group has provided guarantees to the respective financial institutions is ₩158 million as of December 31, 2016. These guarantees are covered by insurance contracts in which the Group is the beneficiary of the claim amount if the customer defaults.

(b) As of December 31, 2016, one certificate of deposit of ₩1,486 million has been provided as collateral to Korea Defense Industry Association (KDIA) for a performance guarantee on a contract. The Group has provided 1,500 units (carrying amount: ₩643 million) of KDIA, which are included in long-term available-for-sale financial assets for a performance guarantee on a contract.

(c) The Group provides guarantees for employees relating to borrowings to acquire shares of the Company. The outstanding amount for which the Group has provided collective guarantees to the Korea Securities Finance Corporation is ₩286,623 million as of December 31, 2016. Management is of the opinion that aforementioned guarantees will not have a material adverse effect on the Group's credit risk since the Group has pledged its acquired shares as collateral for the borrowings.

(d) The Group is involved in claims, litigations for alleged damages and product liabilities, which arose in the ordinary course of business, as of December 31, 2016. Management is of the opinion that foregoing lawsuits and claims will not have a material adverse effect on the Group's financial position and results of operations since the likelihood of unfavorable outcome is not probable nor can the amounts be reliably estimated. In addition, as of December 31, 2016, the litigation for ordinary wage is underway and management cannot reliably estimate the potential impacts on the Group's financial position, financial performance and cash flows.

(e) In connection with long-term debt, amounting to USD 40,000 thousand, guaranteed by Hyundai Motor America, Inc. and Mobis America, Inc., KMMG should pay guarantor fees calculated at a rate of 0.15% per annum on the outstanding debt balance of it, which should be paid biannually.

(f) As of December 31, 2016, KMMG entered into an agreement with the West Point Development Authority and Troup Country Development Authority to issue up to USD 2,700,000 thousand of taxable revenue bonds to fund the purchase of building, machinery and equipment.

(g) As of December 31, 2016, in regard to factory expansion, KMS entered into an agreement with suppliers to acquire property, plant and equipment of EUR 12,545 thousand during the period.

(h) As of December 31, 2016, KMM entered into an agreement with The Government of the State of Nuevo Leon at least USD 1,054 million for tax incentives.

(i) As of December 31, 2016, the Group has overdrafts, general loans, trade-financing agreements, and loans collateralized by account receivables with numerous financial institutions including KEB Hana bank with a combined limit of up to USD 8,143 million of foreign currency and ₩1,807,643 million of Korean Won.

20. Derivative financial instruments and hedge

Details of derivative financial instruments to hedge as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	Type	Fair Value		Purpose
		December 31, 2016	December 31,2015	
Shares	Total Return Swap	₩ 17,026	-	
Exchange Rate	Currency Option	(1,101)	2,078	Cash Flow Hedge
Exchange Rate	Currency Rate Swap	1,078	-	Fair Value Hedge
Interest Rate	Interest Rate Swap	466	-	Cash Flow Hedge

21. Equity

(a) The number of shares to issue, the number of shares issued and the par value of a share of the Company are 820,000,000 shares, 405,363,347 shares and ₩5,000, respectively, as of December 31, 2016.
The Company retired 22,500,000 shares of treasury stock on July 2, 2003, and on May 28, 2004. Due to these stock retirements, the aggregate par value of issued shares differs from the common stock amount.

(b) Accumulated other comprehensive income (loss) as of December 31, 2016 and 2015, is summarized as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Changes in fair value of available-for-sale financial assets	₩ 21,756	130,324
Effective portion of changes in fair value of cash flow hedges	373	430
Change in capital adjustments - gain of equity method accounted investment	106,142	117,058
Change in capital adjustments - loss of equity method accounted investment	(257,728)	(326,155)
Exchange differences on translating foreign operations	(395,771)	(395,339)
	₩ (525,228)	(473,682)

(c) Other equity as of December 31, 2016 and 2015, is summarized as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Gain on retirement of capital stock	₩ 119,859	119,859
Other capital surplus	35,256	55,613
Treasury stock	(216,189)	(235,138)
	₩ (61,074)	(59,666)

(d) Other capital items expected to be held for sale as of December 31, 2016, and 2015, is summarized as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Other capital items expected to be held for sale	₩ -	(1,668)

22. Retained Earnings

(a) Retained earnings as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Legal reserve	₩ 244,511	193,000
Discretionary reserve	16,264,195	14,253,185
Unappropriated retained earnings	6,957,053	6,592,895
	₩ 23,465,759	21,039,080

(b) Changes in retained earnings for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Balance at January 1	₩ 21,039,080	18,815,654
Profit attributable to owners of the Group	2,754,640	2,630,600
Dividends	(441,025)	(404,058)
Remeasurements of defined benefit obligations	98,972	(60)
Remeasurements of defined benefit obligations of associates, net	14,092	(3,056)
Balance at December 31	₩ 23,465,759	21,039,080

23. Earnings per Share

(a) Details of basic earnings per share calculation for the years ended December 31, 2016 and 2015, are summarized as follows:

(In Korean won, except number of shares)

	2016	2015
Profit attributable to owners of the Company	₩ 2,754,639,712,710	2,630,599,823,248
Weighted-average number of common shares outstanding	400,806,137	401,048,742
Basic earnings per share	₩ 6,873	6,559

(b) The Group did not compute diluted earnings per common stock for the years ended December 31, 2016 and 2015, since there are no dilutive items during the years.

24. Dividends

(a) Details of dividends for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won, except shares and par value)

	2016	2015
Number of shares issued	405,363,347	405,363,347
Number of treasury shares	(4,432,084)	(4,431,749)
Number of dividend shares	400,931,263	400,931,598
Par value per share	₩ 5,000	5,000
Dividend rate	22%	22%
Dividend amount	₩ 441,024	441,025

(b) Dividend yield ratio for the years ended December 31, 2016 and 2015, are summarized as follows:

(In Korean won, except for ratio)

	2016	2015
Dividend per share	₩ 1,100	1,100
Market price as of year-end	39,250	52,600
Dividend yield ratio	2.80%	2.09%

25. Selling, General and Administrative Expense

(a) Details of selling expenses for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Advertising	₩ 1,333,420	1,232,467
Sales promotion	940,983	886,071
Warranty expenses	1,658,632	1,365,271
Freight	275,843	277,110
Overseas marketing and export expenses	918,571	950,789
	₩ 5,127,449	4,711,708

(b) Details of general and administrative expenses for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Salaries	₩ 743,305	734,360
Bonus	259,096	289,394
Retirement and severance benefits cost	85,947	84,886
Accrual for other long-term employee benefits	7,180	8,198
Other employee benefits	176,943	168,749
Travel	47,082	53,849
Communications	15,072	16,472
Utilities	19,343	17,888
Taxes and dues	27,836	21,124
Rent	65,651	59,147
Depreciation	90,801	86,983
Amortization	31,669	25,028
Bad debt expenses	(110)	(646)
Repairs and maintenance	29,949	23,363
Insurance premium	13,399	11,879
Entertainment expense	7,669	6,131
Maintenance fee for vehicles	29,518	28,978
Supplies and stationery	12,707	10,739
Information fees	2,938	2,661
Education and training	26,880	33,473
Commissions and fees	344,600	338,462
Test expenses	792,435	766,101
Others	12,477	14,478
	₩ 2,842,387	2,801,697

26. Finance Income and Finance expenses

(a) Details of finance income for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Interest income	₩ 151,314	173,965
Gain on foreign exchange transactions	60,417	26,782
Gain on foreign currency translation	11,125	5,365
Dividends income	5,034	5,775
Gain on disposals of available-for-sale financial assets and others	-	145,864
Gain on valuation of derivatives	21,977	1,555
Gain on valuation of financial assets at fair value through profit or loss	71	261
	₩ 249,938	359,567

(b) Details of finance expenses for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Interest expense	₩ 139,211	89,060
Loss on foreign exchange transactions	48,012	61,223
Loss on foreign currency translation	104,889	125,598
Loss on valuation of derivatives	1,241	44
	₩ 293,353	275,925

27. Other Income and Expense

(a) Other income for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Rent	₩ 9,472	9,294
Gain on foreign exchange transactions	505,472	470,023
Gain on foreign currency translation	152,422	65,619
Gain on disposal of property, plant and equipment	10,275	6,263
Gain on disposal of intangible assets	53	4
Reversal of allowance for doubtful accounts	968	1,285
Miscellaneous profit	138,452	104,635
	₩ 817,114	657,123

(b) Other expense for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Loss on foreign exchange transactions	₩ 464,619	436,480
Loss on foreign currency translation	158,931	96,128
Loss on disposal of accounts and notes receivable – trade	501	518
Donation	28,751	28,399
Loss on sale of property, plant and equipment	71,755	31,220
Loss on sale of intangible assets	34	16
Loss on sale of non-current assets held for sale	8,590	-
Impairment loss on assets	118,198	179,087
Miscellaneous losses	101,665	117,797
	₩ 953,044	889,645

28. Income Tax Expense

(a) The components of income tax expense for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Income tax payable	₩ 726,917	709,076
Changes in deferred taxes due to temporary differences	(49,103)	(343,315)
Changes in deferred taxes due to an item directly charged to equity	9,580	103,905
Total income tax expense	₩ 687,394	469,666

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

(In millions of Korean won)

	2016	2015
Current tax:		
Gain on disposals of treasury stock	₩ 6,499	-
Remeasurements of defined benefit obligations	(31,598)	19
	(25,099)	19
Deferred income tax:		
Gain on valuation of available-for-sale financial assets	34,661	104,023
Effective portion of changes in fair value of cash flow hedges	18	(137)
	34,679	103,886
Changes in deferred taxes due to an item directly charged to equity	₩ 9,580	103,905

Income tax related to gains/losses on valuation of available-for-sale financial assets and derivative instruments were recognized in accumulated other comprehensive loss.

(c) Reconciliation from profit before income taxes to income tax expense for the years ended December 31, 2016 and 2015, is as follows:

(In millions of Korean won)

	2016	2015
Profit before income tax	₩ 3,442,034	3,100,266
Income tax calculated at statutory tax rates(*)	1,065,826	866,776
Adjustments :		
Non-taxable income	(121,148)	(61,823)
Non-deductible expense	79,613	77,546
Tax credits	(202,484)	(264,172)
Effect of gains/losses on investments in subsidiaries, joint ventures and associates	(123,661)	(161,086)
Others	(10,752)	12,425
Income tax expense	₩ 687,394	469,666
Effective tax rate	19.97%	15.15%

(*) Calculated by multiplying each nation's statutory tax rate and profit before income tax on each separate financial statements.

(d) The Group will set off a deferred tax asset against a deferred tax liability of the same taxable entity if, and only if, they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

(e) Details of changes in deferred tax assets and liabilities for the year ended December 31, 2016, are as follows:

(In millions of Korean won)

	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Allowance for doubtful accounts	₩ 9,076	(76)	-	9,000
Bad debts write-off	57,839	-	-	57,839
Accrued expenses	332,430	74,503	-	406,933
Provision of warranty	590,143	117,257	-	707,400
Provision of other long-term employee benefits	62,149	1,484	-	63,633
Annual leaves	29,654	(1,009)	-	28,645
Revaluated land	(355,390)	129	-	(355,261)
Depreciation	(458,926)	(43,857)	-	(502,783)
Investments in subsidiaries, joint venture and associates	(1,390,306)	(376,180)	-	(1,766,486)
Gains/Losses on sales of investment assets and others	(77,261)	33,572	-	(43,689)
Gains/Losses on valuation of available-for-sale financial assets	(41,607)	-	34,661	(6,946)
Gain/Loss on valuation of derivatives	(503)	(3,749)	18	(4,234)
Accumulated deficit carryforward	93,593	38,222	-	131,815
Others	118,771	174,128	-	292,899
	₩ (1,030,338)	14,424	34,679	(981,235)

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

(In millions of Korean won)

	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Allowance for doubtful accounts	₩ 13,760	(4,684)	-	9,076
Bad debts write-off	57,839	-	-	57,839
Accrued expenses	250,327	82,103	-	332,430
Provision of warranty	471,170	118,973	-	590,143
Provision of other long-term employee benefits	59,347	2,802	-	62,149
Annual leaves	27,815	1,839	-	29,654
Revaluated land	(358,538)	3,148	-	(355,390)
Depreciation	(301,483)	(157,443)	-	(458,926)
Investment in subsidiaries, joint ventures and associates	(1,551,392)	161,086	-	(1,390,306)
Gain/Loss on sales of investment assets and others	(57,292)	(19,969)	-	(77,261)
Gain/Loss on valuation of available-for-sale financial assets	(145,630)	-	104,023	(41,607)
Gain/Loss on valuation of derivatives	172	(538)	(137)	(503)
Accumulated deficit carryforward	18,650	74,943	-	93,593
Others	141,602	(22,831)	-	118,771
	₩ (1,373,653)	239,429	103,886	(1,030,338)

(g) As of December 31, 2016, the amounts of total temporary differences related to investments in subsidiaries, joint ventures and associates, which deferred tax assets and liabilities were not recognized, are ₩826,873 million and ₩2,525,979 million, respectively.

29. Classification of Expenses by Nature

Details of expenses by nature for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Change in inventories	₩ (1,166,888)	(1,563,832)
Raw material and merchandise consumed	37,250,135	34,985,227
Employee benefits	4,768,875	4,809,575
Depreciation	1,129,307	969,287
Amortization	557,269	453,210
Others	7,712,728	7,513,707
	₩ 50,251,426	47,167,174

30. Cash Flows

(a) Details of cash generated from operations for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Profit for the year	₩ **2,754,640**	**2,630,600**
Adjustments :		
Retirement and severance benefits	305,538	301,393
Depreciation	1,129,307	969,287
Amortization	557,269	453,210
Warranty expenses	1,530,446	1,365,271
Income tax expense	687,394	469,666
Share of profit of joint ventures and associates, net	(1,159,899)	(894,873)
Interest expenses (income), net	(12,103)	(84,905)
Dividends income	(5,034)	(5,775)
Loss on foreign currency translations, net	100,273	150,742
Loss on disposal of property, plant and equipment, net	61,480	24,957
Others	128,267	23,536
	3,322,938	2,772,509
Changes in operating assets and liabilities:		
Decrease in accounts and notes receivable - trade	₩ 89,125	(4,931)
Decrease (increase) in accounts and notes receivable - other	97,442	(187,633)
Decrease (increase) in inventories	(1,273,494)	(1,579,777)
Decrease in accounts and notes payable - trade	218,362	10,269
Increase in advances received	86,282	469,439
Increase (decrease) in accounts and notes payable - other	(163,622)	657,304
Increase in accrued expenses	297,866	135,038
Payment of retirement benefits	(59,503)	(41,023)
Changes in net defined benefit obligations	(346,364)	(337,865)
Changes in warranty provision	(1,143,317)	(1,025,118)
Other	(35,116)	68,241
	(2,232,339)	(1,836,056)
Cash generated from operations	₩ **3,845,239**	**3,567,053**

(b) Significant non-cash investing and financing activities for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Change in accounts and notes payable - other in connection to acquisition of property, plant and equipment	₩ 1,425	6,377
Change in accounts and notes payable - other in connection to acquisition of intangible assets	7,549	26,213
Change in accounts and notes receivable - other in connection to disposal of investment property	(19,480)	-
Transfer from investments in available-for-sale financial assets to associates	-	205,656
Transfer from investment in associates to non-current asset held for sale	-	337,020

31. Finance Risk Management

The Group's activities are exposed to a variety of financial risks: credit risk, liquidity risk and market risk (composed of foreign exchange risk and interest rate risk). The treasury department monitors and manages the financial risk arising from the Group's underlying operations in accordance with the risk management policies and procedures authorized by the board of directors.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has transacted with customers after evaluating on their credit rating graded by the independent credit rating agencies and has their collaterals to control customers on default. If those grades are not available, customers' credit is evaluated upon their other transaction information. The Group regularly monitors customers' credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages liquidity risk by reviewing and forecasting regular cash flows. The Group has a certain level of current account to prepare unexpected payment of short-term financial liabilities and others.

(c) Market risk

Market risk is the risk of fluctuations in fair value of financial instrument and future cash flow by changes of market price. The purpose for managing market price is to optimize profits, while managing and controlling on exposure to market risk within acceptable limits.

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from high proportion of export in sales amount, which is denominated in foreign currencies. The Group's primary exposure is to the US dollar and Euro, and the Group manages to minimize financial risk on fluctuations in foreign exchange in order to stabilize operating activities. The Group consistently evaluates on various foreign exchange risks according to its own guideline for foreign exchange and transaction policy. If necessary, the Group may enter into foreign currency forward contracts to hedge its foreign currency risk and strictly limit on speculative transaction.

(ii) Interest rate risk

The Group's assets and liabilities are exposed to interest rate risk on deposits and loans. In order to minimize actual interest cost, the Group continuously monitors current status of market interest rate, makes a prediction on market data and reviews on method for borrowing and joining financial instruments on deposit. Additionally, the Group's management monitors the level of interest rates and maintains the balance of borrowings at variable rates and fixed rates.

(d) Management of capital risk

The fundamental goal of capital management is to maintain on financial structure. As for this to be maintained, the Group uses debt ratio as indicator of capital management. The debt ratio is calculated as total liability divided by total equity.

32. Risk Management of Financial Instruments

(a) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets means maximum exposure in respect of credit and counterparty risk. The maximum exposure as of December 31, 2016 and 2015, are as follows:

(In millions of Korean won)

	December 31, 2016	December 31, 2015
Cash and cash equivalents (*)	₩ 3,063,898	1,104,622
Short-term financial instruments	3,482,272	2,875,137
Short-term available-for-sale financial assets	1,806,374	2,872,648
Accounts and notes receivable – trade	2,402,540	2,388,911
Accounts and notes receivable – other	762,172	696,593
Other current assets	320,729	248,901
Long-term financial instruments	115,576	93,352
Long-term available-for-sale financial assets	151,797	225,049
Long-term accounts and notes receivable - trade	3,803	3,145
Guarantee deposits	175,467	171,553
Other non-current assets	270,626	106,739
	₩ 12,555,254	10,786,650

(*) Cash on hand is excluded.

(ii) Loss on impairment

The carrying amount of trade account and notes receivable and other receivable based on by maturity as of December 31, 2016 and 2015 are as follows:

(In millions of Korean won)

	December 31, 2016		December 31, 2015	
	Accounts and notes receivable- trade	Other receivable (*)	Accounts and notes receivable- trade	Other receivable (*)
Not overdue	₩ 2,253,355	1,003,816	1,877,388	902,235
Past due less than 3 month	126,862	212,372	439,863	27,240
Past due 4–6 month	25,245	40,459	47,742	62,800
Past due 7–12 month	930	3,393	26,305	16,566
Past due for more than 12 months	95,175	4,924	97,714	5,988
	₩ 2,501,567	1,264,964	2,489,012	1,014,829

(*) Other receivables are composed of other accounts and notes receivables, long-term other accounts and notes receivables, accrued income guarantee deposits.

Changes in allowance for doubtful trade accounts and notes receivable and other receivables for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016		2015	
	Accounts and notes receivable- trade	Other receivable	Accounts and notes receivable- trade	Other receivable
Balance at January 1	₩ 96,956	8,099	98,663	14,737
Collection of written-off amount	85	-	128	-
Write-off	(1,713)	(2,652)	(245)	(5,114)
Allowance for doubtful accounts	(110)	(887)	(646)	(274)
Others	6	(227)	(944)	(1,250)
Balance at December 31	₩ 95,224	4,333	96,956	8,099

(b) Liquidity risk

(i) Aggregate maturities of the Group's financial liabilities, including estimated interest, as of December 31, 2016, are summarized as follows:

(In millions of Korean won)

	Within 1 year	1~ 5 years	More than 5 years	Total
Non-interest bearing liabilities :				
Accounts and notes payable – trade	₩ 6,128,049	-	-	6,128,049
Accounts and notes payable - other	2,139,939	-	-	2,139,939
Accrued expenses	1,675,913	-	-	1,675,913
Other current liabilities	2,835	-	-	2,835
Other non-current liabilities	-	75,607	-	75,607
Interest-bearing liabilities :				
Bonds	145,781	1,034,305	760,258	1,940,344
Borrowings	4,112,961	2,153,639	204,229	6,470,829
Financial guarantee	286,781	-	-	286,781
	₩ 14,492,259	3,263,551	964,487	18,720,297

(ii) Aggregate maturities of the Group's financial liabilities, including estimated interest, as of December 31, 2015, are summarized as follows:

(In millions of Korean won)

	Within 1 year	1~ 5 years	More than 5 years	Total
Non-interest bearing liabilities :				
Accounts and notes payable – trade	₩ 5,885,651	-	-	5,885,651
Accounts and notes payable – other	1,723,046	-	-	1,723,046
Accrued expenses	1,366,904	-	-	1,366,904
Other current liabilities	907	-	-	907
Other non-current liabilities	-	70,422	-	70,422
Interest-bearing liabilities :				
Bonds	796,084	629,045	394,893	1,820,022
Accrued expenses	2,083,890	2,265,436	431,695	4,781,021
Borrowings	4,470	-	-	4,470
Financial guarantee	294,827	169	-	294,996
	₩ 12,155,779	2,965,072	826,588	15,947,439

(c) Foreign exchange risk

The Group's capital and income (loss) would have been increased or decreased if the foreign exchange rates against USD and EUR were fluctuant. The Group assumes that interest rate fluctuates 10% as of December 31, 2016, and December 31, 2015. Also, the Group assumes that other variables, such as interest rate, are not changed by sensitive analysis. The Group analyzed by the same method that was used for the last period and details for the effect on income before taxes are summarized as follows:

(In millions of Korean won)

	December 31, 2016		December 31, 2015	
	10% Up	10% Down	10% Up	10% Down
USD	₩ (350,749)	350,749	(236,585)	236,585
EUR	(39,600)	39,600	(17,671)	17,671

(d) Interest rate risk

Sensitivity analysis of interest expense and interest income from changes of interests rate for the years ended December 31, 2016 and 2015, are as summarized as follows:

(In millions of Korean won)

	2016		2015	
	100 bps Up	100 bps Down	100 bps Up	100 bps Down
Interest income	₩ 33,040	(33,040)	13,049	(13,049)
Interest expense	32,249	(32,249)	23,206	(23,206)

(e) Fair value

(i) Fair value and carrying amount

Details of fair value and carrying amount of financial assets and liabilities by category as of December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	December 31, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss :				
Financial assets at fair value through profit or loss	₩ 240,071	240,071	200,261	200,261
Loans and receivables :				
Cash and cash equivalents	₩ 3,064,191	3,064,191	1,104,928	1,104,928
Short-term financial instruments	3,482,272	3,482,272	2,875,137	2,875,137
Accounts and notes receivable – trade	2,402,540	2,402,540	2,388,911	2,388,911
Accounts and note receivable – other	762,172	762,172	696,593	696,593
Long-term accounts and notes receivable - trade	3,803	3,803	3,145	3,145
Others	623,518	623,518	418,162	418,162
	₩ 10,338,496	10,338,496	7,486,876	7,486,876
Available-for-sale financial assets :				
Short-term available-for-sale financial assets	₩ 1,806,374	1,806,374	2,872,653	2,872,653
Long-term available-for-sale financial assets	509,466	509,466	724,356	724,356
	₩ 2,315,840	2,315,840	3,597,009	3,597,009
Financial derivatives assets :				
Currency swap (risk hedge)	₩ 1,218	1,218	-	-
Currency option (risk hedge)	-	-	2,122	2,122
Interest swap	565	565	-	-
Total return swap	17,026	17,026	-	-
	₩ 18,809	18,809	2,122	2,122
Liabilities recognized by amortized cost :				
Accounts and notes payable - trade	₩ 6,128,049	6,128,049	5,885,651	5,885,651
Accounts and notes payable - other	2,139,939	2,139,939	1,723,046	1,723,046
Bonds	1,765,323	1,745,408	1,688,323	1,714,458
Borrowings	6,303,146	6,285,643	4,624,708	4,594,641
Financial lease liabilities	-	-	4,383	4,383
Others	1,753,466	1,753,466	1,438,190	1,438,190
	₩ 18,089,923	18,052,505	15,364,301	15,360,369
Financial derivatives liabilities :				
Currency swap (risk hedge)	₩ 140	140	44	44
Currency option (risk hedge)	1,101	1,101	-	-
Interest swap	99	99	-	-
	₩ 1,340	1,340	44	44

The Group measured the fair value of financial instruments as follows:

- The fair value of available-for-sale financial assets traded within the market is measured at the closing bid price quoted at the end of the reporting period.
- The fair value of the derivatives is the present value of the difference between contractual forward price and future forward price discounted during the remaining period of the contract, from present to contractual maturity.

Except for the financial assets and liabilities above, the fair value of current receivables is close to their carrying amounts. In addition, the fair value of other financial instruments is determined as the present value of estimated future cash flows discounted at the current market interest rate. As of December 31, 2016, there are no significant business climate and economic environment changes affecting the fair value of financial assets and liabilities.

(ii) Fair value hierarchy

Fair value measurement classified by fair value hierarchy as of December 31, 2016, are summarized as follows:

(In millions of Korean won)

	Level 1	Level 2	Level 3	Total
Financial asset at fair value through profit or loss :				
Financial asset at fair value through profit or loss	₩ -	240,071	-	240,071
Available-for-sale financial assets :				
Marketable securities	₩ 280,452	-	-	280,452
Financial derivatives assets:				
Currency swap (risk hedge)	₩ -	1,218	-	1,218
Interest swap	-	565	-	565
Total return swap	-	17,026	-	17,026
	₩ -	18,809	-	18,809
Financial derivatives liabilities :				
Currency swap (risk hedge)	₩ -	140	-	140
Currency option (risk hedge)	-	1,101	-	1,101
Interest swap	-	99	-	99
	₩ -	1,340	-	1,340

There were no significant transfers between levels 1, 2 and 3.

When measuring the fair value of an asset or a liability, the Group uses market-observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included in 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: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The valuation techniques and the unobservable inputs used in measuring Level 2 fair values as of December 31, 2016, are summarized as follows:

(In millions of Korean won)

	Fair value	Valuation methods	Inputs
Financial assets at fair value through profit or loss	₩ 240,071	DCF model	Discount rate(*)
Hedging derivative financial assets	18,809		
Hedging derivative financial liabilities	1,340		

(*)The expected net cash flows are discounted using a risk-adjusted discount rate based on government bonds

(iii) Financial instruments not measured at fair value and for which fair value is disclosed

Financial instruments recognized by amortized cost, but presented as fair value classified by fair value hierarchy as of December 31, 2016, are summarized as follows:

(In millions of Korean won)

	Level 1	Level 2	Level 3	Total
Financial asset at fair value through profit or loss	₩ -	-	8,031,051	8,031,051

The Group has not disclosed the fair values for financial instruments because their carrying amounts are a reasonable approximation of fair values.

The valuation techniques and the significant unobservable inputs used in measuring Level 3 fair values as of December 31, 2016, are summarized as follows:

(In millions of Korean won)

	Fair value	Valuation methods	Significant unobservable input
Bonds and borrowings	₩ 8,031,051	DCF model	Discount rate considering credit risk

(f) Income and expense by financial instruments category for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016			2015		
	Finance income	Finance expenses	Other comprehensive income(loss)	Finance income	Finance expenses	Other comprehensive income(loss)
Loans and receivables	₩ 208,064	38,192	-	195,504	85,364	-
Financial asset at fair value through profit or loss	71	-	-	261	-	-
Available-for-sale financial assets	8,701	-	(108,568)	156,882	-	(325,824)
Liabilities recognized by amortized cost	11,125	253,920	-	5,365	190,517	-
Derivative financial instruments	21,977	1,241	(57)	1,555	44	430
	₩ 249,938	293,353	(108,625)	359,567	275,925	(325,394)

(g) Offsetting financial assets and financial liabilities

(i) Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2016, are summarized as follows:

(In millions of Korean won)

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off	Net amounts of financial assets	Related amounts not set off	Net amount
Financial assets :					
Accounts and notes receivables - trade, and other	₩ 527,346	(435,696)	91,650	(2,956)	88,694
Financial liabilities :					
Short-term borrowings	2,758,739	-	2,758,739	(2,758,739)	-
Accounts and notes payables - trade, and other	2,796,827	(435,696)	2,361,131	(2,956)	2,358,175
	₩ 5,555,566	(435,696)	5,119,870	(2,761,695)	2,358,175

(ii) Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2015, are as follows:

(In millions of Korean won)

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off	Net amounts of financial assets	Related amounts not set off	Net amount
Financial assets :					
Accounts and notes receivables - trade, and other	₩ 534,903	(412,798)	122,105	(6,568)	115,537
Financial liabilities :					
Short-term borrowings	1,408,778	-	1,408,778	(1,408,778)	-
Accounts and notes payables - trade, and other	2,570,505	(412,798)	2,157,707	(6,568)	2,151,139
	₩ 3,979,283	(412,798)	3,566,485	(1,415,346)	2,151,139

33. Transactions and Balances with Related Companies

(a) Significant transactions

(i) Significant transactions arising from operation between the Group and related parties or affiliates by the Monopoly Regulation and Fair Trade Act of the Republic of Korea (the "Act") for the year ended December 31, 2016, are summarized as follows:

(In millions of Korean won)

Relation	Company	Revenues			Expenses		
		Sales	Other	Total	Purchases	Other	Total
Entity with significant influence over the Company and its subsidiaries	Hyundai Motors Company	₩ 117,003	34,636	151,639	445,364	665,238	1,110,602
	Hyundai Motor America	1,968,670	-	1,968,670	-	44,148	44,148
	Hyundai Motor Manufacturing Czech, s.r.o.	764,849	5,779	770,628	104,449	936	105,385
	Hyundai Motor Manufacturing Alabama, LLC	10,805	4,472	15,277	733,009	1,491	734,500
	Hyundai Auto Canada Corp.	692,262	-	692,262	-	18,424	18,424
	Hyundai Kefico Corporation	24	15	39	253,885	228	254,113
	Others	68,299	447	68,746	121,273	135,965	257,238
Joint venture and associates	Hyundai Mobis Co., Ltd.	62,267	2,845	65,112	4,470,313	1,827	4,472,140
	Hyundai Powertech Co., Ltd.	4,057	1,858	5,915	323,620	1,165	324,785
	Hyundai Dymos Inc.	9,664	289	9,953	517,761	123	517,884
	Hyundai Engineering Co., Ltd.	17	177	194	-	183,279	183,279
	Hyundai Steel Company	11,409	134	11,543	108,777	-	108,777
	Hyundai Capital Services Inc.	263,078	116	263,194	595	51,423	52,018
	EUKOR Car Carriers Inc.	-	465	465	-	267,147	267,147
	Donghee Auto Co., Ltd.	55	-	55	150,136	71	150,207
	Hyundai Motor Group China., Ltd.	69,380	-	69,380	-	9,298	9,298
	Dongfeng Yueda Kia Motors Co., Ltd.	415,021	25,295	440,316	-	29	29
	Hyundai Motor Manufacturing Rus LLC	7,900	13,446	21,346	897,057	27	897,084
	Mobis Alabama, LLC	3,038	17,941	20,979	2,203,605	8,474	2,212,079
	Mobis Parts America, LLC	44,988	-	44,988	527,193	-	527,193
	Mobis Slovakia s.r.o.	52,711	15,187	67,898	1,703,050	2,964	1,706,014
	Powertech America, Inc.	-	3,049	3,049	482,010	-	482,010
	Sewon America, Inc.	-	12	12	320,292	2,266	322,558
	Others	10,725	11,038	21,763	2,415,235	364,079	2,779,314
Other related parties		-	1,292	1,292	292	-	292
Affiliates by the Act		129,531	27,529	157,060	5,635,908	908,693	6,544,601

For the year ended December 31, 2016, the Group received dividends of ₩195,350 million from related parties and paid dividends of ₩158,946 million to related parties.

(ii) Significant transactions arising from operation between the Group and related parties or affiliates by the Act for the year ended December 31, 2015, are summarized as follows:

(In millions of Korean won)

Relation	Company	Revenues			Expenses		
		Sales	Other	Total	Purchases	Other	Total
Entity with significant influence over the Company and its subsidiaries	Hyundai Motors Company	₩ 127,276	30,121	157,397	516,318	643,142	1,159,460
	Hyundai Motor America	2,001,894	363	2,002,257	-	46,213	46,213
	Hyundai Motor Manufacturing Czech, s.r.o.	722,877	6,270	729,147	117,949	1,243	119,192
	Hyundai Motor Manufacturing Alabama, LLC	-	6,380	6,380	659,493	1,974	661,467
	Hyundai Auto Canada Corp.	681,998	-	681,998	-	22,096	22,096
	Hyundai Kefico Corporation	26	10	36	232,132	28	232,160
	Others	35,319	975	36,294	18,290	189,400	207,690
	Hyundai Mobis Co., Ltd.	58,047	2,787	60,834	4,402,722	2,199	4,404,921
	Hyundai Powertech Co., Ltd.	11,999	148	12,147	451,269	1,280	452,549
	Hyundai Dymos Inc.	2,615	336	2,951	432,818	363	433,181
	Hyundai Engineering Co., Ltd.	-	164	164	-	147,667	147,667
	Hyundai Steel Company	-	108	108	118,352	-	118,352
	EUKOR Car Carriers Inc.	-	577	577	-	408,013	408,013
	Donghee Auto Co., Ltd.	75	-	75	185,466	68	185,534
Joint venture and associates	Hyundai Motor Group China., Ltd.	599,360	-	599,360	2	11,223	11,225
	Dongfeng Yueda Kia Motors Co., Ltd.	377,568	14,411	391,979	962	198	1,160
	Hyundai Motor Manufacturing Rus LLC	8,082	16,782	24,864	791,751	-	791,751
	Mobis Alabama, LLC	47	17,361	17,408	2,076,224	17,812	2,094,036
	Mobis Parts America, LLC	521	-	521	462,079	-	462,079
	Mobis Slovakia s.r.o.	34,633	6,799	41,432	1,374,012	20,352	1,394,364
	Powertech America, Inc.	18	2,767	2,785	471,578	-	471,578
	Sewon America, Inc.	-	3	3	299,437	11,509	310,946
	Others	360,715	2,956	363,671	915,262	582,851	1,498,113
Affiliates by the Act		162,557	34,516	197,073	5,857,513	869,973	6,727,486

For the year ended December 31, 2015, the Group received dividends of ₩296,729 million from related parties and paid dividends of ₩144,535 million to related parties.

(b) Account balances

(i) Significant account balances with related parties or affiliates by the Act as of December 31, 2016, are summarized as follows:

(In millions of Korean won)

Relation	Company	Receivables			Payables		
		Trade	Other	Total	Trade	Other	Total
Entity with significant influence over the Company and its subsidiaries	Hyundai Motors Company	₩ 41,401	38,778	80,179	139,078	315,045	454,123
	Hyundai Motor America	91,763	-	91,763	-	6,228	6,228
	Hyundai Motor Manufacturing Czech, s.r.o.	33,109	407	33,516	-	-	-
	Hyundai Motor Manufacturing Alabama, LLC	1,625	-	1,625	47,155	618	47,773
	Hyundai Auto Canada Corp.	58,639	-	58,639	-	2,545	2,545
	Hyundai Kefico Corporation	-	10	10	47,785	879	48,664
	Others	13,041	21,823	34,864	4,366	19,638	24,004
	Hyundai Mobis Co., Ltd.	4,928	307	5,235	1,066,725	1,354	1,068,079
	Hyundai Powertech Co., Ltd.	9,479	1,537	11,016	42,356	232	42,588
	Hyundai Dymos Inc.	-	5,630	5,630	101,855	2,567	104,422
	Hyundai Engineering Co., Ltd.	-	35	35	-	63,194	63,194
	Hyundai Steel Company	9,024	383	9,407	27,096	-	27,096
	Hyundai Capital Services Inc.	27,595	23	27,618	-	4,795	4,795
	EUKOR Car Carriers Inc.	-	11	11	-	22,480	22,480
	Donghee Auto Co., Ltd.	-	-	-	24,333	-	24,333
Joint venture and associates	Hyundai Motor Group China., Ltd.	32,389	-	32,389	-	886	886
	Dongfeng Yueda Kia Motors Co., Ltd.	27,256	28,267	55,523	-	658	658
	Hyundai Motor Manufacturing Rus LLC	302	4,054	4,356	103,534	-	103,534
	Mobis Alabama, LLC	196	1,845	2,041	146,063	202	146,265
	Mobis Parts America, LLC	131	-	131	1,502	-	1,502
	Mobis Slovakia s.r.o.	-	-	-	134,601	-	134,601
	Powertech America, Inc.	-	367	367	32,357	-	32,357
	Sewon America, Inc.	-	1	1	20,706	-	20,706
	Others	20,960	9,395	30,355	438,612	221,158	659,770
Other related parties		374	-	374	-	-	-
Affiliates by the Act		50,717	24,588	75,305	893,611	179,072	1,072,683

(ii) Significant account balances with related parties or affiliates by the Act as of December 31, 2015, are summarized as follows:

(In millions of Korean won)

Relation	Company	Receivables			Payables		
		Trade	Other	Total	Trade	Other	Total
Entity with significant influence over the Company and its subsidiaries	Hyundai Motors Company	₩ 46,068	34,638	80,706	146,999	330,781	477,780
	Hyundai Motor America	170,253	-	170,253	-	5,197	5,197
	Hyundai Motor Manufacturing Czech, s.r.o.	54,231	1,580	55,811	-	4,457	4,457
	Hyundai Motor Manufacturing Alabama, LLC	-	280	280	48,257	299	48,556
	Hyundai Auto Canada Corp.	35,608	-	35,608	-	1,458	1,458
	Hyundai Kefico Corporation	-	3	3	52,755	771	53,526
	Others	5,611	18	5,629	5,601	18,685	24,286
	Hyundai Mobis Co., Ltd.	3,614	451	4,065	926,580	1,540	928,120
	Hyundai Powertech Co., Ltd.	-	11,410	11,410	75,553	880	76,433
	Hyundai Dymos Inc.	-	3,206	3,206	84,029	1,528	85,557
	Hyundai Engineering Co., Ltd.	-	18	18	-	52,776	52,776
	Hyundai Steel Company	10	108	118	23,277	-	23,277
	EUKOR Car Carriers Inc.	-	25	25	-	23,332	23,332
	Donghee Auto Co., Ltd.	1	-	1	22,010	4	22,014
Joint venture and associates	Hyundai Motor Group China., Ltd.	382,288	-	382,288	-	588	588
	Dongfeng Yueda Kia Motors Co., Ltd.	30,054	2,154	32,208	-	638	638
	Hyundai Motor Manufacturing Rus LLC	253	4,032	4,285	84,761	-	84,761
	Mobis Alabama, LLC	-	1,061	1,061	152,487	-	152,487
	Mobis Parts America, LLC	167	-	167	42,617	-	42,617
	Mobis Slovakia s.r.o.	-	-	-	168,901	-	168,901
	Powertech America, Inc.	-	182	182	33,722	-	33,722
	Sewon America, Inc.	-	-	-	21,997	-	21,997
	Others	8,909	6,382	15,291	260,274	101,897	362,171
Affiliates by the Act		63,189	9,169	72,358	1,076,961	158,316	1,235,277

The Group holds financial instruments of ₩650,000 million in HMC Investment Securities Co., Ltd, its affiliate by the Act, and makes contributions to Hyundai Life Insurance Co., Ltd. for employee benefit plan in connection with severance and retirement benefits that totaled ₩329,255 million as of December 31, 2016.

(c) Significant transactions that occurred in funding with related parties for the years ended December 31, 2016 and 2015, are summarized as follows:

(In millions of Korean won)

	2016	2015
Investment in capital for associates and joint venture	₩ 24,161	26,991
Acquisition of shares of other related parties	-	7,155

(d) Executive compensation of the Company for each of the following categories for the years ended December 31, 2016 and 2015, is summarized as follows:

(In millions of Korean won)

	2016	2015
Salaries	₩ 53,165	56,709
Retirement benefits	14,667	13,375
Total	**₩ 67,832**	**70,084**

34. Date of Authorization for Issue

The consolidated financial statements were authorized for issue on January 26, 2017, at the Board of Directors meeting, and it is expected to be submitted for approval on March 24, 2017, at the general meeting of stockholders.

PRODUCT LINE-UP



K900/Quoris (K9)

This luxury, full-size sedan has achieved perfection in all aspects, including performance that exceeds expectations, a top-class interior that reflects craftsmanship and pride, as well as cutting-edge technologies and convenience features.



Cadenza (K7)

This sedan sets a new standard for the premium segment, featuring an innovative design, best-in-class fuel efficiency, and a cutting-edge driver assistance system, including the Lane Keeping Assist System (LKAS).



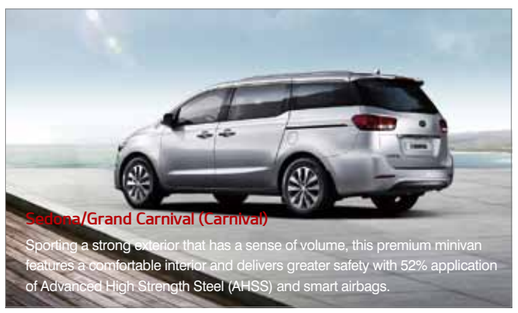
Sorento

This high-class SUV guarantees optimal driving based on its electronic 4WD and offers greater convenience with its practical and diverse state-of-the-art specifications.



SPORTAGE

This absolute leader among SUVs received the iF Design Award and the red dot Design Award thanks to its strong styling, and ranked first in the SUV segment in J.D. Power & Associates' 2016 Initial Quality Study in the US.



Sedona/Grand Carnival (Carnival)

Sporting a strong exterior that has a sense of volume, this premium minivan features a comfortable interior and delivers greater safety with 52% application of Advanced High Strength Steel (AHSS) and smart airbags.



SOUL

This versatile urban crossover vehicle features a unique interior with bold color combinations, improved fuel efficiency with a new 6-speed automatic transmission, outstanding strength, as well as a smooth drive.



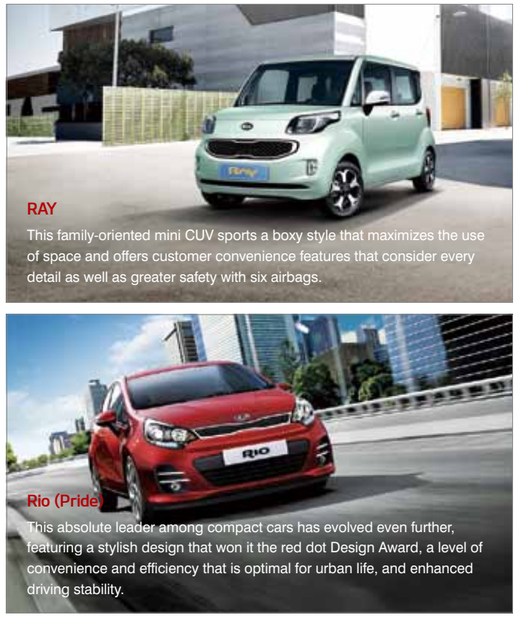
Optima (K5)

This sporty mid-size sedan features outstanding styling that is recognized by numerous global design awards, a more spacious interior thanks to an increased wheelbase, and state-of-the-art specifications such as the Around View Monitoring system.



Cerato/Forte (K3)

This compact sedan features a sporty design that reflects Kia's young spirit, a comfortable ride enabled by a 6-speed transmission, outstanding fuel efficiency of 14.3 km/l, and refined styling.



RAY

This family-oriented mini CUV sports a boxy style that maximizes the use of space and offers customer convenience features that consider every detail as well as greater safety with six airbags.

Picanto (Morning)

Sporting a dignified, progressive design, this million-seller city car offers a next-generation platform and has applied the highest percentage of AHSS in its class, in addition to providing greater safety with state-of-the-art smart technologies.

Rio (Pride)

This absolute leader among compact cars has evolved even further, featuring a stylish design that won it the red dot Design Award, a level of convenience and efficiency that is optimal for urban life, and enhanced driving stability.



Rondo/Carens

This urban compact MPV features a design and functions that are focused on details, a spacious interior, and unrestricted seat variations to satisfy everything required for family life.



MOHAVE

This authentic off-road style, top-class large SUV features a V6 3.0 diesel engine with powerful performance, a high-class interior, and cutting-edge safety features.



NIRO

This is the first small hybrid SUV from Kia Motors. It offers both economic efficiency and practicality with its best-in-class fuel efficiency and maximum loading capacity, and is leading the growth of eco-friendly car sales in Korea.

GLOBAL NETWORK

Overseas Sales Subsidiaries & Regional HQs

North America
1 Kia Motors America, Inc. (KMA)
2 Kia Canada Inc. (KCI)

Central & South America
3 Regional H.Q. / Central & South America (Miami Office)

Asia/Pacific
4 Regional H.Q. / Asia (Kuala Lumpur Office)
5 Kia Motors Australia PTY LTD (KMAu)
6 Kia Motors New Zealand Limited (KMNZ)

Middle East & Africa
7 Regional H.Q. / Middle East & Africa Dubai Office)
8 Kia Motors Corporation South Africa

China
9 Kia Motors (China)
10 Dongfeng Yueda Kia Motors Co, Ltd (DYK)

Europe
11 Kia Motors Europe (KME)
Kia Motors Deutschland (KMD)
12 Kia Motors Spain (KMS)
13 Kia Motors France (KMF)
14 Kia Motors Italy (KMIt)
15 Kia Motors Belgium (KMBl)
16 Kia Motors Polska (KMP)
17 Kia Motors Sweden (KMSw)
18 Kia Motors Nederland (KMNl)
19 Kia Motors UK (KMUK)
20 Kia Austria (KMAs)
21 Kia Motors Hungary (KMH)
22 Kia Motors Czech (KMCz)
23 Kia Motors Sales Slovensko (KMSS)
24 Regional H.Q. / Eastern Europe & CIS
25 Kia Motors Russia (KMRus)

Overseas Plants

North America
26 Kia Motors Manufacturing Georgia

Europe
27 Kia Motors Slovakia

China
28 Dongfeng Yueda Kia Motors Co, Ltd (DYK)
• No. 1 Plant • No. 2 Plant
• No. 3 Plant

Central & South America
29 Kia Motors Mexico

Overseas R&D Centers

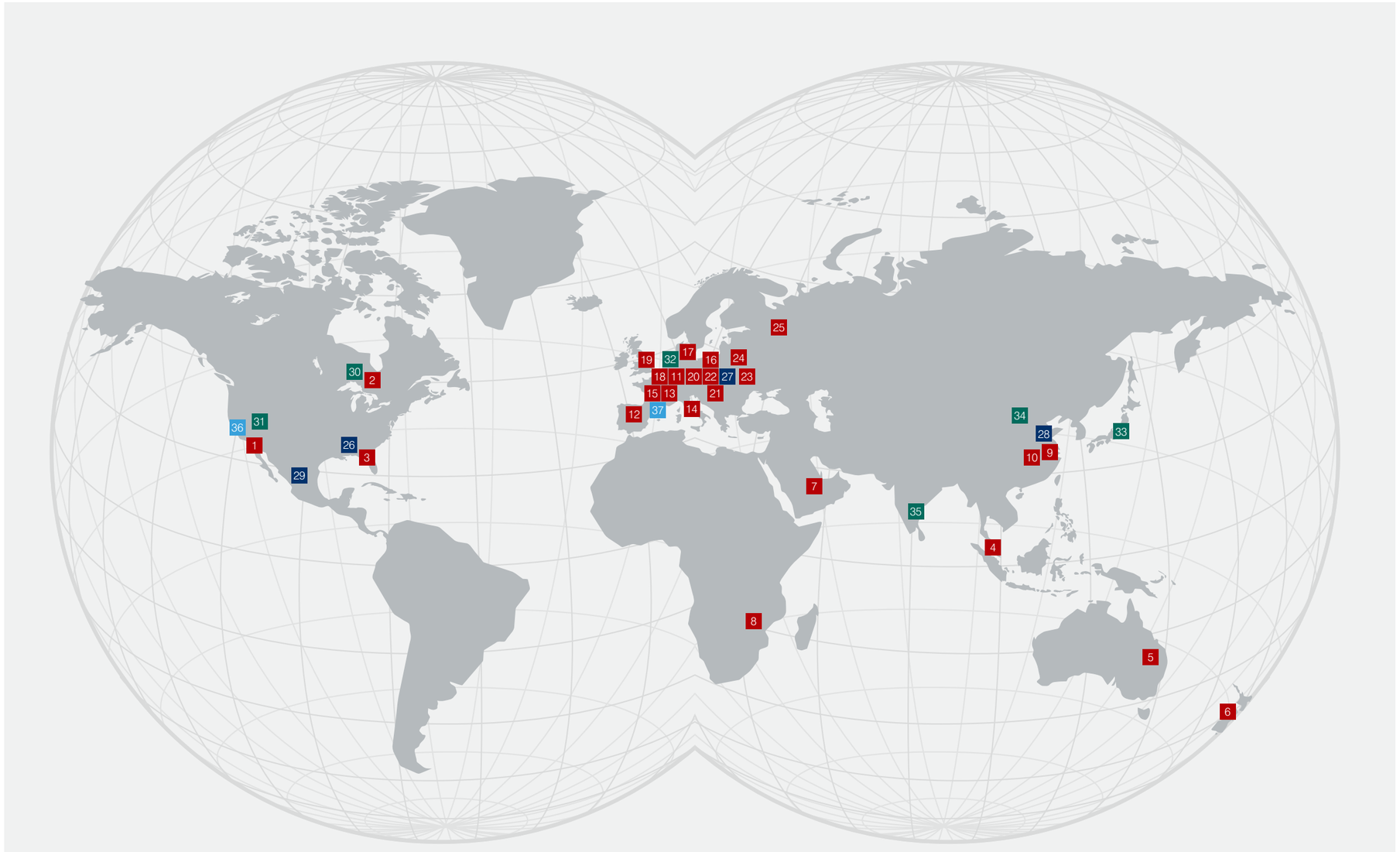
North America
30 America Technical Center (Michigan)
31 Kia Motors California Proving Ground

Europe
32 Europe Technical Center

Asia/Pacific
33 Japan Technical Center
34 China Technical Center
35 India Technical Center

Overseas Design Centers

36 Kia Design Center America
37 Kia Design Center Europe



MORE INFORMATION

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