BEAT

THE FUTURE

KIA MOTORS
Annual Report 2017



CREATING
A DIFFERENT BEAT

The year 2017 was a challenging time for Kia Motors.
Yet despite the difficult economic climate, we remained very active, stayed true to our growth strategy and introduced a new vision for future mobility, while continuing to fulfill our responsibilities as a global corporate citizen.

Looking to the future, we will navigate through the challenges that lie ahead and seize tomorrow's opportunities by leveraging our strengths so that we cement a leadership position in the future mobility market, while enabling more people around the world to enjoy 'A Different Beat' created only by Kia Motors.















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

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CHAIRMAN'S MESSAGE

We will lead the automobile market of the future through our unique spirit of challenge and a great sense of responsibility.



The year 2017 was a period of significant achievement for Kia Motors, including the launch of the Stinger premium performance sedan, the signing of an investment MOU for our first plant in Indian plant, and the opening of BEAT360, our flagship brand experience center. There were also many difficulties, such as sluggish sales in China, spreading protectionism, and the prolonged sluggish growth of the global economy. Meanwhile, accelerating technological innovation and intensifying competition are leading to rapid and dramatic changes in the automobile industry.

In 2018, we will respond more quickly to changes in the external environment and take a leadership role in the automobile industry through responsible management.

First, we will establish a responsible management system by region for integrated management of sales, production as well as profits and losses, thus enabling us to respond to customer demands in a quicker and more flexible manner.

We will offer our customers a wide range of new automotive experiences by launching new cars with outstanding quality and marketability. This will increase our competitiveness in major markets, including China and the U.S., and will allow us to take a pioneering role in new markets such as the ASEAN nations.

On the R&D front, we will expand investments in autonomous driving and other key technologies of the future so that we are among the leading innovators in the automobile industry. We will also enhance Kia Motors' competitiveness by strengthening our profitability-based decision-making and risk management systems.

In addition, we will remain committed to building a better future for all by growing in partnership with our partner companies, doing our best to create jobs and undertaking a wide range of social contribution activities.

In 2018, we will remain vigilant in turning obstacles into opportunities, and will make ourselves even stronger through a spirit of perseverance and challenge that has enabled Kia Motors to rise above the rest in times of difficulty. We will also maintain our unique sense of responsibility for the Korean national economy and the automobile industry as a whole, thereby continuing our transformation into a more sustainable company.

Thank you.



Chairman

Mong-Koo Chung

CEO'S MESSAGE

The year 2018 will mark a new era of change and innovation for Kia Motors, during which we will build momentum and accelerate innovation, thereby strengthening our foundation for stronger and more sustainable growth.



Dear shareholders,

I sincerely thank all our shareholders for the unwavering support and encouragement you have given Kia Motors over the last year.

The competitive landscape was fiercer than ever before in 2017 due to sluggish growth in major markets, a strong Korean Won and the spread of protectionism around the world.

Given such heated competition, Kia Motors sold 2.76 million vehicles last year in the global market, a year-on-year decrease of 8.6%. Revenues increased by 1.6% year-on-year to reach KRW 53.5 trillion, but operating profits fell substantially to KRW 660 billion due to lower sales and a legal ruling against the company on wages, among other factors.

Despite this difficult market environment, Kia Motors enjoyed several significant achievements in 2017. We sold more than 500,000 vehicles in Korea for the third straight year thanks to strong sales of RVs, including the Sorento. Sales in Europe increased due to expanded sales of new models and eco-friendly vehicles, including the Stonic and Niro. In addition, sales in Russia, Mexico and Australia all exceeded expectations.

The Stinger, a premium sports sedan, reinforced our image as a dynamic, high-quality brand, and the Stonic perfectly demonstrates our ability to respond agilely to the continually rising demand for compact SUVs.

Furthermore, Kia was awarded the top spot in J.D. Power & Associates' Initial Quality Study (IQS) in North America for the second consecutive year, further proving our world-leading levels of product quality. Our brand value also continued to grow, reaching USD 6.7 billion, which placed Kia Motors as a global top-70 brand for the second consecutive year.

All these accomplishments were made possible thanks to your ongoing trust and support, and I would like to take this opportunity to extend my sincere gratitude.

In 2018, despite expected recovery in some developing nations, even greater economic uncertainties are forecasted due to concerns about global interest rate hikes and trade issues, including FTA re-negotiations and spreading protectionism. The automobile industry, in particular, is expected to see its lowest growth since the financial crisis a decade ago due to reduced demand from the U.S. and China, as well as slower growth in Europe. In addition, there is likely to be fiercer competition as companies in the fields of future mobility, electric vehicles (EVs) and autonomous driving further develop their strategies and expand investments in a bid to cement a leadership role in the uncertain future of the automobile industry.

Against this backdrop, we will aim to improve profitability by recovering sales in global markets and actively responding to changes in the industry. Accordingly, we will pursue follow strategies.

First, we will stabilize sales in major markets, including the U.S. and China, and strengthen our position in emerging markets.

To recover our position in the U.S., we will launch the all-new Cerato/Forte (K3), our global high-volume model, and focus on improving marketability of our major models. In China, we will recover market share and strengthen our brand by releasing two strategic models into the growing SUV segment. In addition, we will build a plant in India and develop new vehicles that are optimized for local requirements with an aim to lay the foundation for expansion into new markets.

Second, we will continue to strengthen our competitive edge through innovations in product development and customer experience.

We will further enhance our brand by releasing a new version of the K900/Quoris (K9), a flagship sedan that brings together our design competitiveness and state-of-the-art technologies. We will also expand our line-up of eco-friendly vehicles in order to respond to fuel efficiency regulations and the trend towards EVs in major markets. We will also provide a distinctive customer experience powered by digital technology across all customer touch points for the Kia brand.

Third, we will boost our fundamental competitiveness by strengthening our high-efficiency and high-return system.

We are increasing the efficiency of our global business through the operation of a flexible sales and production system that is optimized to meet market demand. In addition to focusing more on high-profit models, we will pursue innovation in production costs and our overall cost structure, thereby generating stable profits.

Lastly, we will build the foundation for sustainable management.

We will establish a corporate culture of creativity and innovation, while further developing our social contribution programs at home and abroad. We will also fulfill our social responsibilities as a global company by strengthening win-win cooperation and growing alongside our partner firms.

All of us at Kia Motors will strive to make 2018 a successful first year in a new era of change and innovation, during which we will restore growth and improve profitability, in addition to doing our very best to establish the drivers of future growth and enhance shareholder value.

I ask for your continued support and encouragement in 2018 as we take on the challenges in front of us, and I wish you and your families good health and happiness in the year ahead.

Thank you.



President & CEO

Han-Woo Park

CORPORATE GOVERNANCE

Kia Motors aims to maximize corporate value by building a system for transparent and reasonable decision-making that is centered on the expertise and independence of its BOD.

Board of Directors

Kia Motors guarantees the independence of its Board of Directors (BOD) and promotes transparent decision-making. The BOD is the top decision-making body at Kia Motors that determines the company's intent regarding business execution. All BOD members are appointed at the general shareholders' meeting (GSM). As of the end of 2017, 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 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 monitoring the establishment and execution of corporate strategies to evaluating the achievement of performance goals and deciding on management remuneration.

The BOD holds regular meetings, which are held every quarter, to vote on key issues, and also holds extraordinary meetings when matters arise that require BOD decisions. The BOD makes decisions by reflecting shareholder and employee feedback gathered at the GSM and though investor relations activities, while also taking the feedback into consideration when formulating business policies. In 2017, the BOD convened eight meetings to deliberate 39 agenda items and briefings, including the convening of the 73rd GSM (FY2016) and approval of its agenda. The average attendance rate of non-standing directors was 92.5%. In consideration of the sharply-changing business environment and the fast decision-making required in the automobile industry, the CEO chairs the BOD. Due to concerns over potential violation of the BOD's independence, we operate a 'pre-explanation system', in which all agenda items are delivered and explained ahead of every BOD meeting. This helps non-standing directors gain an accurate understanding of pending business issues and engage in efficient decision-making.

BOD Committees

Committees have been set up under the BOD to promote stable corporate governance and strengthen the BOD's expertise and efficiency. They consist of the Audit Committee, Transparent Management Committee, and Board Nominating Committee.

Audit Committee Consisting of three non-standing directors, the Audit Committee comprises only non-standing directors and excludes internal personnel to ensure independence from top management. This monitoring/supervising organization enhances legitimacy and transparency of Kia Motors' financial affairs and accounting, and ensures business fairness. In 2017, it convened seven meetings, and thus deliberated and voted on 12 agenda items and briefings, including an evaluation of the company's internal accounting control system and appointment of an independent auditor.

Transparent Management Committee To strengthen the protection of shareholder interests and improve corporate governance, Kia Motors changed the name of the previous Ethics Committee to the Transparent Management Committee in March 2016. All five members of the committee are non-standing directors, and the committee is in charge of deliberating and reviewing major business matters, such as M&As, acquisitions and disposals of major assets or shares, as well as fulfillment of social responsibilities and execution of ethical management based on independence and transparency. One member who is appointed by a resolution made by the Transparent Management Committee is in charge of protecting shareholder interests. This member attends meetings with domestic investors and non-deal roadshows (NDRs) held for overseas investors to support smooth communication between the BOD and shareholders. Ultimately, the member carries out diverse activities that are aimed at protecting shareholder interests and expanding their profits. The committee convened six meetings in 2017, and thus deliberated and voted on 30 agenda items and briefings, including approval for internal trading. The member in charge of protecting shareholder interests met with four investors in New York.

Board Nominating Committee The Board Nominating Committee consists of one standing, one special non-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 convened one meeting in 2017, and recommended a non-standing director candidate to the 73rd GSM (FY2016) after a fair, strict screening process.

Major Shareholders

Shareholder	No. of Shares	Ownership (%)
Hyundai Motor Company	137,318,251	33.88
Employee Stock Ownership Association (ESOA)	5,189,531	1.28
Individual investors (excluding ESOA)	66,135,499	16.31
International investors	144,845,760	35.73
Others (financial institutions, etc.)	51,874,306	12.80
Total	**405,363,347**	**100.00**

* As of December 31, 2017

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, 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 Board Nominating Committee	Currently Vice Chairman, Hyundai Motor Company Formerly President, Kia Motors
Non-standing Directors	Sang-Gu Nam	Chair of Audit Committee, Member of Transparent Management Committee (Director in charge of protecting shareholder interest), Member of Board Nominating Committee	Currently Chair-Professor of Business Administration, Gachon University Formerly Private Sector Chairperson, Financial Services Commission
	Kwi-Nam Lee	Member of Audit Committee Chair of Transparent Management 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
	Duk-Joong Kim	Member of Audit Committee, Member of Transparent Management Committee	Currently Advisor, Yoon & Yang Law Firm Formerly 20th Commissioner, National Tax Service
	Dong-One Kim	Member of Transparent Management Committee, Member of Board Nominating Committee	Currently Professor of Business Administration, Korea University Formerly Dean, Business School, Korea University

* As of December 31, 2017

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 arespected global corporate citizen.

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

The Beat Designer

Mission

Our role in creating 'A Different Beat'

CORTORATE 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

COMPANY HISTORY

Kia Motors has grown into a global company by leveraging its unique, creative mindset and through the spirit of challenge. We will continue to build our history of challenge and innovation by further enhancing our world-leading quality and design competitiveness.

1944-1998

1944
December
Company founded as Kyungsung Precision Industries

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

1962
January
Began production of K-360 three wheeler

1973
June
Completed construction of Sohari Plant
August
Began production of Brisa pickup truck

1975
May
Began export of finished vehicles – Brisa

1981
August
Launched Bongo 1-ton multipurpose diesel vehicle

1987
March
Launched Rio (Pride)

1989
July
Completed construction of Hwaseong plant

1992
October
Established Kia Motors America (KMA)

1993
July
Introduced Sportage, the world's first compact SUV

1995
February
Established Kia Motors Europe (KME)

1998
January
Launched Carnival (Sedona), Korea's first minivan

2000-2003

2000
December
Moved company headquarters to Yangjae-dong, Seoul

2001
May
Established the Kia Design Center Europe
July
Cumulative production of Hwaseong Plant exceeded 3 million units
August
Kia Tigers professional baseball team founded
October
Received the Korea HRD Award
November
Received the Korea Quality Award
Hwasung Plant received the Presidential Award for energy-saving

2002
March
Fully advanced into the passenger vehicle market in China
April
Cumulative production exceeded 10 million units

2003
January
Declared ethical management credo
February
Completed construction of the America Design & Technical Center
March
Cumulative U.S. sales exceeded 1 million units
May
Launched the Hyundai-Kia Motors R&D Center
June
Declared initiative to pursue environment-friendly operations globally
September
Completed construction of Europe Technical Center
November
Exports exceeded 4 million units
Received the USD 5 Billion Export Tower Award

2004-2006

2004
February
Launched a new concept city car – Picanto (Morning)
May
Sorento selected as the best compact SUV in the U.S.
July
Selected as the Automaker of the Year in the UK
August
Launched all-new Sportage compact SUV
Ranked first in automobile category in KS-SQI (Korean Standard Service Quality Index) survey by Korean Standards Association
October
Hwaseong plant became first local plant producing passenger cars to receive OHSMS certification
November
Received the USD 7 Billion Export Tower Award
Sorento selected as the best value SUV in the U.S.
December
Cerato/Forte (K3) named Car of the Year in Canada

2005
January
Initiated brand management strategy to grow into a leading global brand
February
TianLiMa ranked No. 1 among compact cars in customer satisfaction in China
March
Exports reached 5 million units
July
Named number one in RV category by the National Customer Satisfaction Index (NCSI)
September
Sportage and Amanti (Opirus) ranked first in customer satisfaction survey by J.D. Power and Associates of the U.S.

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

2007-2009

2007
February
Eight Kia models selected as Best Bets by The Car Book of the U.S.
April
Completed construction of Slovakia plant
September
Ranked first in automobile category in the KS-SQI (Korean Standard Service Quality Index) for fourth consecutive year
December
Completed construction of second plant in China

2008
January
Launched Borrego (Mohave) large SUV
March
Car Book (U.S.) recommended seven Kia models as 'Best Bets'
April
Hyundai Motor Group declared socially responsible management
June
Completed construction of new corporate campus for U.S. subsidiary and Kia Design Center America
August
Kia fuel cell electric vehicle succeeded in driving across the U.S.
September
Ranked first in the automobile category in the KS-SQI (Korean Standard Service Quality Index) for the fifth consecutive year
Launched Soul urban crossover
October
Carens (Rondo) became first Korean car to be included top 100 cars by Consumer Reports
November
Received Presidential Award for exceptional design management
Amanti (Opirus) received 'Best Value Award' from Strategic Vision (U.S.)
Named Automaker of the Year by Autocar of the UK

2009
January
cee'd selected as the best semi mid-size car in France
Tau engine was named to Ward's 10 Best Engines list
March
Soul became first Korean car to receive a red dot Design Award
Launched EcoDynamics, Kia's eco-friendly sub-brand
Named Automaker of the Year in the UK
April
Launched second generation Sorento midsize SUV
July
Selected as the best automaker of the year by the renowned 'Motor Trader' magazine (U.K.)
November
Launched Cadenza (K7) full-size luxury sedan
December
Venga received iF Design Award

2010-2012

2010
February
Completed construction of Georgia, U.S. plant
March
Venga received red dot Design Award
Launched all-new Sportage compact SUV
April
Launched Optima (K5)
June
cee'd ranked first in customer satisfaction survey in Europe
July
Sportage ranked first in resale value in the U.S.
October
Five models ranked top in segment in the China Automobile Customer Satisfaction Index
December
Optima (K5) and Sportage received iF Design Award

2011
March
Cumulative exports reached 10 million units
Optima (K5) and Sportage received red dot Design Award
Sorento selected as 'Best Car' by US Consumer Reports
May
Kia's global corporate brochure received platinum award at the Spotlight Awards (U.S.)
July
Ranked top in the brand design category at the '2011 Automotive Brand Contest' hosted by the German Design Council
October
Forte/Cerato (K3) and Sportage ranked best in-segment in the China Automobile Customer Satisfaction Index
November
Picanto (Morning) received iF Design Award
December
Launched Ray EV, the first all-electric vehicle in Korea
Rio (Pride) 5-door received Good Design Award (U.S.)

2012
March
Picanto and Rio (Pride) received red dot Design Award
May
Launched Quoris/K900 (K9) premium large size sedan
June
Began construction of third plant in China
Named best automaker in UK
Rio (Pride) mobile application received red dot Design Award
August
Launched the Green Light Project global social contribution program
September
Released Cerato/Forte (K3)
October
Ranked 87th in Best Global Brands 2012 by Interbrand
Rio (Pride) ranked best-in-class in the China Automobile Customer Satisfaction Index
November
pro_cee'd and Optima (K5) mobile application received iF Design Award
December
Quoris/K900 (K9) application received four awards, including the Design Innovation Award

2013-2014

2013
February
Cumulative overseas sales exceeded 50 million units
March
Four models received red dot Design Award
June
Soul ranked first in the compact multi-functional vehicle segment of the J.D. Power and Associates IQS (U.S.)
August
Completed the construction of the Greenlight Center in Malawi, Africa
September
Six models ranked top in the China Automobile Customer Satisfaction Index
Ranked 83rd in Interbrand's Best Global Brands 2013
October
Launched all-new Soul urban crossover

2014
January
Soul received iF Design Award
March
Soul received red dot Design Award
April
Launched Soul EV
May
Cumulative global sales exceeded 30 million units
June
Ranked third among non-premium brands in the IQS by J.D. Power and Associates
July
Kia's sustainability report 'MOVE' received platinum award at the Vision Awards (U.S.)
Soul and GT4 Stinger concept car received IDEA Design Award
August
Signed investment agreement for Mexico plant
September
Three models ranked top in the China Automobile Customer Satisfaction Index
October
Ranked 74th in Interbrand's Best Global Brands 2014
Received the best award at the 2014 Galaxy Awards
November
Cerato/Forte (K3) selected as 'Best Car' by Edmunds.com
December
Sorento and Sedona/Carnival (Grand Carnival) named 'Safe Car of the Year'
Three models, including Quoris/K900 (K9), received US Good Design Award

2015-2016

2017

2015

January
All-new Grand Carnival/Sedona (Carnival) received best award at the Car of the Year 2015 Awards (Korea)

February
Sorento received iF Design Award
Company homepage received the iF Design Award

March
Released KX3, a localized strategic subcompact SUV for the Chinese market

April
Grand Carnival/Sedona (Carnival) and Sorento received top safety rating from the U.S. National Highway Traffic Safety Administration

June
Cumulative exports reached 15 million units
Ranked first among non-premium brands in J.D. Power and Associates IQS (U.S.)
Gwangju plant received the Best Quality Plant in Asia Award
Global RV sales exceeded 10 million units
Officially launched retail sales in Mexico market

September
Cumulative sales by Kia Motors Russia exceeded one million units

October
Three models ranked top in the China Automobile Customer Satisfaction Index

December
Kia Motors ranked number one in quality survey by Auto Bild (Germany)
Sorento, Optima (K5) and Trail'ster concept car received Good Design Award (U.S.)

2016

January
Launched DRIVE WiSE sub-brand for autonomous driving technologies

February
Optima (K5) and Sportage received iF Design Award

March
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

April
Received the Management Grand Prize at Mobile Award Korea

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

July
Launched 2017 Optima (K5) and Optima (K5) PHEV

August
Optima (K5) mobile app received red dot Design Award

September
Officially opened new production facility in Mexico
Ranked fourth in China-IQS by J.D. Power and Associates

October
Ranked 69th in Interbrand's Best Global Brands 2016

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

December
Received Consumer Centered Management Certification for third consecutive time

2017

January
Unveiled Stinger premium performance sedan at 2017 North American International Auto Show

February
Niro, Rio (Pride) and Optima (K5) Sportswagon received iF Design Award
Achieved record high score in U.S. Vehicle Dependability Study

March
Released KX7, a strategic model for the Chinese market

April
Optima (K5) Sportswagon received red dot Design Award

May
Released Stinger premium sports sedan
Released Niro PHEV

June
Optima (K5), Cadenza (K7) and Sportage ranked No.1 in respective segments at the U.S. Vehicle Satisfaction Awards
Ranked No. 1 for two consecutive years in the J.D. Power and Associates Initial Quality Study (U.S.) for the first time in its history
Opened BEAT360 brand experiential center

July
Released Stonic

September
Named world's 69th most valuable brand by Interbrand for the second consecutive year
Ranked No. 2 in China-IQS by J.D. Power and Associates

December
Stinger, Niro and Rio (Pride) received Good Design Award (U.S.)







A Different Beat for Future Mobility

In 2017, Kia Motors set new standards for sustainable future growth through creative efforts and a relentless spirit of commitment.

We delivered multifaceted brand experiences by opening 'BEAT360', and announced 'Boundless for All' as our future mobility vision for innovative mobility solutions. We also created new growth momentum by launching competitive new cars in the global automobile market.

2017 HIGHLIGHTS

BEAT360

1

Kia Motors enriches customers' lives through continuous automotive innovation. As part of that commitment, in 2017 we opened 'BEAT360', a multi-experience brand space in which visitors can encounter the Kia brand through all five senses.

In June 2017, Kia Motors opened 'BEAT360', our first brand experience space, embodying our brand philosophy of enriching our customers' lives through creative ideas and a commitment to challenge. It consists of spaces with different themes – the 'Café', a comfortable and artistic cultural space; the 'Garden', a healing space with nature; and the 'Salon', a premium lifestyle lounge. In addition to exhibiting cars, BEAT360 offers professional advice about cars, as well as various other brand content and cultural events. The exterior design is based on the motif 'A Different Beat' and the rhythmical flow of air. The shape of the pattern on the outer wall looks different depending on the angle from which the building is viewed, emphasizing the dynamic and innovative nature of Kia Motors' vehicles.

BEAT360 aims to make our customers' lives new and unique based on Kia's brand essence, 'A Different Beat'. This 1,884m^3-brand experience space is located in Kia Motors' Domestic Office in Gangnam, Seoul. In addition to being a cultural space in the heart of the city, it has become a new landmark in Gangnam, the trendiest district of Korea.

BEAT360 at a Glance

ESTABLISHMENT
JUNE 29, 2017

VISITORS IN 2017
343 persons per day
(visited by total of 63,798 persons)

EXTERIOR DESIGN
7,553 independent modules have been installed to emphasize Kia Motors' dynamic, innovative image

INTERIOR DESIGN
8,800 modules have been connected to give form to the vitality of musical beats

FLOOR AREA
1,884㎡

CULTURAL EVENTS IN 2017
15 events attended by
1,979 persons

Official BEAT360 website
http://beat360.kia.com



Mobility-ACE

2

Cars are evolving and have become much more than simple means of transportation. That is why we have established 'Boundless for All' as our blueprint to prepare for the innovation in mobility that will blur the boundaries between mobile life and daily life.

In January 2018, we announced our vision for the future of mobility, 'Boundless For All', at the 2018 Consumer Electronics Show (CES), the world's largest consumer electronics show. This new vision embodies the determination of Kia Motors to become a true global leader in the rapid innovations that are reshaping the future of the automobile market. It also reflects our commitment to creating a new customer experience based on mobility services of the future. In addition, we have outlined how we plan to realize this vision by announcing 'Mobility-ACE', key strategies in four major areas – Autonomous, Connected, Eco/Electric and Mobility Service.

In a future where autonomous driving will enable almost universal freedom of travel, lifestyles will be far more varied than they are today. To remain relevant and competitive in this rapidly emerging new automotive landscape, Kia Motors will be a 'Mobility-ACE', delivering Accessibility, Convenience and Efficiency in transport to all customers. Declaring this vision is a start of our journey of innovation, and by smoothly executing our strategies, we will reach our destination and open a new chapter in the future of mobility.

Mobility-ACE Strategy

Autonomous

Move forward with the commercialization of autonomous driving technologies

Connected

Offer customers optimal content and solutions through our exclusive open connected car service platform (ccSP)

Eco/Electric

Expand our line-up of eco-friendly cars from the current six to a total of 16 models by 2025 to expand our market dominance

Mobility Service

Focus on developing mobility services in response to the trend of automobiles evolving into smart devices



Growth Drivers

3

Kia Motors has been building momentum for growth by launching a series of competitive new cars. We will continue to underline our position as a leading global automaker by rapidly developing the technologies demanded by consumers.

Kia Motors differentiates itself from competitors through its outstanding quality and unique designs. Many of our customers buy our products because they are attracted by great performance that exceeds their expectations and by youthful, modern designs.

In 2017, we launched a wide range of new cars equipped our key differentiators – quality and design– that were well received by the global market. Beginning with the all-new Picanto (Morning) released in Korea at the start of the year, we then launched KX7, a mid-size SUV exclusively for the Chinese market, in March. In May, we released the Niro PHEV as part of our efforts to further strengthen our position in the eco-friendly vehicle market. We released the Stonic, a compact SUV, in July, as part of our drive to build a full line-up of SUVs. The car that won the most attention of our new launches in 2017 was the Stinger, a premium sports sedan with dynamic style and performance. Almost 1,300 units were sold in Korea in only about one month after its release, and the Stinger became a finalist for the world-renowned North American Car of the Year awards, European Car of the Year awards and World Car of the Year awards.

2017 New Models

- January 17 — **All-new Picanto** (Morning)
- March 16 — **KX7** – a strategic model for the Chinese market
- May 15 — **Niro PHEV, 2018 Niro**
- May 23 — **Stinger**
- July 13 — **Stonic**
- August 28 — **KX Cross** – a strategic model for the Chinese market
- September 26 — **Pegas** – a strategic new model for the Chinese market
- November 07 — **Forte** variant for the Chinese market





2017 NEW MODELS

Kia Motors launched several new cars in 2017, thereby actively responding to market demand and overcoming a difficult market environment. In particular, we have laid a firm foundation for stable growth by building a diverse product line-up, ranging from sedans to SUVs and eco-friendly cars.

Stinger

A premium performance sedan with a whole new dimension

In 2017, Kia Motors launched the Stinger, bringing together our design capabilities and technological prowess, and thus signaling the beginning of a line-up of premium vehicles. The Stinger is a high-performance premium sedan that features an innovative style and outstanding driving performance. It is based on the design of the GT, a concept car unveiled at the Frankfurt Motor Show in 2011. The front sports Kia Motors' iconic tiger's nose radiator grille, while the rear has a black oval dual twin muffler and rear diffuser to add a sense of stability, along with sporty yet sophisticated style. In terms of performance, the Stinger has a strong turbo engine and a second-generation 8-speed automatic transmission sending power to the rear wheels. The powertrain was designed with maximum power performance in mind. The front suspension has been optimized for engine room, and a rear-wheel multi 5-link suspension increases steering agility and braking stability, leading to improved comfort. The Stinger was launched in Korea in May 2017, with sales in Europe starting in September. It was released in the U.S., Australia and China in November. The Stinger was chosen as a finalist for 'Car of the Year' in both Europe and North America. As it is expected to gain further sales momentum, the Stinger will not only contribute to corporate growth, but also take the lead in enhancing the reputation of the Kia brand in the luxury car market.





STONIC

A small but strong compact urban SUV with all-around capability

Stonic is a compound of 'speedy' and 'tonic' and aims to be a leader in the compact SUV segment by complementing the lifestyles of the young generation, while providing outstanding fuel efficiency, top-level safety, agile driving performance, and a unique, youthful design. The Stonic has grown in popularity with more than half of pre-orders coming from customers in their 20s and 30s. The Stonic features a 1.6 E-VGT diesel engine and 7-speed dual-clutch transmission (DCT) that offer outstanding fuel efficiency and have been optimized for the best possible driving performance. In addition, it offers a stable and comfortable ride while delivering best-in-class safety through a reinforced structure that protects driver and passengers in the event of a collision. With its sporty, youthful design, the Stonic also maximizes practicality by enhancing the utility of the load space.



niro

A PHEV addition to an already eco-friendly model

Launched in 2016 as Korea's first hybrid SUV, the Niro has been a great success. In 2017, the Niro line-up was expanded with the launch of a PHEV model that is equipped with a highly-efficient lithium-ion polymer battery, resulting in a maximum driving range of 40 km per charge in all-electric mode and 840 km in hybrid mode. Equipped with a Kappa 1.6 GDi engine and high-efficiency permanent magnet motor system, the Niro PHEV's power performance offers a maximum combined output of 141 horsepower and maximum combined torque of 27.0 kgf·m. It also has various multimedia functions that have been specialized for the PHEV and can be used through a GPS device and smartphone. These include a smartphone application that can remotely control the vehicle's ignition, air-conditioning and charging.

KX7

An SUV setting new standards in China

The KX7 – our flagship SUV for the Chinese market – is the first luxury mid-size SUV manufactured and launched by Kia Motors in China. We have therefore actively incorporated the specific preferences of Chinese customers into the KX7, including various driver assistance systems. It is the first Chinese model from Kia with DRIVE WiSE autonomous driving technologies, resulting in substantial improvements in driving safety and convenience. The KX7 comes with a choice of three engines – 2.0 turbo, 2.0 gasoline and 2.4 gasoline – and a six-speed automatic transmission. It also offers four driving modes – sport, comfort, eco and smart. The KX7 sports a bold front design, including a grill that incorporates the Kia Motors family look and chromium-plated molding. Agile lines result in a refined silhouette, and the rear sports a simple yet strong style.



BUSINESS HIGHLIGHTS

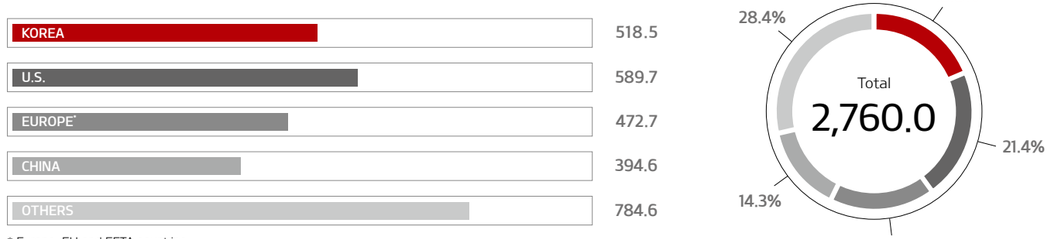
GLOBAL RETAIL SALES

(Unit: thousand vehicles)

	2017	2016	2015	2014	2013
Korea	518	533	527	465	458
Overseas	2,242	2,485	2,345	2,432	2,282
Total	**2,760**	**3,018**	**2,871**	**2,896**	**2,740**

SALES BY REGION

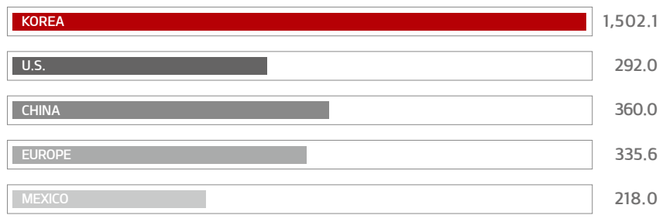
(Unit: thousand vehicles, %)

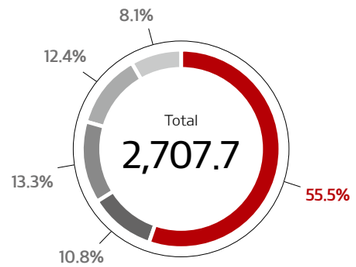


* Europe: EU and EFTA countries

SALES BY PLANT

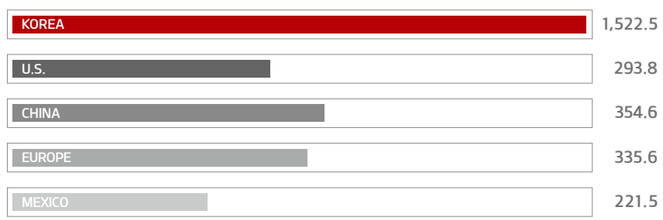
(Unit: thousand vehicles, %)

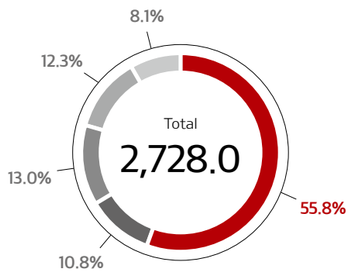




PRODUCTION BY PLANT

(Unit: thousand vehicles, %)





FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*

(Unit: KRW million)

	2017	2016	2015	2014	2013
Total Assets	**52,294,438**	**50,889,260**	**45,980,113**	**41,044,202**	**36,182,040**
Cash Items (Liquidity)	9,618,829	8,592,909	7,052,979	7,313,777	6,346,643
Current Assets	21,642,079	20,912,221	18,390,784	16,655,401	13,472,386
Total Liabilities	**25,433,261**	**24,309,836**	**21,776,082**	**18,560,337**	**15,927,245**
Short-term Debt	3,855,133	4,131,427	2,781,090	1,808,930	1,640,958
Current Liabilities	15,323,019	16,246,900	14,579,485	11,974,338	10,806,238
Long-term Debt	4,894,700	3,937,041	3,531,941	2,882,263	1,698,194
Total Debt	8,749,833	8,068,469	6,313,031	4,691,193	3,339,152
Net Debt	(868,996)	(524,441)	(739,948)	(2,622,584)	(3,007,491)
Total Stockholders' Equity	**26,861,177**	**26,579,424**	**24,204,031**	**22,483,865**	**20,254,795**
Total Liabilities & Stockholders' Equity	52,294,438	50,889,260	45,980,113	41,044,202	36,182,040
Liability-to-Equity Ratio (%)	94.7	91.5	90.0	82.6	78.6
Debt-to-Equity Ratio (%)	32.6	30.4	26.1	20.9	16.5
Net Debt-to-Equity Ratio (%)	(3.2)	(2.0)	(3.1)	(11.7)	(14.9)

CONSOLIDATED STATEMENT OF INCOME*

(Unit: KRW million)

	2017	2016	2015	2014	2013
Revenue	53,535,680	52,712,906	49,521,447	47,097,049	47,597,897
Cost of Sales	44,618,696	42,281,590	39,653,769	37,754,115	37,511,941
Cost of Sales (%)	83.3	80.2	80.1	80.2	78.8
Gross Profit	8,916,984	10,431,316	9,867,678	9,342,934	10,085,956
Operating Profit	662,226	2,461,480	2,354,273	2,572,549	3,177,100
Margin (%)	1.2	4.7	4.8	5.5	6.7
Pretax Profit	1,140,053	3,442,034	3,100,266	3,816,316	4,828,576
Net Profit	968,018	2,754,640	2,630,600	2,993,593	3,817,059
Margin (%)	1.8	5.2	5.3	6.4	8.0

CONSOLIDATED STATEMENT OF CASH FLOWS*

(Unit: KRW million)

	2017	2016	2015	2014	2013
Cash Flows from Operating Activities	2,594,190	3,275,882	3,375,248	2,363,825	4,776,593
Cash Flows from Investing Activities	(4,794,566)	(2,312,301)	(5,613,823)	(2,983,406)	(3,513,940)
Cash Flows from Financing Activities	731,888	945,401	906,397	986,491	(791,207)
Cash and Cash Equivalents, Beginning of Year	3,064,191	1,104,928	2,478,470	2,311,264	1,903,309
Net Increase (Decrease)	(1,502,453)	1,959,263	(1,373,542)	167,206	407,955
Cash and Cash Equivalents, End of Year	1,561,738	3,064,191	1,104,928	2,478,470	2,311,264

CREDIT RATING

		2017	2016	2015	2014	2013
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–	A–	BBB+	BBB+

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

BEATS of WATER

30
Domestic Business Performance

32
Overseas Business Performance

Our Performance

Like the rhythm of a powerful current that silences all surrounding sounds, Kia Motors is spreading a ‘different beat’ across the globe. In particular, we create value in our own distinctive way thanks to global management that is based on thorough localization strategies.



Navigating Uncharted Waters

We continue to change and innovate. Even in times of growing uncertainty, we are always searching for new possibilities and actively responding to changes in the automobile industry from a long-term perspective. In 2017, we made inroads into the Indian market to expand our global presence, and we also strengthened our position in eco-friendly vehicles so that we can be a leader in the future automobile market and lay firm foundations for sustainable growth.

2017 Key Figures



53,535.7

2017 sales stood at KRW 53,535.7 billion, a 1.6% increase from the previous year

86,713

Kia sold 86,713 vehicles in Mexico in 2017, a 49.2% increase from the previous year

7,000,000

In June 2017, Kia Motors America sold its 7 millionth vehicle in the U.S. since 1994

Global Growth Momentum

In 2017, we strived to maintain growth momentum in major markets and increase the pace of growth in emerging markets by offering competitive new cars. As a result, we reached a new milestone of 7 million cars sold cumulatively in the U.S. We also achieved considerable performance improvements in Latin America and Russia, confirming the great potential for Kia in new markets.



DOMESTIC BUSINESS PERFORMANCE

In 2017, Kia Motors launched several new cars and thus exceeded our sales target in Korea. In 2018, we will maintain momentum by continuing to focus on the development of competitive new cars, while expanding market dominance by improving the competitiveness of our eco-friendly vehicles.



518

Domestic Sales
(Unit: thousand vehicles)

29.1

Domestic Market Share
(Unit: %)

Sales of more than 500,000 units for the third consecutive year

The challenging business environment in the Korean automobile market continued in 2017 with falling demand and fierce competition from both domestic and imported brands. Against this backdrop, Kia Motors sold 518,474 vehicles in Korea, a decrease of 2.7% from the previous year. Sluggish sales of sedans were a major factor in this decline, but stable sales of RVs, including the Stonic, Niro and Sorento, enabled us to achieve sales of more than 500,000 units for the third consecutive year. Thanks to increased sales of RVs and high value-added models such as the Stinger premium performance sedan, our domestic market share remained stable.

Sedan sales fell by 10.6% year-on-year to 214,743 units, the result of weaker sales of K-series sedans. In contrast, RV sales rose by 2.4%. The Sorento sold 78,171 units, thanks to a new facelifted model, making it Kia Motors' bestselling model of the year in Korea. The Carnival (Grand Carnival/Sedona) sold 68,141 units, while the Mohave, a large SUV, achieved its best sales performance since its launch in 2008 by selling 15,117 units, backed by the overall expansion of the SUV market. The Stonic, a newly-launched compact SUV, sold 8,891 units. As such, strong sales continued for the Sorento, Carnival (Grand Carnival/Sedona) and other high-volume models, while the Stonic successfully established itself in the market. As a result, the percentage of Kia's total sales from RVs rose 2.3%p year-on-year to 46.0%.

Meanwhile, the Niro became the best-selling eco-friendly car in Korea for the second consecutive year. The Niro was launched as Korea's first SUV hybrid model in 2016, and became the best-selling domestic eco-friendly car in the first year of its release. In May 2017, we released the Niro Plug-in Hybrid, the first SUV plug-in hybrid electric vehicle (PHEV) model in Korea, and also launched the 2018 Niro, equipped with improved marketability, to maintain its growth pace. The Niro sold 23,676 units in 2017 for a year-on-year increase of 27.3%, thereby leading the growth of the Korean eco-friendly car market.

Plans to expand market dominance in Korea

2018 is forecast to remain challenging, both in Korea and overseas, with competition intensifying amid stagnant demand in the domestic automobile market. Kia Motors, however, will continue to launch new cars, undertake active marketing initiatives and boost the competitiveness of our eco-friendly cars so that we can generate demand, enhance brand value and increase market share.

In particular, we will roll out an extensive series of new car launches, beginning with the all-new K3 (Forte/Cerato) in the first quarter of 2018 followed by the all-new K9 (K900/Quoris) flagship luxury sedan. We will then launch facelift versions of our major models, including the K5 (Optima), Sportage and Carnival (Grand Carnival/Sedona), as well as the all-new Soul, as part of our efforts to expand Kia's presence in the domestic market. In the second half of the year, we will focus on increasing our share in the eco-friendly vehicle market by launching the Niro EV, which will have a substantially greater driving range. We will also continue to respond flexibly to changes in the market by expanding R&D in areas related to smart cars, including autonomous driving and connected cars.

Kia Motors will provide diverse new experiences to customers by launching new cars that offer outstanding quality and design. In addition, we will continue to undertake marketing activities that center on customers, while making a profound effort to prepare for future growth. By doing so, we will further reinforce our status as a top automaker in Korea.

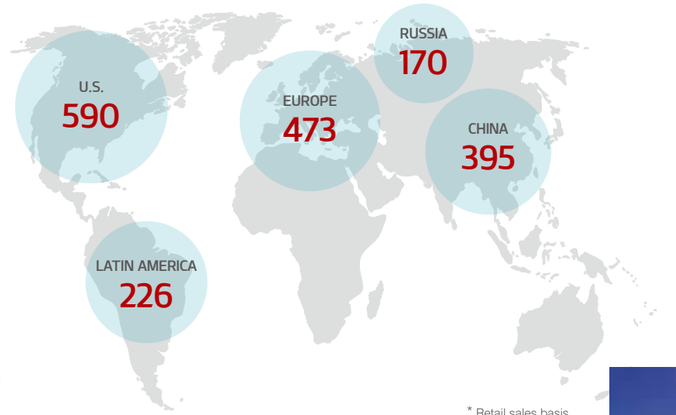


OVERSEAS BUSINESS PERFORMANCE

Kia Motors established new growth momentum in 2017 thanks to solid performance in major emerging markets, including Latin America where our Mexico plant is located. We will realize a truly global production network and reinforce our status as a global brand by completing construction of our newest plant in India.



2017 SALES GROWTH BY REGION
(Unit: thousand vehicles)



* Retail sales basis

Maintaining steady sales growth in the global market

The global economy continued to grow slowly in 2017, with spreading protectionism and other political issues resulting in greater uncertainty and fiercer competition in the automobile market. Kia Motors, however, accomplished significant achievements despite the difficult market environment. Our overseas sales decreased by 9.8% year-on-year to 2,241,546 units, but we maintained steady growth in several regions, with the exception of the U.S. where overall demand in the automobile market fell, as well as China where sales were sluggish due to political tension.

Nevertheless, Kia enjoyed strong growth in emerging markets such as Latin America and Russia as well as in Germany, a traditional automobile powerhouse, and other European countries. We entered the Mexican automobile market in 2015, and finished the year ranked in 13th place. In 2016, we sold 58,112 units in Mexico, and we continued to grow in 2017 by combining our outstanding quality and design with a strong dealer network, selling 86,713 units for a year-on-year increase of 49.2% and ranking in 7th place just three years since our entry into the market. In Russia, the popular Rio (Pride) model led to strong performance of 96,689 units in annual sales. In Europe, with total market demand up just 3.3%, Kia Motors achieved sales growth of 8.4% thanks to increased sales of compact cars such as the Picanto (Morning) and the impact of new car launches, including the Niro, Optima (K5) Sportswagon and Stonic.



A detailed look at our overseas sales performance by model is as follows. The Sportage, our best-selling model, sold 420,582 units, which was followed by the Rio (Pride) with 394,728 units and the Forte/Cerato (K3) with 355,236 units. The Stinger premium sports sedan, initially launched in Korea in May 2017, has earned praise in overseas markets for its innovative design and exciting driving performance, and has sold 8,987 units from July when exports began through to the end of the year. It was a finalist for both the North American and European Car of the Year awards, leading us to anticipate stronger sales performance, better profitability and enhanced awareness of the Kia brand in the future.

2,242

Overseas Sales
(Unit: thousand vehicles)

* Retail sales basis

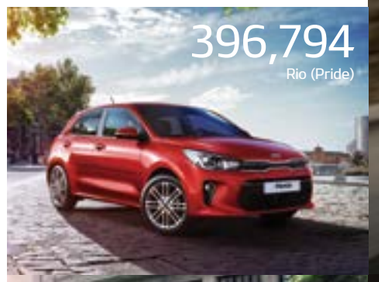
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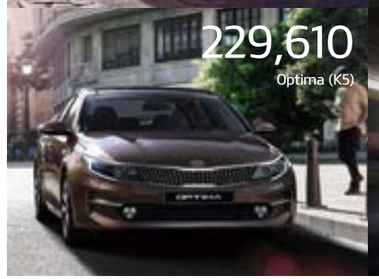
Overseas Market Share
(Unit: %)

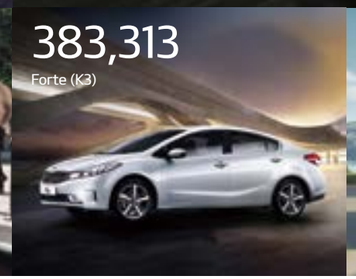


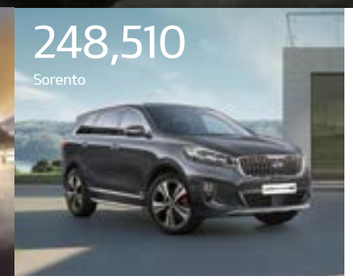
2017 Best-selling Models*











* Including sales in Korea; retail sales basis

Plans to build growth momentum in the global market

While we expect continued slow growth of the global economy as well as increased uncertainty, with the world's advanced countries expected to see stagnant growth, developing economies should experience incremental growth thanks to oil and raw materials exports. Meanwhile, the auto industry is also expected to go through a period of uncertainty in 2018 due to rising oil and raw materials prices, currency deflation, increased protectionism and continued political tension in many regions of the world.

With the business environment forecast to remain challenging, our global sales target for 2018 has been set at 2,818,000 units (ex-factory sales basis), a 4.1% increase over 2017. In order to achieve this goal, we will launch new cars by region to stabilize sales in major markets, including the U.S. and China. We will also focus on strengthening our presence in emerging markets. In particular, we will launch the all-new Forte/Cerato (K3) equipped with a third-generation powertrain for improved performance. We will also launch a new version of the K900/Quoris (K9) which combines our latest technologies, and the Niro EV, aimed at the eco-friendly vehicle market. In addition, we plan to achieve our sales target by unveiling strategic SUV models for the Chinese market where growth has recently slowed, and the next generation family of cee'd models which have been winning favorable reviews in Europe. Furthermore, we will strive to successfully complete the construction of our plant in India, develop strategic models that are tailored to local customer needs across the globe, and continue our growth momentum in Mexico and Russia. In addition, we will use digital technology to focus on all areas of customer interaction, which will enable us to lay the foundations for stronger, more sustainable growth.

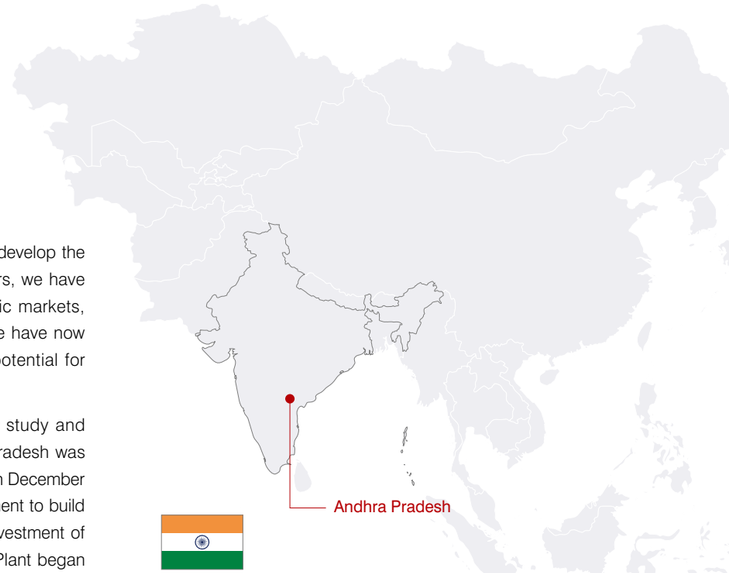
Kia Motors India Plant

Kia Motors continues to advance into new markets to develop the drivers of its future growth. Over the past several years, we have built a strong manufacturing presence in our strategic markets, including the U.S., Europe, China and Mexico, and we have now decided to enter the Indian market, which has the potential for substantial growth.

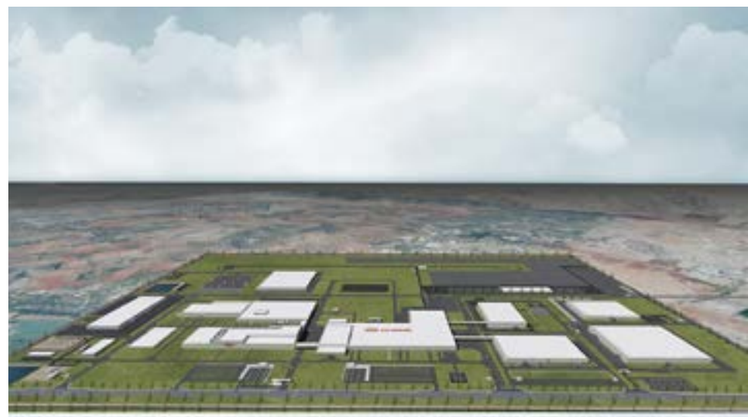
Following a 1-year period of market entry feasibility study and plant site evaluations starting back in 2015, Andhra Pradesh was selected as the future site of the Kia Motors India plant in December of 2016. In April 2017, we entered into an MOU agreement to build a 300,000-unit per-annum capacity plant with direct investment of USD 1.1 billion. Construction of the Kia Motors India Plant began in October 2017, and the project is on schedule to meet our September 2019 start of production target.

We have formulated strategic plans for making inroads into India. First, we will establish a presence in the market based on our outstanding design and quality competitiveness. Second, we will use creative marketing to build a brand image as a "trend leading innovator". Lastly, we will build a comprehensive dealer network, one of the most important factors in entering a new market, with an aim to respond actively to the fast-growing Indian market.

Our global management based on detailed and focused localization strategies has proved to be a success in many countries around the world. We will therefore analyze the local characteristics of the Indian market in detail, including the climate, environment and road conditions, as well as the economy and customer preferences and habits, so that we are able to develop and then launch competitive and localized strategic cars. By doing so, we aim to create another global success story.



- Annual production capacity
  300,000 units
- Location
  Andhra Pradesh, India
- Estimated completion date
  September 2019
  (Completion rate as of January 2018 – Foundation: 95%, Steel Framing: 24%)
- Investment
  USD 1.1 billion



BEATS of WIND

38
Design Management

42
Brand Management

44
Marketing Communications

46
Global Quality Management

Our Strengths

Kia Motors is creating waves in the global automobile market based on our world-leading quality and unique design capabilities. We are enhancing the Kia brand so that our products deliver an emotional experience and vitality into people's lives, just as the beat of music can move people's hearts.

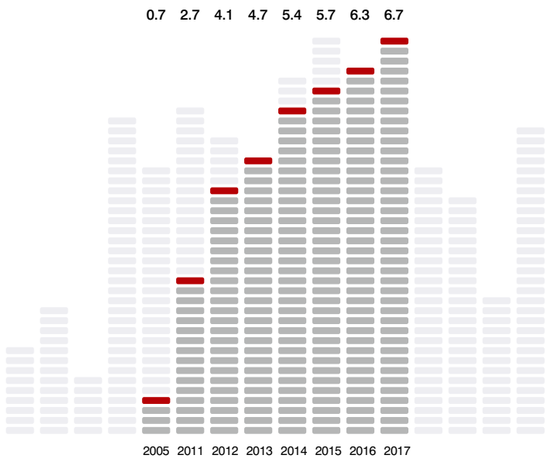


Ushering in Winds of Change

Design is a main factor that has enabled Kia Motors to grow into a leading player in the rapidly changing global automobile market. Our commitment to quality has remained unchanged, which is why, in 2017, we looked to respond preemptively to the future of mobility based on the two major axes of Kia Motors' growth – design and global quality management. This has further enhanced Kia's brand value and competitiveness.

Best Global Brand

Brand Value
(Unit: USD billion)



69th
Brand Ranking

Best Global Brand

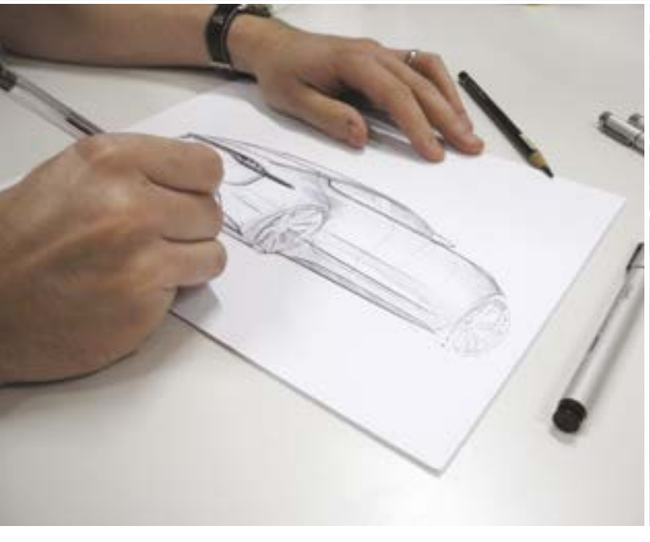
The value of Kia's brand continues to grow. In 2012, Kia Motors was selected as one of top 100 'Best Global Brands' by Interbrand for the first time, and we became the world's 69th most valuable brand in 2016. Moreover, our brand value reached USD 6.7 billion in 2017, reinforcing our position as one of the world's leading brands.



DESIGN MANAGEMENT

Design is what makes Kia unique and distinctive. By continuing to make further improvements to our designs so that they fully embody our brand philosophy and aesthetics, we will generate more value while maintaining stable and robust growth as a beloved and successful brand.









Proven design competitiveness in the global market

Kia once again won numerous global design awards in 2017. In February, the Niro, Rio (Pride) and Optima (K5) Sportswagon received the 2017 iF Design Award, organized by the International Forum Design in Germany. In April, the Optima (K5) Sportswagon was named 'Best of the Best' in the Transportation Design category and the Niro won an Honorable Mention at the 2017 red dot Design Awards, organized by Design Zentrum Nordheim Westfalen in Germany. In June, the Telluride, our premium large SUV concept car, won Bronze at the 2017 International Design Excellence Awards hosted by the Industrial Design Society of America. Three of our models – the Stinger, Niro and Rio (Pride) – were winners in the Transportation Design category at the Good Design Awards, with selections made in collaboration between the Chicago Athenaeum Museum of Architecture and Design and the European Centre for Architecture, Art, Design and Urban Studies.

At the Korea Color Design Awards 2017, organized by the Korea Society of Color Studies, the Stinger, unveiled in 2017, won the Grand Prize for its "high chroma red" color. High chroma red symbolizes the Stinger, and uses a new method to create a sophisticated color that has the highest degree of sharpness of any red color. It has received a very positive response for its dynamic, strong image, matching the Stinger's concept as a premium performance sedan. Our color marketing focuses on developing and using colors that are full of individuality and perfectly match each model. Kia cars have won multiple Korea Color Design Awards for their unique 'true colors', including the Sportage in 2004, the Rondo/Carens in 2006, the Cerato/Forte (K3) in 2009, the Soul in 2010, the Picanto (Morning) in 2011, the Sorento and Sedona (Carnival) in 2014 and the Stinger in 2017, further building the reputation of 'Design Kia'.

Designing the new future of 'Design Kia'

In 2006, when Kia announced our company-wide commitment to "design management", we recruited Peter Schreyer, one of the world's most renowned automobile designers. In 2009, the Soul with the new Kia family look became the first Korean car to win the red dot Design Award; and the Venga, a strategic model for the European market, became the first Kia vehicle to win the iF Design Award, which earned Kia instant global recognition for our design management. Moreover, our flagship models, including the Optima (K5) and Sportage, have won major global design awards, helping them to achieve strong sales performances. Our design management initiatives have brought about tangible results, and in 2017, we won awards at the world's three major design competitions – the iF Design Award, the red dot Design Award, and the IDEA Award, thus further cementing our world-leading position in design.

Rather than becoming complacent with these achievements, Kia continues to recruit world-renowned design experts as part of our commitment to further strengthening our design management capabilities. In September 2017, we recruited Pierre Leclercq to be Head of Styling at the Kia Design Center. Mr. Leclercq has extensive experience in major automobile markets, including Europe, the U.S. and China. By leveraging his experience and outstanding design skills, Kia Motors seeks to redefine the company's mid- to long-term design strategy and direction, which will reinforce Kia's leadership in design innovation. In October 2017, we recruited Oleg Son as Executive Director and Head of Kia Design China. Mr. Son has extensive experience in the Chinese market, which he will use in establishing a specialized design development process for China and in developing strategic designs to satisfy specific Chinese customer requirements, which will be pivotal in Kia Motors' continued advancement in the Chinese market. With the recruitment of these and other world-renowned designers, we will develop our world-leading design competitiveness by strengthening the seamless cooperation between our main design center in Korea and design bases in the U.S., Europe and China.

Meanwhile, Kia Motors built a dedicated design center inside the Namyang R&D Center in 2014 as part of an effort to further improve design capabilities. The Namyang Design Center covers a total area of 18,000 m^2, with one story below ground and two above. It is responsible for our overall design work, ranging from design planning to the creation of unique exterior designs and ergonomic interiors using the Kia family look, as well as cutting-edge digital modeling and the development of trend-leading new colors.





Design Awards

2017

Optima (K5) Sports Wagon
- Winner of 2017 iF Design Award, Product Design Category
- Best of the Best at 2017 red dot Design Award, Product Design Category

Rio (Pride)
- Winner of 2017 iF Design Award, Product Design Category
- Winner of 2017 red dot Design Award, Product Design Category
- Winner of 2017 Good Design Award, Transportation Category

Niro
- Winner of 2017 iF Design Award, Product Design Category
- Honorable Mention at 2017 red dot Design Award, Product Design Category
- Winner of 2017 Good Design Award, Transportation Category

Telluride Concept Car
- Bronze at 2017 IDEA Design Award, Transportation Design Category

Stinger
- Winner of 2017 Good Design Award, Transportation Category
- Grand Award at 2017 Korea Color 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 at 2016 red dot Design Award, Product Design Category
- Mobile App: Winner of 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 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 2015 red dot Design Award

2014

Soul
- Winner of Automotive Brand Contest, Exterior Design Category
- 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 at Automotive Brand Contest, Concept Category

pro_cee'd GT
- Winner of Australian Good Design Award, Automobile Design Category

2013

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

cee'd
- Winner of 2013 red dot Design Award, Product Design Category

cee'd Sportswagon
- Winner of 2013 red dot Design Award, Product Design Category

Carens/Rondo
- Winner of 2013 red dot Design Award, Product Design Category

Forte/Cerato
- 2013 Ward's 10 Best Interiors

2012

cee'd
- Special Mention at German Design Award, Transportation and Interior Categories
- Special Mention at Automotive Brand Contest, Interior Category
- Best Exterior Design at 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 at 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 2011 red dot Design Award, Product Design Category
- Winner of 2011 Australian International Design Awards
- Winner of Automotive Brand Contest, Exterior Category

Sportage
- Winner of 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 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 2010 Korea Design Awards by the Ministry of Knowledge Economy

Venga
- Winner of 2010 red dot Design Award, Product Design Category

2009

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

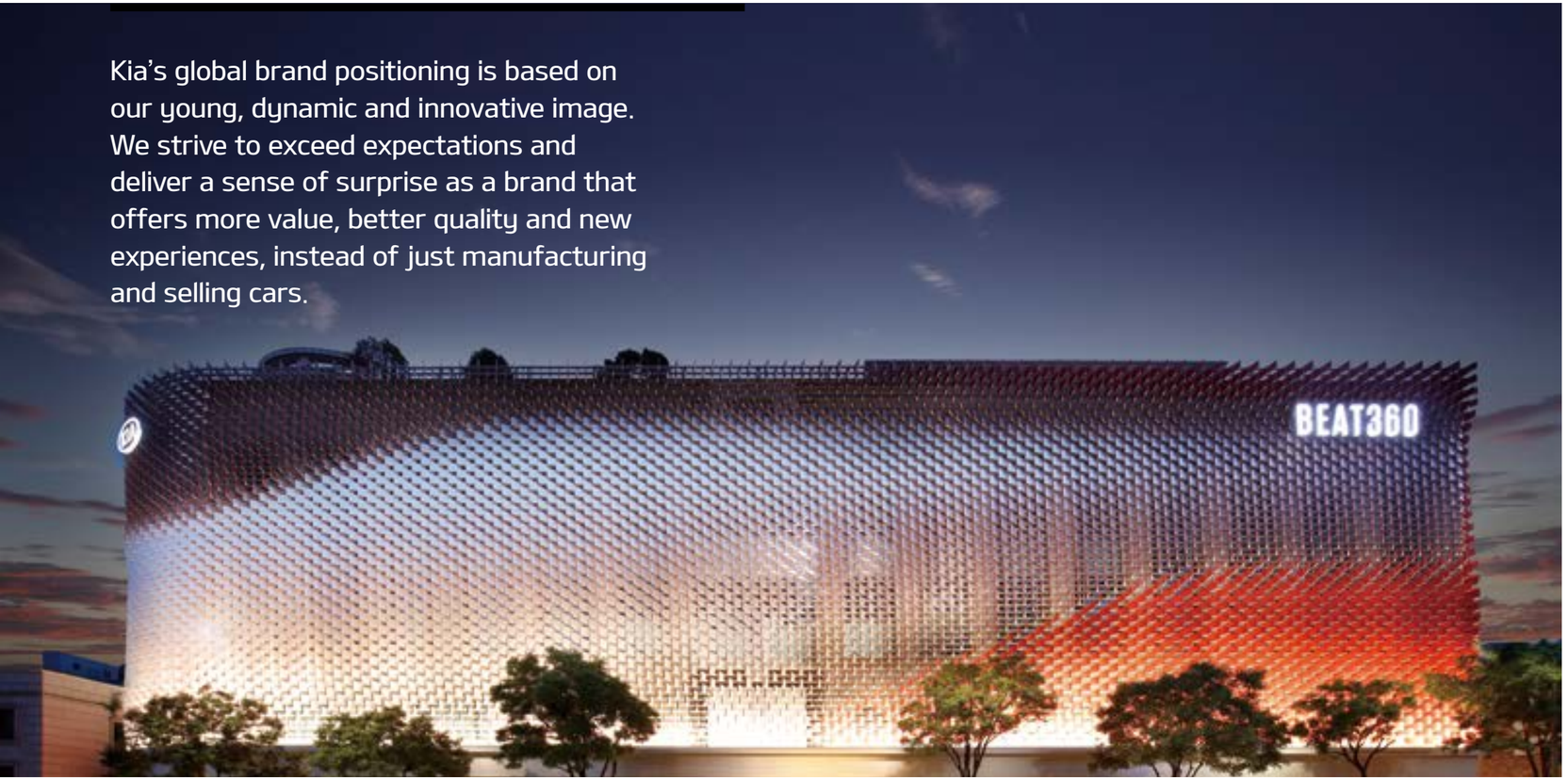
Soul
- Honorable Mention at 2009 red dot Design Award, Product Design Category
- Interior of the Year at 2009 Best Interior Award by Ward's Auto World

2008

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

BRAND MANAGEMENT

Kia's global brand positioning is based on our young, dynamic and innovative image. We strive to exceed expectations and deliver a sense of surprise as a brand that offers more value, better quality and new experiences, instead of just manufacturing and selling cars.







'A Different Beat' to differentiate Kia from others

We believe differentiated brand positioning, along with differentiated products, is the key to success. Kia, therefore, focuses on positioning ourselves as a trend-leading, innovative brand with a young and vibrant spirit, driven by an aim to ensure that we stand out from our competitors.

In 2005, we created 'The Power to Surprise' as our brand slogan in order to deliver a consistent brand image and thus strengthen brand awareness. We have also undertaken a global brand campaign since 2012 based on our 'A Different Beat' brand essence and three supporting core identities – Vibrant, Distinctive and Reliable. In addition, we have unveiled a brand collection of various design products which use our unique 'K pattern'. In 2017, we opened 'BEAT360', a multi-experience brand space in the heart of Seoul. By focusing on space, participation and communications through various customer engagement programs, we are sharing our brand essence with a greater number of people.

One of the Best Global Brands in 2017

Kia Motors continues to enhance our brand by communicating with customers at various contact points, including sales outlets, service centers and experiential spaces, as well as through products that offer outstanding quality and design. These efforts have helped our brand value to increase steadily in the global market.

In 2017, Interbrand – the world-renowned brand consulting company – valued the Kia brand at USD 6.7 billion, up 6% year-on-year, in its 'Best Global Brands 2017' survey. This made Kia Motors the world's 69th most valuable brand. Our brand value has grown more than seven-fold from USD 900 million in 2006 when we first declared our design management strategy. An Interbrand official said of Kia Motors, "The biggest factor that has enabled the continued growth of Kia's brand value is innovation that involves continuously redefining oneself. There are high expectations for the other challenges taken on by the dynamic, fun Kia brand, such as the performance sedan Stinger and BEAT360, a brand experience space that stimulates the five senses".

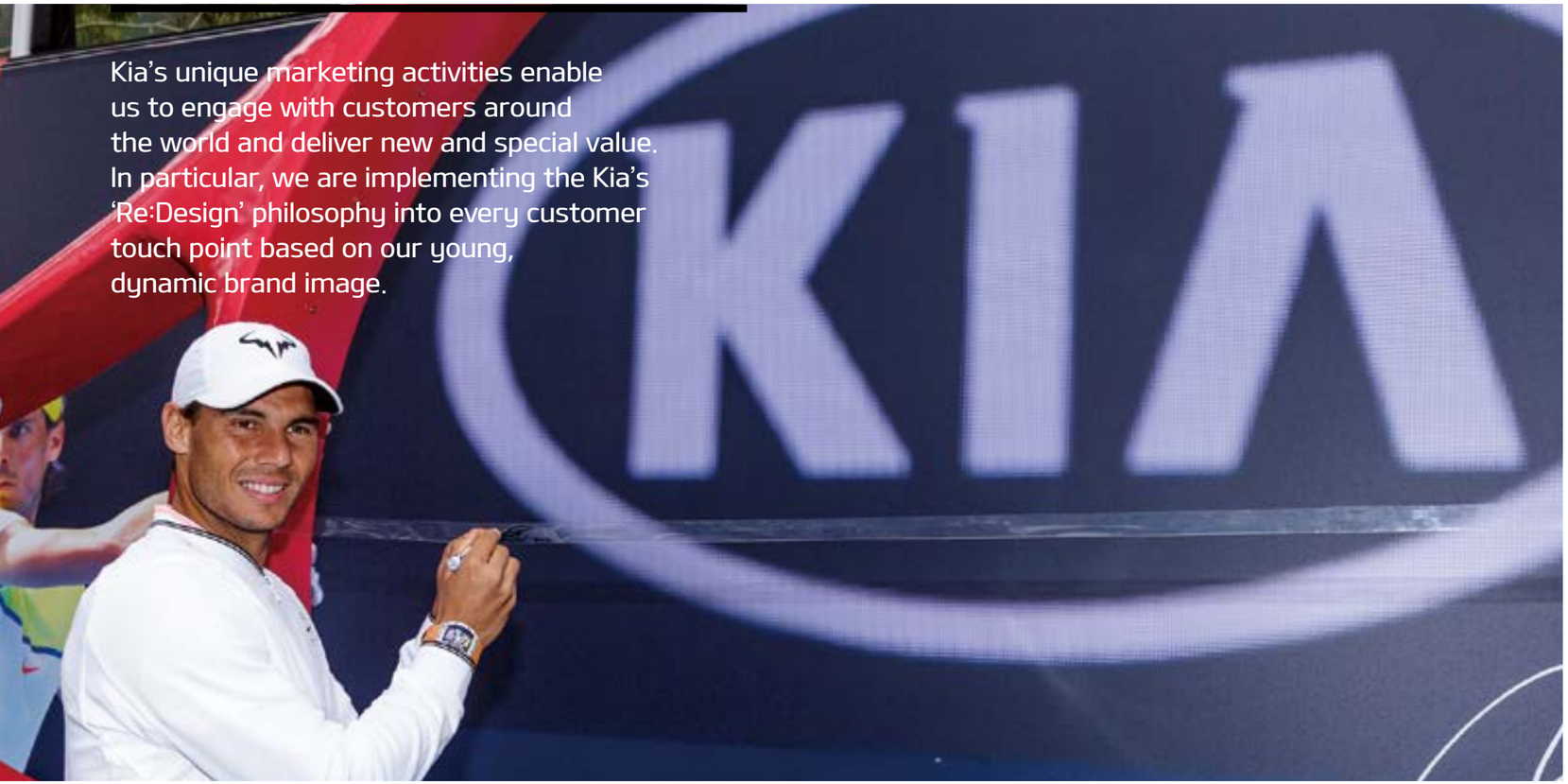
Kia Motors will grow into a brand that is loved by a greater number of customers over the long-term through outstanding products that exceed expectations, distinctive brand experiences and sincere communications based on our young, dynamic brand identity.



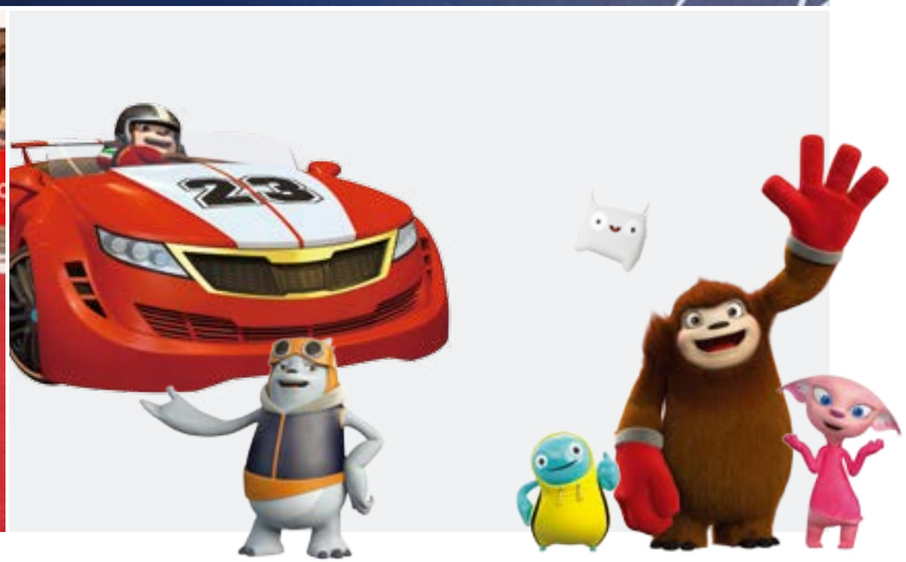
Kia Motors PR Site
http://pr.kia.com

MARKETING COMMUNICATIONS

Kia's unique marketing activities enable us to engage with customers around the world and deliver new and special value. In particular, we are implementing the Kia's 'Re:Design' philosophy into every customer touch point based on our young, dynamic brand image.







Sports marketing to win the hearts of more customers around the world

Kia's global sports sponsorships, including the FIFA World Cup™, the Australian Open and UEFA Europa League, support our efforts to target 'young-at-heart' consumers through our dynamic and youthful brand image. Kia sees these sponsorships as opportunities to engage more closely with young at hearts around the world.

The Australian Open, a major festival for tennis fans around the world, is a key element of our global marketing activities and has been boosting the growth of our brand. Sponsorship media value stood at around USD 79 million in 2002 – our first year of sponsorship. We have been officially sponsoring the Australian Open for 16 consecutive years as of 2017, and sponsorship media value rose to some USD 505 million for the 2017 Australian Open. This long-term partnership has considerably benefited the Australian Open, as well as increasing our brand value, especially in the Asia Pacific and Europe where there are millions of tennis fans.

In addition, Kia Motors signed an agreement with the Union of European Football Associations (UEFA) in 2017 to become an official sponsor of the UEFA Europa League. The UEFA Europa League is the largest football club competition in the world, and we will further strengthen awareness of the Kia brand as an official sponsor. With an aim to publicize the Kia brand to football fans around the world in an easy, friendly way, we are planning exclusive promotions, including the UEFA Europa League Global Trophy Tour, a program to select youths to deliver the official match balls to the pitch and an online fantasy game. Meanwhile, our others sports marketing properties cover different sports in countries around the world, including the professional golf tournaments such as the Kia Korea Women's Open and the LPGA Kia Classic, as well as our sponsorship of the Korea Baseball Organization (KBO) and NBA in the U.S.

Youth marketing to help the future generation win the future

Kia Motors offers a wide range of programs to support the young generation, from children to college students, with the aim of helping them become leaders of the future. Launched in 2016, 'Red Clover' is a program which involves college students in the planning and execution of social contribution activities. Red Clover is contributing to building a better society through participants' creativity and sincerity. We also undertake social contribution activities based on the theme of 'mobility, one of the main values that we seek to share. Program include assistance for people who find it difficult to travel, including the disabled, pregnant women, children and senior citizens. In 2017, we ran a 'Special Bus for Mobility Impaired Passengers' campaign, encouraging passengers to consider pregnant women on public transportation, and hosted the 'Barrier-Free' film festival for the visually impaired as part of our commitment to creating a better society.

In addition, we developed the 'ENZY and Friends' characters so that children can become familiar with and curious about cars, thus being more aware of traffic safety. We have been using these characters since 2005 for the 'SLOW campaign', a global child traffic safety campaign. The SLOW campaign offers traffic safety education to parents, kindergarteners and elementary school students, mainly focusing on the traffic safety message 'Stop, Look, Walk'. In 2017, we hosted 'ENZY DAY', a traffic safety education experience, and created the 'ENZY KIT', a traffic safety educational package for use by local educational institutions. By doing so, we helped 53,249 parents and children develop correct safety habits while promoting road safety awareness.

GLOBAL QUALITY MANAGEMENT



Quality management is the foundation upon which Kia Motors has evolved into a global automaker, and it continues to drive our efforts to ensure sustainable growth. Offering our customers around the world unsurpassed quality is our top priority as it forms the basis for enhancing our corporate value and future competitiveness.

The ‘quality first’ principle for enhancing competitiveness

Kia Motors pursues the principle of ‘quality first’ because making cars that customers can rely on is the most important factor in winning customer trust. Quality is fundamental to Kia Motors not only because it is directly connected to our customers’ safety and emotional satisfaction, but also because it is our raison d'être. To support our efforts aimed at quality innovation, we are applying the ‘Q-Standard’, a stronger set of criteria than previously applied in car development. We also use ‘Q-Cluster’, a collaborative system through which we verify quality in the field with suppliers. Together, these systems enable us to offer quality improvements that are focused on market and customer requirements. Overseas, we have established the Parts Quality Innovation Center, and we also operate the Global Situation Room to monitor any quality issues that arise after sale of a vehicle so that we can make immediate improvements.





Global recognition for Kia’s quality management

In June 2017, Kia Motors ranked number one among 32 brands in the 2017 Initial Quality Study (IQS) from J.D. Power and Associates in the U.S. Five models – the Cerato/Forte (K3), Cadenza (K7), Soul, Niro and Sorento – were also named segment winners. This was the second year in a row that Kia Motors claimed the number one ranking, making us the first non-premium brand in the 31-year history of IQS to take the top position for two consecutive years.

Moreover, Kia Motors ranked third in the 2017 Quality Reliability Survey by US Consumer Reports for the first time in the company’s history. The survey covered a total of 27 brands, including top-end brands from Japan, Germany and the U.S. Kia was recognized as a “more reliable” brand, and the Niro was chosen as the “most reliable” vehicle in the hybrid segment, demonstrating its strong emergence in the US eco-friendly car market. In the 2017 Vehicle Satisfaction Awards by AutoPacific, an automobile specialist consulting and research firm in the U.S., three of our models – the Optima (K5), Cadenza (K7), and Sportage – took the number one spot in their segments. In addition, we were second among non-premium brands in the 2017 China-IQS, our highest ranking ever, and the Optima (K5) was named a segment winner. Kia Motors’ quality has thus been widely recognized in the vitally important automobile markets of the U.S. and China, thus further cementing our position as a truly global automobile company.

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 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 year in a row.

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 Kia Mexico plant is producing top-quality finished cars.

BEATS of LIGHT

50
Corporate Social Responsibility

52
Research & Development

57
Concept Cars

58
R&D Global Network

Our Future

Behind Kia's story of success is our dedication to creating a better future through automobiles. The role of companies in creating sustainable growth has never been more important; we will therefore drive towards a brighter tomorrow through economically, environmentally and socially responsible management.

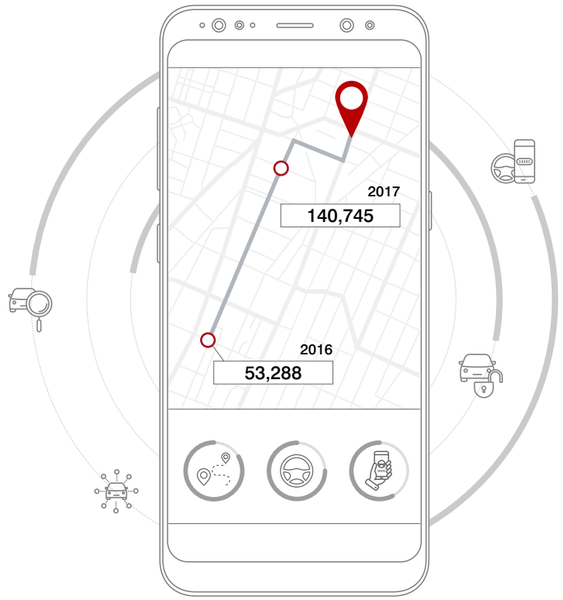


Shining a Light on Innovation

‘Green Light’ is the logo for our global social contributions that embodies our determination to take the red light that restricts travel and blocks forward momentum and turn the light green. We also focus our capabilities on R&D into the future of mobility, thus removing all constraints on personal transportation. In this way, we are brightening the lights of technological and social innovation as a global automobile company and responsible corporate citizen.

Eco-friendly Car Sales

(Unit: vehicles)



2018(E)

162,385
vehicles

* Wholesale basis

Global Green Growth

Kia Motors is emerging as a major player in the eco-friendly vehicle market. The Niro sold 23,676 units in Korea in 2017, making it the top-seller among eco-friendly cars. It also sold 89,734 units overseas, making it the first Korean eco-friendly car to sell more than 100,000 units in a year. Backed by the Niro's performance, total sales of Kia's eco-friendly cars have enjoyed accelerating growth, rising by 164.1% year-on-year in 2017.

CORPORATE SOCIAL RESPONSIBILITY

We faithfully fulfill our responsibilities as a global corporate citizen by adding sincerity to our expertise as a global automobile company. By sharing with local communities across the globe, Kia Motors is turning on the green light for 'A Better Way to Go'.



CSR Mission and Direction

Guided by our CSR mission to "fulfill our corporate social responsibilities and take on new challenges to contribute to a better world", Kia Motors focuses on social contribution activities that make a long-term difference, rather than one-off activities. Kia staff members around the world unite their strengths to resolve social issues in local communities based on our 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' is our flagship global social contribution program launched in 2012 with the goal of promoting education, access to medical treatment and culture in developing nations, as well as building the foundations for local communities to develop and become fully self-reliant. We have built secondary schools, health centers, job training centers and other facilities in eight communities across seven African countries – Tanzania, Malawi, Kenya, Mozambique, Uganda, Ethiopia and Rwanda. We also support mobility programs such as the provision of school buses and mobile libraries.

2017 was a very significant year for the Green Light Project, as we were able to transfer facilities – a secondary school in Tanzania and a health center in Malawi – to their local communities for the very first time. We will continue to provide substantial support so that all facilities and programs established through the Green Light Project can be run by local communities as soon as they are able to do so.

Green Trip

'Green Trip' is our flagship social contribution program in Korea, offering travel support for people with physical disabilities. We provide Carnival Easy Move vehicles that enable the disabled to drive themselves and to transport their wheelchairs. By encouraging people with physical challenges to travel, we are helping them overcome both the psychological and physical barriers posed by distance. The number of applicants has grown steadily since the program first began in June 2012, and as of the end of 2017, 34,753 participants have traveled 2.2 million kilometers. In 2017, guided by the theme 'Feel Young at Heart', we supported traveling experiences based on four concepts – confident self-reliance, interesting experiences, overcoming limits, and community.

Mobility Challenge

CSR Activities of Domestic Worksites

Kia Motors also contributes to the development of local communities through social contribution activities centered on our domestic worksites. Since 2016, each worksite has implemented its own focused social contribution program. The Sohari Plant runs the 'Kia Challenge Key Academy', which provides learning programs to underprivileged teenagers in the local area. The Hwaseong Plant provides environmental education to local children, teenagers and undergraduate students through the 'Kia Challenge Eco Project', while the Gwangju Plant supports cultural performances and arts education for underprivileged children and teenagers in the local community through the 'Kia Challenge Concert'. Domestic sales teams link their car sales with support for the underprivileged in local communities by generating funds that can then be used for social contribution activities. In addition, Kia service centers guarantee safe travel for the underprivileged by providing vehicle maintenance at local community welfare facilities.

CSR Activities of Overseas Subsidiaries

Our overseas manufacturing and sales subsidiaries are also contributing to economic development and job creation in their local communities by generating and sharing economic value. They also seek to create social value through various social contribution activities. Kia Motors Manufacturing Georgia (KMMG), our US manufacturing subsidiary, provides math, science and technology education support to a public school near the Kia plant in Georgia, while Kia Motors America (KMA), our US sales subsidiary, sponsors 'Be Responsible and Keep Everyone Safe', a safe driving education program for teenagers. Kia Motors Mexico (KMM), our Mexico manufacturing subsidiary, runs an elementary school library remodeling project and operates a mobile library using Kia vehicles. In 2012, Kia Motors Slovakia (KMS), our Slovakia manufacturing subsidiary, launched the 'Bike Kia' project, which is striving to create a bike path covering a total of 34 kilometers by 2020 in an area near the plant. Furthermore, Dongfeng Yueda Kia Motors (DYK) in China runs a social contribution program that is improving living conditions for an entire village.



RESEARCH & DEVELOPMENT

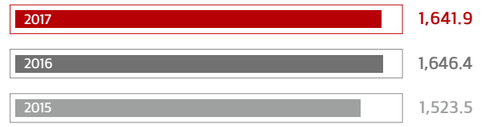
Kia Motors has been accelerating its R&D innovations in order to realize ‘Clean Mobility’ (free from emissions), ‘Smart Mobility’ (free from the inconveniences of driving and the risk of accidents) and ‘Boundless for All’ (free from all travel constraints).





1,641.9

Investment in R&D
(Unit: KRW billion)



Setting a new standard for future mobility

Unveiling future technologies • In January 2018, Kia Motors participated in the 2018 Consumer Electronics Show (CES) in Las Vegas to showcase our advanced technological prowess. We unveiled the Niro EV Concept, which brings together Kia’s innovative technological capabilities, including autonomous driving technologies, thereby demonstrating to the global market how we are responding to the future of mobility.

The major characteristics of the Niro EV Concept include a seamless exterior design and simple, intuitive interior styling optimized for autonomous driving. It also uses many state-of-the-art new technologies, including driver facial recognition technology that was developed in collaboration with Amazon, Pedestrian Attention Warning, Smart Touch Steering Wheel, Smart Touch Air Vent, Vibrating Woofer Seat, and a Separated Sound Zone. The Niro EV Concept also features a 64-kWh lithium-polymer battery pack with a powerful 150-kW electric motor that delivers a range of more than 380 kilometers on a single charge. Thanks to these innovative design and technological features, the Niro EV Concept won the ‘Editors’ Choice Award’, presented by the editors of major media outlets at CES 2018.

Visitors to CES also took note of the ‘UVO’ system, Kia Motors’ cutting-edge telematics service that connects cars to the wider world. UVO delivers more comfortable and enjoyable driving through a smartphone connection, and also helps safety and security by using state-of-the-art IT and communications technology to perform technical diagnoses on the car.

In addition, we announced ‘Boundless for All’, our vision for future mobility, which we are aiming to fulfill through these technologies, and presented ‘Mobility-ACE’, the four major strategies that will give shape to this vision. These strategies have been defined as ‘autonomous’, ‘connected’, ‘eco/electric’ and ‘mobility service’. To be ‘autonomous’, we will carry out phased commercialization of autonomous driving technologies based on safety and convenience. We plan to conduct large-scale autonomous driving trials on actual roads in 2019, and we are aiming to develop a level 4 autonomous driving car that can drive itself without driver intervention in a smart city by 2021. To be ‘connected’, we plan to offer hyper-connectivity services in all models by 2030 by building an open platform and strengthening open innovation. In the area of ‘eco/electric’, our ambition is to be a market leader by considerably strengthening Kia’s line-up of eco-friendly cars. We will also focus on developing a ‘mobility service’ that creates new customer experiences and value.

Unveiling next-generation powertrains • To ensure competitivenes's in the future, Kia Motors has been focusing on technological leadership in engines and transmissions, the foundations of automotive manufacturing. The result of our recent efforts was the unveiling of 'Smart Stream', a next-generation powertrain developed by Kia Motors in cooperation with Hyundai Motor over the last five years, at the 2017 Hyundai-Kia International Powertrain Conference held in October.

Encompassing gasoline and diesel engines, transmissions and others, Smart Stream has been developed with the goal of improving fuel efficiency, enhancing performance and reducing emissions. The Smart Stream engine has several factors contributing to its excellence, including an optimized powertrain structure design, better combustion technology, the application of advanced new technologies, and the use of smaller, lighter parts. In particular, the Continuously Variable Valve Duration (CVVD), used commercially for the first time in the Smart Stream G1.6 T-GDi, is an innovative technology that improves engine performance and fuel efficiency by optimizing the timing of the opening and closing of intake valves, depending on the engine's operational situation. The Smart Stream transmission has improved fuel efficiency and optimized driving performance, particularly through the Smart Stream wet-clutch eight-speed DCT, which offers the right level of control responsiveness and accuracy needed by high-output engines.

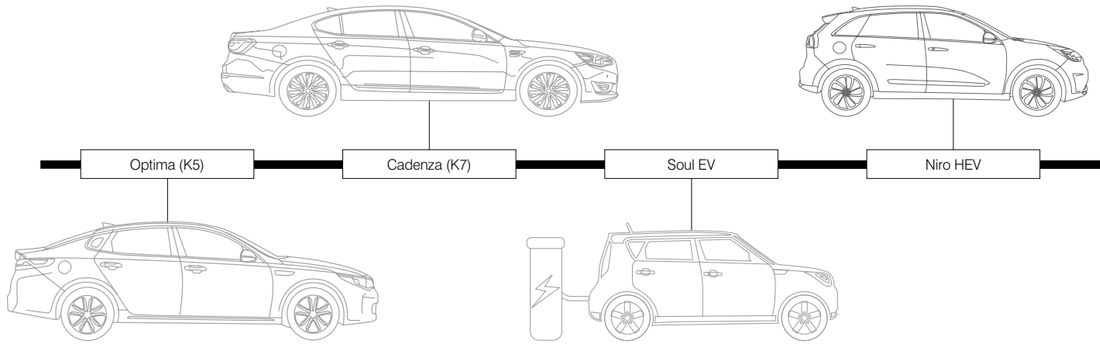
Kia Motors plans to apply the Smart Stream powertrains to our major models starting in 2018 so that we can respond to ever-stricter fuel efficiency and environmental regulations in different countries around the world, while also satisfying driver requirements and the growing demand for better car performance. In Korea, we will apply Smart Stream technologies to the all-new Forte/Cerato (K3) to be unveiled at the beginning of the year. In other countries, we will begin with the cee'd, our strategic model for Europe, and then apply Smart Stream engines and transmissions more widely.

Setting a new goal for clean mobility

Eco-friendliness is a major topic around the world, and this has resulted in stronger environmental standards, including fuel efficiency regulations, as well as increased policy support for the development of eco-friendly cars. There has also been a sharp increase in consumer demand for eco-friendly cars, meaning that continued development in this sector is an essential requirement for leadership of the future automotive market and for achieving sustainable growth. In response, Kia Motors established the 'EcoDynamics' eco-friendly sub-brand in 2009, with the target of achieving zero emissions, and we continue to increase our investments into the development of eco-friendly cars.

Line-up of eco-friendly cars

	2015	2016	2017	2018
HEV	Optima (K5), Cadenza (K7)	Niro, Optima (K5), Cadenza (K7)	Niro, Optima (K5), Cadenza (K7)	Niro, Optima (K5), Cadenza (K7)
PHEV	–	Optima (K5)	Niro, Optima (K5)	Niro, Optima (K5), Optima (K5) for Chinese market
EV	Soul	Soul	Soul	Niro, Soul
FCEV	–	–		
Number of models	3	5	6	8















Setting a new course for smart mobility

In 2016, Kia Motors launched 'DRIVE WiSE', our sub-brand for autonomous driving technologies, in order to develop cutting-edge autonomous driving technologies that can free customers from negative aspects of driving and reduce the risk of accidents.

We have enhanced safety and convenience by developing Advanced Driver Assistance System (ADAS) technologies, including the Lane Departure Warning System (LDWS), Autonomous Emergency Braking (AEB), Lane Following Assist and Blind-Spot View Monitor, and then applying them to our mass-produced cars. We plan to continue to develop a wide range of advanced ADAS technologies that can offer safety and convenience to drivers, passengers and even pedestrians.

Automobiles are moving beyond just being simple means of transportation, and are evolving into smart devices. At the same time, automobile consumers are changing from the concept of ownership to one of sharing. In response, Kia Motors launched 'WiBLE', a mobility service brand, in August 2017. Meaning 'Widely Accessible', WiBLE is a car-sharing service that enables users to book cars using a mobile application. We unveiled a car-sharing service for apartment complex residents in 2017, and plan to increase our service area to include Europe and other regions starting in 2018. This initiative will increase our presence in the mobility service market, which will be a mainstream part of the finished car market in the near future.

In 2017, Kia Motors overhauled its eco-friendly car management strategy in accordance with the new 'Hyundai Motor Group 2025 Eco-friendly Car Line-Up Strategy'. This strategy involves increasing the Group's line-up of eco-friendly cars from 13 in 2017 to more than 38 models in 2025, of which Kia eco-friendly vehicles will account for 16 models.

As of the end of 2017, we have six eco-friendly cars – the Optima (K5) HEV, Optima (K5) PHEV, Cadenza (K7) HEV, Soul EV, Niro HEV and Niro PHEV. In 2018, we will launch the Niro EV, which complete the implementation of three different eco-friendly powertrains in the Niro line-up – an HEV, PHEV and EV – on a single dedicated eco-friendly car platform. We will subsequently expand our EV line-up to five models by 2025. Meanwhile, we will expand the application of HEV and PHEV technologies from being solely sedan-centered to include our volume SUV models, which will increase Kia's number of eco-friendly car models to eight in 2018 and nine in 2019. We will add one fuel cell electric vehicle (FCEV) model in 2020 to bring Kia's total line-up of eco-friendly cars to 15 models.

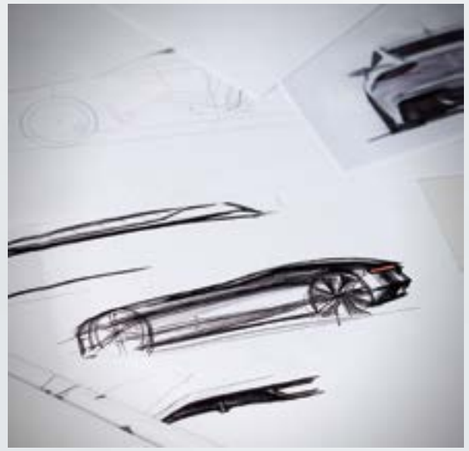
CONCEPT CARS

Proceed Concept

Kia Motors unveiled the Proceed Concept at the '67th Internationale Automobil-Ausstellung' held in Frankfurt, Germany. The Proceed Concept is an extended hot hatch concept car featuring Kia's unique signature young and dynamic design DNA, and presents a new design vision for the next generation cee'd family line-up. This innovative concept car offers more trunk space than existing hatchbacks, which increases its practical appeal.

At the front center is the tiger nose-shaped grille, a symbol of all Kia cars. On the sides, the sloping roofline completes an agile silhouette image. With its long bonnet, short front overhang and slim waistline, the Proceed Concept has a strong visual sense of balance. In addition, the GT logo, long a symbol of power and speed in the car industry, is engraved on the C-pillars in the form of a shark's fin, enhancing its high performance image. Thin rays have been applied to the area near the glass on the sides of the car to emphasize its smooth silhouette, adding to the Proceed Concept's unique style.

On the interior, a sense of refinement harmonizes with the exterior design. The interior styling was inspired by bespoke tailoring and haute couture, and innovative materials and elegant designs were used to create a strong sense of sophistication. For the seats, more than 100 meters of elastane fabric was trimmed by hand to create detailed wave-patterned creases. The use of black on the interior creates a contrast to the strong "lava red" of the dashboard and center console, resulting in brilliant yet modern beauty.







R&D GLOBAL NETWORK

Location Facilities Size



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 development 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, 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.

4 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' European headquarters, the Kia Design Center Europe is boosting Kia's design capabilities in Europe.

Frankfurt, Germany
Design Center

6 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.

Rüsselsheim, Germany
Technical and Design Center

7 Nürburgring Workshop

Affiliated with the Europe Technical Center, the Nürburgring Workshop is located near the famous Nürburgring Circuit in Germany. Its main task is to evaluate the performance and durability of Kia Motors vehicles.

Meuspath, Germany
3,622 m^2 (ground area)

ASIA

8 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 m^2 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

9 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

10 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

11 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.

12 Eco-Technology Research Institute

Yongin, Gyeonggi-do
29,519 m^2
Hydrogen Fueling Station, Fuel Cell Durability Tester, ELV Dismantling System, etc.

13 Technology Innovation Center

Uiwang, Gyeonggi-do
17,058 m^2
Dry & Clean Room, HMI Lab, Nano-Materials Lab, Autonomous Driving Control Lab, Venture Plaza, etc.

FINANCIAL REVIEW

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INDEPENDENT AUDITORS' REPORT

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 (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an audit opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. 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 Group as of December 31, 2017, and its financial performance and its cash flows for the year then ended, in accordance with Korean International Financial Reporting Standards.

Other matter

The accompanying consolidated financial statements of the Group as of December 31, 2016, were audited by other auditor, which expressed an unqualified opinion in its independent auditors' report on March 9, 2017.

Ernst & Young Han Young

February 22, 2018

This audit report is effective as of February 22, 2018, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditors' report to the time this report is used. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

KIA MOTORS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2017 and 2016

(In millions of Korean won)

	Note	December 31, 2017	December 31, 2016
Assets			
Cash and cash equivalents	5, 31	₩ 1,561,738	3,064,191
Short-term financial instruments	5, 31	5,298,287	3,482,272
Short-term available-for-sale financial assets	7, 31	2,508,682	1,806,374
Accounts and notes receivable – trade	31, 32	2,092,975	2,402,540
Accounts and notes receivable – others	31, 32	951,196	762,172
Advance payments	32	120,601	51,699
Current tax assets		135,808	107,864
Inventories	6	8,543,645	8,854,373
Other current assets	13, 19, 31	429,147	380,736
Total current assets		**21,642,079**	**20,912,221**
Long-term financial instruments	5, 31	81,770	115,576
Long-term available-for-sale financial assets	7, 31	360,921	509,466
Long-term accounts and notes receivable – trade	31	3,392	3,803
Investments in associates and joint ventures	8	13,024,899	12,658,559
Property, plant and equipment	4, 9	13,652,902	13,493,203
Investment property	4, 10	25,275	29,714
Intangible assets	4, 11, 12	2,470,467	2,295,308
Guarantee deposits	31	177,505	175,467
Deferred tax assets	27	500,242	420,688
Other non-current assets	13, 19, 31	354,986	275,255
Total non-current assets		**30,652,359**	**29,977,039**
Total assets		₩ **52,294,438**	**50,889,260**

See accompanying notes to consolidated financial statements.

(In millions of Korean won)

	Note	December 31, 2017	December 31, 2016
Liabilities			
Accounts and notes payable – trade	31, 32	₩ 5,113,283	6,128,049
Short-term borrowings	14, 31	2,993,712	2,876,276
Accounts and notes payable – others	31, 32	2,476,416	2,376,365
Advances received		619,215	676,968
Accrued expenses	31	1,861,110	1,827,634
Income taxes payable		192,354	231,431
Current portion of long-term debt and bonds	14, 18, 31	861,421	1,255,151
Provisions – current	17	1,137,779	827,474
Other current liabilities	15, 19, 31	67,729	47,552
Total current liabilities		**15,323,019**	**16,246,900**
Bonds	14, 18, 31	3,019,968	1,665,407
Long-term debt	14, 18, 31	1,874,732	2,271,634
Long-term advances received		85,332	88,083
Net defined benefit liabilities	16	38,686	26,614
Provision for other long-term employee benefits		261,742	266,806
Provisions	17, 18	3,495,552	2,266,158
Deferred tax liabilities	27	1,187,162	1,401,924
Other non-current liabilities	15, 19, 31	147,068	76,310
Total non-current liabilities		**10,110,242**	**8,062,936**
Total liabilities		**25,433,261**	**24,309,836**
Equity			
Common stock	20	2,139,317	2,139,317
Capital surplus		1,560,650	1,560,650
Retained earnings	21	24,074,322	23,465,759
Accumulated other comprehensive loss	7, 20	(852,038)	(525,228)
Other equity	20	(61,074)	(61,074)
Total equity		**26,861,177**	**26,579,424**
Total liabilities and equity		₩ **52,294,438**	**50,889,260**

See accompanying notes to consolidated financial statements.

KIA MOTORS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2017 and 2016

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

	Notes		2017		2016
Sales	4, 32	₩	53,535,680		52,712,906
Cost of sales	28, 32		44,618,696		42,281,590
Gross profit			**8,916,984**		**10,431,316**
Selling expenses	24, 28, 32		5,373,702		5,127,449
General and administrative expenses	24, 28, 32		2,881,056		2,842,387
Operating profit			**662,226**		**2,461,480**
Gain on investments in associates and joint ventures, net	8		563,952		1,159,899
Finance income	25, 31, 32		408,718		249,938
Finance expenses	25, 31, 32		250,969		293,353
Other income	26, 32		644,051		817,114
Other expenses	26, 32		887,925		953,044
Profit before income taxes			**1,140,053**		**3,442,034**
Income tax expense	27		172,035		687,394
Profit for the year		₩	**968,018**		**2,754,640**
Profit attributable to:					
Owners of the Company			968,018		2,754,640
Non-controlling interests			-		-
Earnings per share					
Basic earnings per share in Korean won	22	₩	2,414		6,873

See accompanying notes to consolidated financial statements.

KIA MOTORS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2017 and 2016

(In millions of Korean won)

		2017	2016
Profit for the year	₩	**968,018**	**2,754,640**
Other comprehensive income for the year:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		50,420	98,972
Remeasurements of associates, net		31,149	14,092
		81,569	**113,064**
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets		(20,676)	(108,568)
Effective portion of changes in fair value of cash flow hedges		1,431	(57)
Change in capital adjustments – decrease in gain of equity method accounted investment		(75,255)	(10,916)
Change in capital adjustments – decrease (increase) in loss of equity method accounted investment		(62,574)	68,427
Exchange differences on translating foreign operations, net		(169,736)	(432)
Reclassification of non-current assets as held for sale		-	1,668
		(326,810)	(49,878)
Other comprehensive income (loss) for the year		**(245,241)**	**63,186**
Total comprehensive income for the year	₩	**722,777**	**2,817,826**
Comprehensive income attributable to:			
Owners of the Company		722,777	2,817,826
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, 2017 and 2016

(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
Comprehensive income:							
Profit for the year	-	-	2,754,640	-	-	-	2,754,640
Net fair value loss on available-for-sale financial assets	-	-	-	(108,568)	-	-	(108,568)
Effective portion of changes in fair value of cash flow hedges	-	-	-	(57)	-	-	(57)
Change in capital adjustments – decrease in gain of equity method accounted investments	-	-	-	(10,916)	-	-	(10,916)
Change in capital adjustments – decrease in loss of equity method accounted investments	-	-	-	68,427	-	-	68,427
Reclassification of non-current assets as held for sale	-	-	-	-	-	1,668	1,668
Remeasurements of defined benefit plans	-	-	98,972	-	-	-	98,972
Remeasurements of associates	-	-	14,092	-	-	-	14,092
Exchange differences on translating foreign operations	-	-	-	(432)	-	-	(432)
Total comprehensive income	**-**	**-**	**2,867,704**	**(51,546)**	**-**	**1,668**	**2,817,826**
Transactions with owners and other, recorded directly in equity:							
Payment of cash dividends	-	-	(441,025)	-	-	-	(441,025)
Purchase 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 consolidated financial statements.

(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, 2017	₩ 2,139,317	1,560,650	23,465,759	(525,228)	(61,074)	-	26,579,424
Comprehensive income:							
Profit for the year	-	-	968,018	-	-	-	968,018
Net fair value loss on available-for-sale financial assets	-	-	-	(20,676)	-	-	(20,676)
Effective portion of changes in fair value of cash flow hedges	-	-	-	1,431	-	-	1,431
Change in capital adjustments – decrease in gain of equity method accounted investments	-	-	-	(75,255)	-	-	(75,255)
Change in capital adjustments – increase in loss of equity method accounted investments	-	-	-	(62,574)	-	-	(62,574)
Remeasurements of defined benefit plans	-	-	50,420	-	-	-	50,420
Remeasurements of associates	-	-	31,149	-	-	-	31,149
Exchange differences on translating foreign operations	-	-	-	(169,736)	-	-	(169,736)
Total comprehensive income		**-**	**1,049,587**	**(326,810)**	**-**	**-**	**722,777**
Transactions with owners and other, recorded directly in equity:							
Payment of cash dividends	-	-	(441,024)	-	-	-	(441,024)
Balance at December 31, 2017	₩ 2,139,317	1,560,650	24,074,322	(852,038)	(61,074)	-	26,861,177

See accompanying notes to consolidated financial statements.

KIA MOTORS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(In millions of Korean won)

	Note	2017	2016
Cash flows from operating activities			
Cash generated from operations	29	₩ 3,046,566	3,845,239
Interest received		154,397	140,549
Interest paid		(196,296)	(151,931)
Dividends received		133,020	195,886
Income tax paid		(543,497)	(753,861)
Net cash provided by operating activities		**2,594,190**	**3,275,882**
Cash flows from investing activities			
Disposal of long-term financial instruments		3,274	5,030
Disposal of available-for-sale financial assets		1	1,120,365
Disposal of property, plant and equipment		99,763	66,251
Disposal of intangible assets		67	2,568
Cash proceeds from other investing activities		4,075	158,015
Disposal (Purchase) of short-term financial instruments, net		(1,767,705)	(558,685)
Purchase of long-term financial instruments		(24,284)	(54,815)
Acquisition of available-for-sale financial assets		(576,859)	(4,154)
Acquisition of investments in associates		(125,124)	(629,935)
Acquisition of property, plant and equipment		(1,689,481)	(1,559,538)
Acquisition of intangible assets		(702,216)	(813,569)
Cash payments from other investing activities		(16,077)	(43,834)
Net cash used in investing activities		**(4,794,566)**	**(2,312,301)**
Cash flows from financing activities			
Proceeds from short-term borrowings and long-term debts		981,910	2,007,112
Issuance of bonds		1,499,270	783,462
Cash proceeds from other financing activities		4,804	1,395
Repayment of short-term borrowings and long-term debts		(1,210,185)	(507,538)
Repayment of bonds		(100,000)	(761,800)
Dividends paid		(441,024)	(441,025)
Repayment of financial lease liabilities		(1,343)	(4,392)
Purchase of treasury stock		-	(131,813)
Cash payments from other financing activities		(1,544)	-
Net cash provided by financing activities		**731,888**	**945,401**
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		**(33,965)**	**50,281**
Net increase (decrease) in cash and cash equivalents		**(1,502,453)**	**1,959,263**
Cash and cash equivalents at January 1		**3,064,191**	**1,104,928**
Cash and cash equivalents at December 31		₩ **1,561,738**	**3,064,191**

See accompanying notes to consolidated financial statements.

KIA MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

1. General Description of The Company and Its Subsidiaries

(1) General Description of the Parent 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 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 since 1973. As of December 31, 2017, the Company's largest shareholder is Hyundai Motor Company, which holds 33.88% of the Company's stock issued and outstanding.

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

(2) Consolidated subsidiaries

Details of consolidated subsidiaries as of December 31, 2017, are summarized as follows:

Subsidiary	Location	Main 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.zo.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 N.V. (KMB) (*4)	Belgium	〃	100.00%
Kia Motors Czech s.r.o. (KMCZ) (*4)	Czech	〃	100.00%
Kia Motors UK Ltd. (KMUK) (*4)	United Kingdom	〃	100.00%
Kia Motors Austria GmbH (KMAS) (*4)	Austria	〃	100.00%
Kia Motors Hungary Kft. (KMH) (*5)	Hungary	〃	100.00%
Kia Motors Iberia S.L. (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 B.V. (KMNL) (*4)	Netherlands	〃	100.00%
Kia Motors Company Italy S.r.1 (KMIT) (*4)	Italy	〃	100.00%
Kia Motors Russia LLC (KMR) (*6)	Russia	〃	100.00%
Kia Motors Australia Pty Ltd. (KMAU)	Australia	〃	100.00%
Kia Motors New Zealand Pty Ltd. (KMNZ) (*7)	New Zealand	〃	100.00%
Kia Motors Mexico S.A de C.V. (KMM) (*8)	Mexico	Manufacturing and sale of vehicles and parts	100.00%
Kia Motors India Private Limited (KMI) (*9)	India	〃	99.99%

(*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) 100.00% owned by KMAS
(*6) 80.00% owned by KME and 20.00% owned by KMD (*7) 100.00% owned by KMAU (*8) 0.01% owned by KMA (*9) KMI was newly established in 2017

One hundred and sixteen 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 Group.

KIA MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(3) Financial information of subsidiaries

Financial information of significant subsidiaries (before eliminating intra-group transaction) as of and for the years ended December 31, 2017 and 2016, are summarized as follows:

(i) Financial information as of and for the year ended December 31, 2017

(In millions of Korean won)

Company	Total assets	Total liabilities	Sales	Net income (loss)
KMA	₩ 6,048,448	5,611,401	14,228,918	(265,740)
KMMG	2,211,203	1,419,285	7,124,193	20,813
KMS	2,681,113	1,529,124	6,617,672	267,878
KMM	2,157,207	1,817,422	3,988,868	(38,542)
KMR	556,677	462,244	3,282,208	81,997

(ii) 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)

2. Basis of 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 Stock Companies 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 recognised 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 recognised 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 16: Retirement benefit plan
- Note 17: Provisions
- Note 18: Commitments and contingencies
- Note 27: 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 recognised as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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 recognised 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 recognised
- Deferred tax assets or liabilities are recognised and measured in accordance with K-IFRS 1012 Income Taxes
- Employee benefit arrangements are recognised 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 recognised 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 measured at fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised 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 recognised 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 recognised.

(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 recognised at cost and the carrying amount is increased or decreased to recognise 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 recognised 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 recognised as cost of goods sold in same period as the related revenue. Net realisable 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 recognised 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 recognised as a reduction in the amount of inventories recognised 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 recognises 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 recognised.

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 recognises 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 recognises 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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 recognised in profit or loss.

Upon initial recognition, transaction costs are recognised 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 derecognises 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. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognise the transferred financial assets and recognises 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 recognised 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 recognises 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 recognised in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognised 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 derecognises 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 recognised at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are either recognised 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.

(a) Hedge accounting

The Group holds derivative contracts to manage foreign exchange and interest rate 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 instruments 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 recognised 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 recognised 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.

Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognised 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 recognised 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 recognised 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 recognised 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 recognised immediately in profit or loss.

(b) Other derivative financial instruments

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

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(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 recognised.

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

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 recognise 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 recognised, the previously recognised 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 recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income, less any impairment loss on that investment previously recognized in the statements of profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. Impairment losses recognised 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 recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised 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 recognised 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 transferred amount is derecognised and the costs of the day-to-day servicing are recognised 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 recognised 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 recognised 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.

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The amortization periods and amortization methods of intangible assets with finite useful lives are reviewed at the end of each reporting period. The amortization methods and the useful lives of intangible asset as indefinite are reviewed and validated at the end of each reporting period. If an indefinite useful life is not supported no longer, the change from indefinite to finite life is accounted for as a change in accounting estimate. Intangible assets with indefinite useful lives(e.g. membership) are not amortized, instead the assets are tested for impairment annually.

Research and development

Expenditures on research activities are recognised as expense in the period in which they incur. Expenditures on development activities are capitalized as intangible assets (development costs) and amortized on a straight-line basis over the economic life when the assets become available for sale or use.

The Company's product development process consists of four stages which comprise prior research, development approval, product development and mass production. The product to be developed is decided based on discussions of product concepts and market researches which take place in the prior research stage, and the product development is commenced upon management's approval. In general, the Company recognises intangible assets when development activities take place upon management's approval which confirms product specifications, release schedules and sales plans. Prior expenditures are considered as research activities and are recognised as expense in the period in which they 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 recognised 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 appropriate 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 recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognised 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 recognised.

(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 recognises 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 recognised, 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 recognised 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 recognises the related costs as expenses. Government grants, which are intended to give immediate financial support to the Group with no future related costs, are recognised 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 recognises 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 recognised 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 recognised 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.

KIA MOTORS CORPORATION AND SUBSIDIARIES

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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 recognised 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 recognised 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 recognised immediately in profit or loss. The Group recognises 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 recognised 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 significant, 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 recognised 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 recognised 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 recognised.

(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 derecognises 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 recognised 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 derecognises 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 recognised 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 recognised in other comprehensive income. Also, foreign currency differences arising on settlement of monetary assets and liabilities are recognised 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 recognised as a deduction from equity, net of any tax effects.

When the Company repurchases its share capital, the amount of the consideration paid is recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in profit or loss on straight-line basis over the term of the lease.

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(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 recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised 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 recognised in profit or loss. Interest expense of borrowings is recognised 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 recognised in profit or loss except to the extent that it relates to a business combination, or items recognised 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Deferred tax is recognised, 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 recognised for all taxable temporary differences. A deferred tax asset is recognised 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 recognised 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 recognises 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 recognises 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 and revised standards that have been applied

- 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.

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

The amendment is based on the fact that if the carrying amount of a financial instrument with a fixed interest rate that is measured at fair value declines but the tax basis price is maintained at cost, temporary differences will be deducted irrespective of the expected recovery method, future taxable income for the purpose of reviewing the feasibility of temporary differences can be estimated as an amount exceeding the carrying amount of the asset. 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.

Changes in the accounting policies listed above have no significant impact on the consolidated financial statements.

(29) 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, 2018, and the Group has not early adopted them.

- K-IFRS 1109: 'Financial Instruments'

K-IFRS 1109 'Financial Instruments' is effective for annual periods beginning on or after January 1, 2018, with early application permitted. This standard replaces K-IFRS 1039 'Financial Instruments: Recognition and Measurement.' The Group plans to adopt K-IFRS 1109 for the year beginning after January 1, 2018 and will not restate comparative information. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

K-IFRS 1109 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has performed an impact assessment of all three aspects of K-IFRS 1109. This assessment is based on currently available information and could be subject to modifications arising from further reasonable and supportable information available to the Group in 2018 when the Group will adopt K-IFRS 1109. The Group expects no significant impact on its financial position and equity except for the effect of applying the classification requirements of K-IFRS 1109.

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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 ₩10,563,779 million, AFS financial assets of ₩2,869,603 million and financial assets at FVTPL of ₩250,123 million in the consolidated statements of financial position as of December 31, 2017.

B. Classification and measurement of financial liabilities

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

As of December 31, 2017, the Group has financial liabilities measured at amortized cost of ₩17,549,930 million and financial liabilities designated as at FVTPL of ₩81,216 million.

C. Impairment: Financial assets and contract assets

Under K-IFRS 1039, the impairment is recognised only when there is an objective evidence of impairment based on incurred loss model, but under K-IFRS 1109, impairment is recognised based on expected credit loss model for debt instruments, 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 recognised earlier than under the incurred loss model of K-IFRS 1039.

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

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

As of December 31, 2017, the Group has loans, receivables and AFS financial assets and the loss allowance for these assets are ₩97,477 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, 2017, the Group applies hedge accounting, the Group has a deferred net profit of ₩1,431 million in other comprehensive income in relation to cash flow hedging instruments for the year ended December 31, 2017.

- K-IFRS 1115: 'Revenue from Contracts with Customers'

K-IFRS 1115 'Revenue from Contracts with Customers' is effective for annual periods beginning on or after January 1, 2018, with early application permitted. 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 Group plans to adopt K-IFRS 1115 for the year beginning after January 1, 2018, but completed contracts as at December 31, 2017 are not going to be restated using the practical expedient provided in the standard.

The current K-IFRS 1018 presents revenue recognition standards based on transaction types such as sale of goods, provision of services, interest income, royalty income, dividend income and construction revenues, but the new standard introduces a 5-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract, 5) Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group has performed an impact assessment of K-IFRS 1115. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in 2018.

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

A. Warranty obligations

The Group's most existing warranties from contracts with customers will be assurance-type warranties under K-IFRS 1115, which will continue to be accounted for under K-IFRS 1037 'Provisions, Contingent Liabilities and Contingent Assets', consistent with its current practice. However, in certain non-standard contracts, the Group provides extended warranties. Under K-IFRS 1115, such warranties will be accounted for as service-type warranties and, therefore, will be accounted for as separate performance obligations to which the Group allocates a portion of the transaction price. Considerations received from customers will be separated into revenue to be allocated to sales of vehicles and service-type warranties, and the portion allocated to service-type warranties will be recognised as revenue over the period of warranties.

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B. Additional services provided to customers

Under K-IFRS 1115, the Group will need to allocate a portion of the transaction price to separate performance obligations identified from a contract based on relative stand-alone selling price. The Group will account for the additional services provided to customers as a separate performance obligation. Considerations will be allocated to each performance obligation and revenue will be recognised when the relevant performance obligation is fulfilled.

- Amendments to K-IFRS 1110 and K-IFRS 1028: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between K-IFRS 1110 and K-IFRS 1028 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in K-IFRS 1103, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

- Amendments to K-IFRS 1102: Classification and Measurement of Share-based Payment Transactions

The amendments to K-IFRS 1102 Share-based Payment address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements and will apply these amendments on the required effective date.

- K-IFRS 1116: 'Leases'

K-IFRS 1116 replaces K-IFRS 1017 'Leases', K-IFRS 2104 'Determining whether an Arrangement contains a Lease', K-IFRS 2015 'Operating Leases: Incentives' and K-IFRS 2027 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. K-IFRS 1116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under K-IFRS 1017. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under K-IFRS 1116 is substantially unchanged from current accounting under K-IFRS 1017. Lessors will continue to classify all leases using the same classification principle as in K-IFRS 1017 and distinguish between two types of leases: operating and finance leases.

K-IFRS 1116 also requires lessees and lessors to make more extensive disclosures than under K-IFRS 1017.

K-IFRS 1116 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies K-IFRS 1115. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is assessing the potential effect of the amendments on its consolidated financial statements. The Group will apply these amendments on the required effective date.

- Transfers of Investment Property — Amendments to K-IFRS 1040

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with K-IFRS 1008 is only permitted if it is possible without the use of hindsight. These amendments are effective for annual periods beginning on or after January 1, 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, the Group does not expect any significant effect on its consolidated financial statements.

Annual Improvements 2014-2016 Cycle

- K-IFRS 1101: 'First-time Adoption of International Financial Reporting Standards' - Deletion of short-term exemptions for first-time adopters Short-term exemptions in paragraphs E3-E7 of K-IFRS 1101 were deleted because they have now served their intended purpose. The amendment is effective from January 1, 2018. This amendment is not applicable to the Group.

- K-IFRS 1028: 'Investments in Associates and Joint Ventures' - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity in associate or joint venture, at the later of the date on which: (a) the investment entity in associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity in associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from January 1, 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

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

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation, or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Group will apply the interpretation for annual periods beginning on or after January 1, 2018. The Group does not expect any significant effect on its consolidated financial statements.

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4. Geographic and Segment Information

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

(1) 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, 2017:

(In millions of Korean won)

	Domestic	America	Europe	Other	Consolidation adjustment	Consolidation amount
Total sales	₩ 32,109,883	26,996,673	27,194,799	1,307,599	(34,073,274)	53,535,680
Intercompany sales	(14,603,968)	(6,920,334)	(12,548,766)	(206)	34,073,274	-
Net sales	17,505,915	20,076,339	14,646,033	1,307,393	-	53,535,680
Property, plant and equipment, intangible assets and other	12,992,519	2,047,265	921,824	154,483	32,553	16,148,644

(2) 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	America	Europe	Other	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

5. Cash, Cash Equivalents and Restricted Financial Instrument

(1) Cash and cash equivalents as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	December 31, 2017	December 31, 2016
Cash on hand	₩ 298	293
Deposits with financial institutions	1,561,440	3,063,898
	₩ 1,561,738	3,064,191

(2) Financial instruments, which are restricted in use as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	December 31, 2017	December 31, 2016	Description
Short-term financial instruments	₩ 140	168	Deposits for dealer supporting
Long term financial instruments	31,000	31,000	Win-Win cooperation deposits
	20,000	20,000	Win-Win mold facility fund
	23,200	-	Win-Win loan fund
	4,790	6,003	Deposit for a checking account
	₩ 79,130	57,171	

6. Inventories

Inventories as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	December 31, 2017	December 31, 2016
Finished goods	₩ 7,063,600	7,456,246
Merchandise	17,117	19,445
Semi-finished goods	319,735	313,532
Work-in-process	201,466	201,522
Raw materials	474,521	413,799
Supplies	170,644	166,438
Materials-in-transit	296,562	283,391
	₩ 8,543,645	8,854,373

7. Available-for-sale Financial Assets

(1) Available-for-sale financial assets as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

Company	December 31, 2017			December 31, 2016
	Percentage of ownership (%)	Acquisition Cost	Carrying amount	Carrying amount
Marketable securities:				
Hyundai WIA Corporation	13.44	₩ 237,510	237,510	266,742
HMC Investment Securities Co., Ltd.	4.90	29,574	15,679	13,665
SeAH Besteel Corp.	0.00	20	51	45
		₩ 267,104	253,240	280,452

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(In millions of Korean won)

Company	December 31, 2017			December 31, 2016
	Percentage of ownership (%)	Acquisition Cost	Carrying amount	Carrying amount
Non-marketable securities (*):				
Hyundai WIA Automotive Engine (Shandong) Company	18.00	₩ 54,487	54,487	54,487
Other		22,781	22,781	22,730
		77,268	77,268	77,217
Debt securities:				
Bond trust and others		1,118,247	1,118,247	996,709
Industrial finance bond and others		1,390,431	1,390,431	935,163
Other		30,417	30,417	26,299
		2,539,095	2,539,095	1,958,171
		₩ 2,883,467	2,869,603	2,315,840

(*) Available-for-sale financial assets that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are measured at acquisition cost.

(2) Changes in fair value of available-for-sale financial assets for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017	2016
Balance at January 1	₩ 28,702	171,931
Unrealized loss	(27,212)	(143,229)
Balance at December 31 before taxes	1,490	28,702
Income tax effect	(410)	(6,946)
Balance at December 31 after taxes	₩ 1,080	21,756

8. Investments in Joint Ventures and Associates

(1) Details of investments in joint ventures and associates as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

Company	Location	December 31, 2017		December 31, 2016	
		Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
Hyundai Mobis Co., Ltd. (*1)	Korea	16.88	₩ 4,863,504	16.88	₩ 4,641,049
Hyundai Steel Co., Ltd. (*1, 9)	〃	17.27	2,719,428	17.27	2,743,649
Hyundai Engineering & Construction Co., Ltd. (*1, 10)	〃	5.23	739,978	5.23	816,809
Hyundai Powertech Co., Ltd.	〃	37.58	541,754	37.58	493,991
Hyundai Card Co., Ltd. (*1)	〃	11.48	329,532	11.48	309,261
Hyundai Capital Services, Inc.	〃	20.10	790,009	20.10	750,577
Hyundai Dymos Inc.	〃	45.37	377,935	45.37	350,505
EUKOR Car Carriers, Inc. (*1)	〃	8.00	₩ 106,662	8.00	₩ 115,892

(In millions of Korean won)

Company	Location	December 31, 2017		December 31, 2016	
		Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
Hyundai Engineering Co., Ltd. (*1)	〃	9.35	₩ 297,090	9.35	₩ 268,715
Hyundai Partecs Co., Ltd.	〃	31.00	23,689	31.00	23,463
Hyundai Autoever Systems Co., Ltd. (*1)	〃	19.37	79,708	19.37	71,827
Donghee Auto Co., Ltd.	〃	35.10	19,663	35.10	18,418
TRW Steering Co., Ltd.	〃	29.00	445	29.00	1,209
Kia Tigers Co., Ltd. (*3)	〃	100.00	-	100.00	-
Hyundai NGV Co., Ltd.	〃	24.39	3,640	24.39	3,296
Haevichi Hotel & Resorts Co., Ltd.	〃	23.24	40,928	23.24	40,065
Hyundai Autron Co., Ltd.	〃	20.00	26,248	20.00	26,324
Beijing Dymos Transmission Co., Ltd.	China	24.08	55,775	24.08	63,432
China Millennium Corporations	〃	30.30	33,821	30.30	32,315
Hyundai Motor Group China, Ltd. (*4)	〃	30.00	54,170	30.00	53,070
Yanji Kia Automobile Service Co., Ltd. (*3)	〃	100.00	2,404	100.00	2,458
Hyundai Powertech (Shandong) Co., Ltd.	〃	25.00	103,651	25.00	95,497
Dongfeng Yueda Kia Motors Co., Ltd. (*2)	〃	50.00	717,375	50.00	901,950
Hyundai Motor Manufacturing Rus LLC	Russia	30.00	173,789	30.00	140,575
Innocean Worldwide Americas, LLC	U.S.A	20.00	1,544	20.00	2,318
Hyundai Autoever America, LLC	〃	20.00	2,110	20.00	1,646
Sewon America, Inc.	〃	40.00	11,588	40.00	12,904
Hyundai Capital America, Inc. (*6)	〃	20.00	820,497	20.00	618,937
Hyundai Capital Services UK Ltd. (*1, 2)	United Kingdom	10.00	19,944	10.00	16,306
Hyundai Capital Canada, Inc. (*7)	Canada	30.00	50,410	40.00	35,861
Hyundai Capital Bank Europe GmbH (*1, 8)	Germany	15.00	17,608	15.00	6,240
			₩ 13,024,899		₩ 12,658,559

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

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

(*3) Although the Group has 100% ownership, the equity method is applied as management assessed that the difference arising from applying in the investees' consolidation and equity method is immaterial.

(*4) The Group made cash contribution amounting to ₩33,798 million to Hyundai Motor Group China, Ltd. in 2017.

(*5) The Group made cash contribution amounting to ₩15,018 million to Hyundai Powertech (Shandong) Co., Ltd. in 2017.

(*6) The Group made cash contribution amounting to ₩45,547 million to Hyundai Capital America Inc. in 2017.

(*7) The Group made cash contribution amounting to ₩16,090 million to Hyundai Capital Canada Inc. in 2017.

(*8) The Group made cash contribution amounting to ₩14,056 million to Hyundai Capital Bank Europe GmbH in 2017.

(*9) The Group performed an impairment test on the investment in Hyundai Steel Co., Ltd. as there has been a continuous decrease in the fair value of its shares which may serve as an indicator that the asset may be impaired. As a result, an impairment loss of KRW 140,161 million has been recognised. The recoverable amount as at December 31, 2017 was determined based on the value in use which has been discounted at a rate of 6.9%.

(*10) The Group performed an impairment test on the investment in Hyundai Engineering & Construction Co., Ltd. as there has been a continuous decrease in the fair value of its shares which may serve as an indicator that the asset may be impaired. As a result, an impairment loss of KRW 75,931 million has been recognised. The recoverable amount as at December 31, 2017 was determined based on the value in use which has been discounted at a rate of 8.0%.

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(2) Fair value of marketable securities of associates companies as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

Company	December 31, 2017	December 31, 2016
Hyundai Mobis Co., Ltd.	₩ 4,320,320	4,336,748
Hyundai Steel Co., Ltd.	1,350,681	1,313,802
Hyundai Engineering & Construction Co., Ltd.	211,696	249,603

(3) Changes in investments in joint ventures and associates for the year ended December 31, 2017, are summarized as follows:

(In millions of Korean won)

Company	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Changes in equity	Dividends received	Others (*2)	Ending balance
Hyundai Mobis Co., Ltd.	₩ 4,641,049	-	303,867	(30,060)	(57,495)	6,143	4,863,504
Hyundai Steel Co., Ltd.	2,743,649	-	125,857	(7,011)	(17,287)	(125,780)	2,719,428
Hyundai Engineering & Construction Co., Ltd.	816,809	-	4,957	(4,473)	(2,916)	(74,399)	739,978
Hyundai Powertech Co., Ltd.	493,991	-	55,708	(8,262)	-	317	541,754
Hyundai Card Co., Ltd.	309,261	-	21,993	1,913	(4,292)	657	329,532
Hyundai Capital Services, Inc.	750,577	-	50,160	5,011	(16,667)	928	790,009
Hyundai Dymos Inc.	350,505	-	31,512	(9,369)	-	5,287	377,935
EUKOR Car Carriers, Inc.	115,892	-	4,980	(14,210)	-	-	106,662
Hyundai Engineering Co., Ltd.	268,715	-	33,120	2,300	(8,520)	1,475	297,090
Hyundai Partecs Co., Ltd.	23,463	-	226	-	-	-	23,689
Hyundai Autoever Systems Co., Ltd.	71,828	-	10,419	(754)	(2,760)	975	79,708
Donghee Auto Co., Ltd.	18,418	-	1,245	-	-	-	19,663
TRW Steering Co., Ltd.	1,209	-	(761)	(3)	-	-	445
Kia Tigers Co., Ltd. (*1)	-	-	-	-	-	-	-
Hyundai NGV Co., Ltd.	3,296	-	369	-	(25)	-	3,640
Haevichi Hotel & Resorts Co., Ltd.	40,065	-	689	37	-	137	40,928
Hyundai Autron Co., Ltd.	26,324	-	(323)	-	-	247	26,248
Beijing Dymos Transmission Co., Ltd.	63,432	-	(4,235)	(3,422)	-	-	55,775
China Millennium Corporations	32,315	-	3,375	(1,869)	-	-	33,821
Hyundai Motor Group China, Ltd.	53,070	33,798	(28,964)	(3,734)	-	-	54,170
Yanji Kia Automobile Service Co., Ltd.	2,458	-	84	(138)	-	-	2,404
Hyundai Powertech (Shandong) Co., Ltd.	95,497	15,019	13,338	(4,428)	(15,775)	-	103,651
Dongfeng Yueda Kia Motors Co., Ltd.	901,950	-	(136,496)	(48,079)	-	-	717,375
Hyundai Motor Manufacturing Rus LLC	140,575	-	43,578	(10,364)	-	-	173,789
Innocean Worldwide Americas, LLC	2,317	-	2,065	-	(2,568)	(270)	1,544
Hyundai Autoever America, LLC	1,646	-	687	-	-	(223)	2,110
Sewon America, Inc.	12,904	-	156	-	-	(1,472)	11,588
Hyundai Capital America, Inc.	618,937	45,547	241,622	-	-	(85,609)	820,497
Hyundai Capital Services UK Ltd.	16,306	-	4,130	-	-	(492)	19,944
Hyundai Capital Canada, Inc.	35,861	16,089	(366)	(1,174)	-	-	50,410
Hyundai Capital Bank Europe GmbH	6,240	14,056	(2,948)	260	-	-	17,608
	₩12,658,559	124,509	780,044	(137,829)	(128,305)	(272,079)	13,024,899

(*1) 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, 2017.

(*2) Others include the amount of impairment loss for the year ended December 31, 2017.

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 (Disposal)	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 Co., Ltd.	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 Hotel & 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 Automobile Service Co., Ltd.	2,528	-	4	(74)	-	-	2,458
Hyundai Powertech (Shandong) 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 Autoever America, LLC	3,921	(666)	996	-	(2,741)	136	1,646
Sewon America, Inc.	10,212	-	2,280	-	-	412	12,904
Hyundai Capital America, Inc.	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

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(4) Financial information of joint ventures and associates as of and for the year ended December 31, 2017, 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.	₩ 41,736,819	12,377,861	35,144,580	2,024,929	1,557,723	1,118,628
Hyundai Steel Co., Ltd.	33,346,795	16,336,527	19,165,241	1,368,173	728,531	663,321
Hyundai Engineering & Construction Co., Ltd.	18,427,076	10,035,485	16,854,506	1,011,951	371,214	362,798
Hyundai Powertech Co., Ltd.	2,711,402	1,252,048	3,037,927	127,408	140,574	119,420
Hyundai Card Co., Ltd.	15,416,497	12,546,121	3,013,593	258,742	191,565	213,955
Hyundai Capital Services, Inc.	27,603,383	23,533,904	3,250,862	323,554	299,903	322,784
Hyundai Dymos Inc.	2,467,053	1,610,855	4,010,390	123,180	61,367	52,163
EUKOR Car Carriers Inc.	3,035,885	1,702,610	1,799,182	132,198	57,618	(112,875)
Hyundai Engineering Co., Ltd.	6,327,626	3,067,467	6,268,216	521,310	326,261	369,858
Hyundai Partecs Co., Ltd.	150,925	74,508	65,253	2,421	730	730
Hyundai Autoever Systems Co., Ltd.	803,734	387,984	1,473,376	72,911	55,172	56,360
Donghee Auto Co., Ltd.	151,102	95,081	157,936	4,949	4,033	4,033
TRW Steering Co., Ltd.	19,847	18,312	44,264	(2,336)	(2,238)	(2,225)
Kia Tigers Co., Ltd.	8,683	11,354	54,448	(126)	(59)	(59)
Hyundai NGV Co., Ltd.	30,583	15,660	47,721	2,088	1,514	1,514
Haevichi Hotel & Resorts Co., Ltd.	453,061	277,916	121,452	4,482	2,407	2,991
Hyundai Autron Co., Ltd.	241,224	110,082	658,441	10,777	1,802	3,036
Beijing Dymos Transmission Co., Ltd.	624,390	392,766	517,660	(22,537)	(17,588)	(17,588)
China Millennium Corporations	122,343	10,937	30,066	12,009	11,141	11,141
Hyundai Motor Group China, Ltd.	727,937	534,047	375,885	(25,171)	(77,198)	(77,198)
Yanji Kia Automobile Service Co., Ltd.	3,000	599	4,702	171	84	84
Hyundai Powertec (Shandong) Co., Ltd.	1,070,793	669,939	1,361,845	42,076	53,353	53,353
Dongfeng Yueda Kia Motors Co., Ltd. (*)	3,729,323	2,251,459	4,771,063	(273,069)	(270,613)	(270,613)
Hyundai Motor Manufacturing Rus LLC	1,316,285	793,189	2,937,461	197,076	145,429	145,429
Innocean Worldwide Americas, LLC	281,070	255,910	384,771	24,219	24,292	24,292
Hyundai Autoever America, LLC	28,869	17,244	166,403	4,318	4,385	4,385
Sewon America, Inc.	217,163	188,230	442,001	7,272	390	390
Hyundai Capital America Inc.	39,109,088	35,001,114	4,068,958	118,261	1,208,106	1,208,106
Hyundai Capital Services UK Ltd. (*)	2,782,808	2,583,411	1,300,345	70,008	51,298	41,301
Hyundai Capital Canada Inc.	1,412,557	1,244,523	60,503	(32,991)	(2,737)	(2,737)
Hyundai Capital Bank Europe GmbH	458,459	341,069	26,337	(39,827)	(29,587)	(29,587)

(*) 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 (benefit)
Dongfeng Yueda Kia Motors Co., Ltd.	₩ 87,899	820,439	180,620	13,965	30,600	(4,935)
Hyundai Capital Services UK Ltd.	99,209	2,551,736	-	-	-	9,997

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 Co., Ltd.	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 Card Co., Ltd.	14,596,987	11,903,178	2,746,875	249,163	189,966	189,966
Hyundai Capital Services, Inc.	25,157,406	21,371,809	2,780,964	343,344	300,702	300,702
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 (Shandong) 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
Hyundai Autoever 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 America, Inc.	43,204,606	40,108,057	3,992,544	118,069	89,208	89,208
Hyundai Capital Services UK Ltd. (*)	2,453,882	2,291,290	1,244,431	67,305	48,457	38,058
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
Dongfeng Yueda Kia Motors Co., Ltd	₩ 173,120	552,332	197,276	10,852	48,406	88,000
Hyundai Capital Services UK Ltd.	99,400	2,272,077	-	-	-	10,399

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(5) 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, 2017, 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.	₩ 4,827,875	29,519	6,110	4,863,504
Hyundai Steel Co., Ltd.	2,932,356	8,277	(221,205)	2,719,428
Hyundai Engineering & Construction Co., Ltd.	336,837	284,338	118,803	739,978
Dongfeng Yueda Kia Motors Co., Ltd.	738,933	-	(21,558)	717,375

(6) Unrecognised 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, 2017, is summarized as follows:

(In millions of Korean won)

	2017	Accumulated
Kia Tigers Co., Ltd.	₩ 336	2,670

9. Property, Plant and Equipment

(1) Details of property, plant and equipment as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	December 31, 2017			December 31, 2016		
	Acquisition cost	Accumulated depreciation & impairment loss	Carrying amount	Acquisition cost	Accumulated depreciation & impairment loss	Carrying amount
Land	₩ 4,888,324	-	4,888,324	4,912,530	-	4,912,530
Buildings	3,468,668	(1,172,295)	2,296,373	3,450,168	(1,085,843)	2,364,325
Structures	723,298	(394,906)	328,392	713,582	(371,016)	342,566
Machinery & equipment	7,591,990	(4,124,970)	3,467,020	7,429,440	(3,816,554)	3,612,886
Dies, molds & tools	4,866,481	(3,445,843)	1,420,638	4,307,801	(3,082,066)	1,225,735
Vehicles	285,003	(102,665)	182,338	247,436	(80,123)	167,313
Other equipment	585,724	(403,504)	182,220	549,374	(367,095)	182,279
Construction in progress	887,598	-	887,598	685,569	-	685,569
	₩ 23,297,086	(9,644,183)	13,652,903	22,295,900	(8,802,697)	13,493,203

(2) Details of changes in property, plant and equipment for the year ended December 31, 2017, are summarized as follows:

(In millions of Korean won)

	Beginning balance	Acquisition (capital expenditure included)	Disposal	Depreciation	Transfer	Other	Ending balance
Land	₩ 4,912,530	3,115	(23,194)	-	14,125	(18,252)	4,888,324
Buildings	2,364,325	2,662	(6,496)	(109,818)	117,544	(71,844)	2,296,373
Structures	342,566	558	(36)	(25,639)	20,553	(9,610)	328,392
Machinery & equipment	3,612,886	12,781	(15,831)	(487,447)	424,823	(80,192)	3,467,020
Dies, molds & tools	1,225,735	7,674	(1,740)	(524,810)	762,081	(48,302)	1,420,638
Vehicles	167,313	27,613	(53,302)	(43,177)	95,352	(11,461)	182,338
Other equipment	182,279	18,341	(2,264)	(69,087)	55,296	(2,345)	182,220
Construction in progress	685,569	1,614,812	(981	-	(1,380,561)	(31,242)	887,597
	₩ 13,493,203	1,687,556	(103,844)	(1,259,978)	109,213	(273,248)	13,652,902

(*) The Group received government grants through investment agreement with Slovakia government and others. The grants, amounting to ₩184,124 million, are presented as reduction of property, plant and equipment.

(3) 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 (capital expenditure included)	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 & equipment	3,273,776	13,675	(19,766)	(454,710)	777,193	22,718	3,612,886
Dies, molds & 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 through investment agreement with Slovakia government and others. The grants, amounting to ₩211,268 million, are presented as reduction of property, plant and equipment.

(4) The capitalized borrowing costs and capitalization interest rate for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017	2016
Capitalized borrowing costs (*)	₩ 7,709	27,789
Capitalization interest rate (%)	0.74	2.35

(*) Includes borrowing costs that were capitalized in respect of development costs of ₩3,930 million and ₩14,547 million, respectively, for the years ended December 31, 2017 and 2016.

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10. Investment Property

(1) Details of investment property as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	December 31, 2017			December 31, 2016		
	Acquisition cost	Accumulated depreciation & impairment loss	Carrying amount	Acquisition cost	Accumulated depreciation & impairment loss	Carrying amount
Buildings	₩ 34,961	(9,686)	25,275	39,435	(9,721)	29,714

(2) Details of changes in investment property for the year ended December 31, 2017, are summarized as follows:

(In millions of Korean won)

	Beginning balance	Disposal	Depreciation	Other	Ending balance
Buildings	₩ 29,714	-	(1,127)	(3,312)	25,275

(3) Details of changes in investment property 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

(4) The amount recognised in profit or loss from investment property for the years ended December 31, 2017 and 2016, is summarized as follows:

(In millions of Korean won)

	2017	2016
Rental income	₩ 3,535	3,958
Operating expenses & maintenance expenses	758	933

(5) Buildings held for 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, 2017.

11. Goodwill

(1) Changes in goodwill for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017	2016
Balance at January 1	₩ 36,989	37,035
Other change	41	(46)
Balance at December 31	₩ 37,030	36,989

(2) Impairment test of goodwill

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 to the extent not exceeding the long-term average growth rate of the industry. No impairment loss was recognised as a result of the impairment tests in 2017 and 2016.

12. Intangible Assets

(1) Details of intangible assets except for goodwill as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	December 31, 2017				December 31, 2016			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Carrying amount	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Carrying amount
Development costs	₩ 5,616,811	(3,301,399)	(134,403)	2,181,009	4,279,033	(2,152,607)	(116,951)	2,009,475
Industrial property rights	46,721	(27,618)	-	19,103	42,358	(24,017)	-	18,341
Software	395,679	(269,921)	-	125,758	351,192	(228,787)	-	122,405
Membership (*)	72,332	(95)	(8,455)	63,782	71,616	(101)	(9,390)	62,125
Other	50,035	(6,250)	-	43,785	49,632	(3,659)	-	45,973
	₩ 6,181,578	(3,605,283)	(142,858)	2,433,437	4,793,831	(2,409,171)	(126,341)	2,258,319

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

(2) Details of changes in intangible assets for the year ended December 31, 2017, are summarized as follows:

(In millions of Korean won)

	Beginning balance	Acquisition	Disposal	Amortization	Impairment loss	Transfer	Other	Ending balance
Development costs (*)	₩ 2,009,475	729,528	-	(538,182)	(17,452)	156	(2,516)	2,181,009
Industrial property rights	18,341	4,363	-	(3,601)	-	-	-	19,103
Software	122,405	34,914	(215)	(51,566)	-	24,342	(4,122)	125,758
Membership	62,125	722	-	-	935	-	-	63,782
Other	45,973	20,641	(68)	(1,271)	-	(23,187)	1,697	43,785
	₩ 2,258,319	790,168	(283)	(594,620)	(16,517)	1,311	(4,941)	2,433,437

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

(3) 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 loss	Transfer	Other	Ending balance
Development costs	₩ 1,895,808	741,215	-	(511,397)	(116,951)	-	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)	(4)	(1,247)	(54)	-	62,124
Other	40,781	8,529	(301)	(1,266)	-	(2,392)	623	45,974
	₩ 2,096,750	835,664	(2,549)	(557,270)	(118,198)	1,426	2,496	2,258,319

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(4) Details of research and development expenditures for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

		2017		2016
Development costs	₩	729,528		741,215
Test expenses (manufacturing costs)		139,720		112,759
Test expenses (selling and administrative expenses)		772,605		792,435
	₩	1,641,853		1,646,409

(5) Details of impairment loss recognised for development costs for the year ended December 31, 2017 are as follows:

(In millions of Korean won)

	Accumulated impairment loss		Impairment loss		Valuation method
			2017	Accumulated amounts	
Sedans (*)	₩	1,317,356	(8,956)	(8,956)	Value-in-use
RVs (*)		676,721	(8,496)	(125,447)	Value-in-use
	₩	1,994,077	(17,452)	(134,403)	

(*) The recoverable amount on the sedans has been estimated using the estimated future cash flow reflecting the changes in business environment and each product's previous operating results, discounted at the rate of 6.8%.

(6) Details of development costs as of December 31, 2017 are summarized as follows:

(In millions of Korean won)

		December 31, 2017	Residual depreciation period
Sedans (*1)	₩	1,317,356	1–6 years
RVs (*2)		676,721	1–6 years
Power train (*3)		119,515	1–6 years
Others		67,417	
	₩	2,181,009	

(*1) K3, K5, K7, Stinger and others (*2) Sportage, Sorento, Carnival and others (*3) Engines and missions

13. Other Assets

(1) Other current assets as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

		December 31, 2017	December 31, 2016
Financial asset at fair value through profit or loss	₩	250,123	240,071
Accrued income		76,882	69,419
Prepaid expenses		95,132	60,007
Current derivatives asset		5,569	446
Deposits provided		823	1,310
Others		618	9,483
	₩	429,147	380,736

(2) Other non-current assets as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

		December 31, 2017	December 31, 2016
Long-term accounts and notes receivable – other	₩	326,713	252,263
Long-term prepaid expenses		134	110
Long-term advanced payments		6,754	4,519
Derivatives asset		21,385	18,363
	₩	354,986	275,255

14. Borrowings and Others

(1) Details of borrowings as of December 31, 2017 and 2016, are summarized as follows:

(i) Short-term borrowings

(In millions of Korean won)

	Lender	Annual interest rate (%)	Amount	
		December 31, 2017	December 31, 2017	December 31, 2016
Usance	Woori Bank and others	0.22–2.14	₩ 121,176	117,537
Trade financing (*)	Korea Development Bank and others	0.0000001–2.06	2,872,536	2,758,739
			₩ 2,993,712	2,876,276

(*) The Group is continuously recognising 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 recognised as collateral.

(ii) Long-term debt in Korean won

(In millions of Korean won)

	Lender	Annual interest rate (%)	Amount	
		December 31, 2017	December 31, 2017	December 31, 2016
Facility loans	Korea Development Bank	2.47	₩ 130,000	130,000
	Nong Hyup Bank	2.26–2.35	120,000	70,000
	Woori Bank	2.37	50,000	200,000
	Kookmin Bank	2.43–2.54	200,000	150,000
	Shinhan Bank	2.71	70,000	30,000
	KEB Hana Bank	2.43–2.71	50,000	20,000
			620,000	600,000
Less: current portion of long-term debt			(200,000)	(200,000)
			₩ 420,000	400,000

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(iii) Long-term debt in foreign currencies

(In millions of Korean won)

	Maturity date	Annual interest rate (%)	Amount	
		December 31, 2017	December 31, 2017	December 31, 2016
General loans	Bank of Tokyo-Mitsubishi UFJ, Ltd. and others	2.06–2.66	₩ 564,221	1,014,634
Facility loans and others	Korea Development Bank and others	0.22–2.66	1,211,585	1,462,978
Overseas investment loans	The Export-Import Bank of Korea	2.84	170,710	288,832
	Korea Development Bank	2.77–2.88	169,638	60,425
			2,116,154	2,826,869
Less: current portion of long-term debt			(661,422)	(955,235)
			₩ 1,454,732	1,871,634

(iv) As of December 31, 2017, the Group has pledged its land and buildings in the amount of ₩42,228 million as collateral for long-term debt in foreign currencies.

(2) Details of bonds as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	Maturity date	Annual interest rate (%)	Amount	
		December 31, 2017	December 31, 2017	December 31, 2016
Unsecured public bonds	2020.06.4–2022.11.05	2.23–2.57	₩ 830,000	930,000
	2020.02.15–2024.02.15	1.85–2.41	500,000	-
Foreign public bonds	2021.04.21–2026.04.21	2.63–3.25	749,980	845,950
	2023.04.25–2027.10.25	3.00–3.50	964,260	-
Less: discounts on bonds			(24,272)	(10,627)
			3,019,968	1,765,323
Less: current portion of long-term debt			-	(99,916)
			₩ 3,019,968	1,665,407

15. Other Liabilities

(1) Details of other current liabilities as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	December 31, 2017	December 31, 2016
Unearned income	₩ 41,114	20,345
Dividends payable	23	23
Guarantee received	1,204	1,613
Current portion of finance lease liabilities	1,305	-
Current portion of derivatives liabilities	-	1,199
Others	24,083	24,372
	₩ 67,729	47,552

(2) Details of other non-current liabilities as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	December 31, 2017	December 31, 2016
Leasehold deposits received	₩ 14,988	16,497
Long-term unearned income	288	317
Long-term accounts and notes payable – others	1,929	2,175
Liabilities for financial guarantee	799	386
Finance lease liabilities	1,836	-
Long-term accrued expenses	46,012	56,795
Derivatives liabilities	81,216	140
	₩ 147,068	76,310

16. Retirement Benefits Plan

(1) Details of net defined benefit obligations as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	₩ 2,252,036	2,063,176
Fair value of plan assets	(2,213,350)	(2,036,562)
Net defined benefit obligations	₩ 38,686	26,614

(2) The components of plan assets as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	December 31, 2017	December 31, 2016
Time deposits and others	₩ 2,213,350	2,036,562

(3) The components of retirement benefit costs for the years ended December 31, 2017 and 2016 are summarized as follows:

(In millions of Korean won)

	2017	2016
Current service costs	₩ 287,056	300,212
Interest costs, net	571	5,326
	₩ 287,627	305,538

(4) The principal actuarial assumptions weighted-average rate used to benefit plans as of December 31, 2017 and 2016 are summarized as follows:

(In millions of Korean won)

	December 31, 2017	December 31, 2016
Discount rate (%)	3.19	3.06
Expected rate of salary increase (%)	4.00	4.00

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(5) Changes in defined benefit obligations for the years ended December 31, 2017 and 2016 are summarized as follows:

(In millions of Korean won)

		2017	2016
Balance at January 1	₩	2,063,176	1,901,868
Current service costs		287,056	300,212
Interest costs		62,651	55,239
Remeasurements (*)		(79,104)	(135,283)
Transfer in (out), net		(65)	643
Benefits paid		(81,678)	(59,503)
Balance at December 31	₩	2,252,036	2,063,176

(*) Details of remeasurements as of December 31, 2017, and December 31, 2016, are summarized as follows:

(In millions of Korean won)

		2017	2016
Actuarial losses (gains) arising from changes in demographic assumptions	₩	(2,833)	(649)
Actuarial losses (gains) arising from changes in financial assumptions		(35,199)	(3,778)
Others		(41,072)	(130,856)
	₩	(79,104)	(135,283)

(6) Changes in plan assets for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

		2017	2016
Balance at January 1	₩	2,036,562	1,645,527
Return on plan assets		62,081	49,913
Remeasurements		(24,737)	(5,885)
Contributions		200,000	390,000
Transfer in, net		1,050	634
Benefits paid		(61,606)	(43,627)
Balance at December 31	₩	2,213,350	2,036,562

(7) Sensitivity analysis of defined benefit obligations from changes of assumptions for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	December 31, 2017		December 31, 2016	
	1% Up	1% Down	1% Up	1% Down
Discount rate	₩ (227,926)	267,540	(235,447)	279,544
Rate of salary increase	266,762	(231,482)	278,251	(238,766)

17. 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, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017			2016		
	Warranty	Others	Total	Warranty	Others	Total
Balance at January 1	₩ 3,055,758	37,874	3,093,632	2,366,66	23,500	2,390,162
Provisions made	2,049,682	1,021,602	3,071,284	1,811,971	6,973	1,818,944
Provisions used	(1,456,448)	(3,173)	(1,459,621)	(1,143,317)	(606)	(1,143,923)
Other increase (decrease)	(74,145)	2,181	(71,964)	20,442	8,007	28,449
Balance at December 31	₩ 3,574,847	1,058,484	4,633,331	3,055,758	37,874	3,093,632
Current	1,080,209	57,570	1,137,779	791,695	35,779	827,474
Non-current	2,494,638	1,000,914	3,495,552	2,264,063	2,095	2,266,158

(*) The litigations for ordinary wages are underway and the estimated outflow amount of ₩997,949 million as a result of the ongoing litigations have been accrued as other provision.

18. Commitments and Contingencies

(1) As of December 31, 2017, one certificate of deposit of ₩1,493 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: ₩646 million) of KDIA, which are included in long-term available-for-sale financial assets for a performance guarantee on a contract.

(2) 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 ₩280,715 million as of December 31, 2017. Management is of the opinion that aforementioned guarantees will not have a significant adverse effect on the Group's credit risk since the Group has pledged its acquired shares as collateral for the borrowings.

(3) 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, 2017. Management is of the opinion that foregoing lawsuits and claims will not have a significant 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. Meanwhile, as of December 31, 2017, the litigations for ordinary wages are in progress of second instance, and management is not able to reliably estimate the potential impacts on the Group's financial position, financial performance and cash flows other than what have been accrued and described in the provision (footnote 17).

(4) In connection with long-term debt, amounting to USD 13,333 thousand, guaranteed by Hyundai Motor America, Inc. and Mobis America, Inc.. KMMG is obliged to pay biannually guarantor fees calculated at a rate of 0.15% per annum on the outstanding debt balance.

(5) As of December 31, 2017, KMMG has 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.

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(6) As of December 31, 2017, in regard to the factory expansion, KMS has an agreement with suppliers to acquire property, plant and equipment of EUR 15,095 thousand during the period.

(7) As of December 31, 2017, KMM has an agreement with the Government of the State of Nuevo Leon at least USD 1,054 million for tax incentives.

(8) As of December 31, 2017, 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 10,386 million of foreign currency and ₩2,206,753 million.

19. Derivative Financial Instruments and Hedge

Details of derivative financial instruments to hedge as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	Type	Fair Value		Purpose
		December 31, 2017	December 31, 2016	
Shares	Total Return Swap	₩ 21,154	17,026	
Exchange Rate	Currency Option	-	(1,101)	Cash Flow Hedge
	Currency Swap	(75,882)	1,078	Cash Flow Hedge
Interest Rate	Interest Rate Swap	466	466	Cash Flow Hedge

20. Equity

(1) 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 as of December 31, 2017, respectively. 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.

(2) Accumulated other comprehensive income (loss) as of December 31, 2017 and 2016, is summarized as follows:

(In millions of Korean won)

	December 31, 2017	December 31, 2016
Changes in fair value of available-for-sale financial assets	₩ 1,081	21,756
Effective portion of changes in fair value of cash flow hedges	1,804	373
Change in capital adjustments – gain of equity method accounted investment	30,887	106,142
Change in capital adjustments – loss of equity method accounted investment	(320,302)	(257,728)
Exchange differences on translation foreign operations	(565,508)	(395,771)
	₩ (852,038)	(525,228)

(3) Other equity as of December 31, 2017 and 2016, is summarized as follows:

(In millions of Korean won)

	December 31, 2017	December 31, 2016
Gain on retirement of capital stock	₩ 119,859	119,859
Other capital surplus	35,256	35,256
Treasury stock	(216,189)	(216,189)
	₩ (61,074)	(61,074)

21. Retained Earnings

(1) Retained earnings as of December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	December 31, 2017	December 31, 2016
Legal reserve	₩ 288,711	244,511
Discretionary reserve	19,406,438	16,264,195
Unappropriated retained earnings	4,379,173	6,957,053
	₩ 24,074,322	23,465,759

(2) Changes in retained earnings for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017	2016
Balance at January 1	₩ 23,465,759	21,039,080
Profit attributable to owners of the Group	968,018	2,754,640
Dividends	(441,024)	(441,025)
Remeasurements of defined benefit obligations	50,420	98,972
Remeasurements of defined benefit obligations of associates, net	31,149	14,092
Balance at December 31	₩ 24,074,322	23,465,759

22. Earnings per Share

(1) Details of basic earnings per share calculation for the years ended December 31, 2017 and 2016, are summarized as follows:

(In Korean won, except number of shares)

	2017	2016
Profit attributable to owners of the Company	₩ 968,018,455,309	2,754,639,712,710
Weighted-average number of common shares outstanding	400,931,263	400,806,137
Basic earnings per share	₩ 2,414	6,873

(2) The Group did not compute diluted earnings per common stock for the years ended December 31, 2017 and 2016, since there are no dilutive items during the years.

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23. Dividends

(1) Details of dividends for the years ended December 31, 2017 and 2016, are summarized as follows:

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

	2017	2016
Number of shares issued	405,363,347	405,363,347
Number of treasury shares	(4,432,084)	(4,432,084)
Number of dividend shares	400,931,263	400,931,263
Par value per share	₩ 5,000	5,000
Dividend rate	16%	22%
Dividend amount	₩ 320,745	441,024

(2) Details of the dividend payout ratio for the years ended December 31, 2017 and 2016 are as follows:

(In millions of Korean won, except for ratio)

	2017	2016
Dividends	₩ 320,745	441,024
Profit for the year	968,018	2,754,640
Dividend payout ratio	33.13%	16.01%

(3) Dividend yield ratio for the years ended December 31, 2017 and 2016, are summarized as follows:

(In Korean won, except for ratio)

	2017	2016
Dividend per share	₩ 800	1,100
Market price as of year-end	33,500	39,250
Dividend yield ratio	2.39%	2.80%

24. Selling, General and Administrative Expense

(1) Details of selling expenses for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017	2016
Advertising	₩ 1,295,857	1,333,420
Sales promotion	937,110	940,983
Warranty expenses	1,873,009	1,658,632
Freight	295,445	275,843
Overseas marketing and export expenses	972,281	918,571
	₩ 5,373,702	5,127,449

(2) Details of general and administrative expenses for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017	2016
Salaries	₩ 811,946	743,305
Bonus	261,559	259,096
Retirement and severance benefits cost	88,802	85,947
Accrual for other long-term employee benefits	6,773	7,180
Other employee benefits	179,082	176,943
Travel	42,143	47,082
Communications	14,008	15,072
Utilities	17,059	19,343
Taxes and dues	28,723	27,836
Rent	66,777	65,651
Depreciation	76,385	90,801
Amortization	39,626	31,669
Bad debt expenses	(2,691)	(110)
Repairs and maintenance	22,187	29,949
Insurance premium	17,332	13,399
Entertainment expense	5,798	7,669
Maintenance fee for vehicles	33,585	29,518
Supplies and stationery	15,141	12,707
Information fees	3,017	2,938
Education and training	27,241	26,880
Commissions and fees	338,526	344,600
Test expenses	772,605	792,435
Others	15,432	12,477
	₩ 2,881,056	2,842,387

25. Finance Income and Finance Expenses

(1) Details of finance income for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017	2016
Interest income	₩ 173,919	151,314
Gain on foreign exchange transactions	63,933	60,417
Gain on foreign currency translation	155,947	11,125
Dividends income	5,170	5,034
Gain on valuation and trading derivatives	9,626	21,977
Gain on valuation of financial assets at fair value through profit or loss	123	71
	₩ 408,718	249,938

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(2) Details of finance expenses for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

		2017	2016
Interest expense	₩	220,250	139,211
Loss on foreign exchange transactions		23,462	46,628
Loss on foreign currency translation		7,157	104,889
Loss on valuation and trading of derivatives		100	2,625
	₩	250,969	293,353

26. Other Income and Expenses

(1) Other income for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

		2017	2016
Rent	₩	8,875	9,472
Gain on foreign exchange transactions		373,670	505,472
Gain on foreign currency translation		123,756	152,422
Gain on disposal of property, plant and equipment		18,592	10,275
Gain on disposal of intangible assets		-	53
Reversal of allowance for doubtful accounts		50	968
Miscellaneous profit		119,108	138,452
	₩	644,051	817,114

(2) Other expenses for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

		2017	2016
Loss on foreign exchange transactions	₩	413,836	464,619
Loss on foreign currency translation		138,206	158,931
Loss on disposal of accounts and notes receivable – trade		459	501
Donation		31,175	28,751
Loss on disposal of property, plant and equipment		22,673	71,755
Loss on disposal of intangible assets		223	34
Loss on disposal of non-current assets held for sale		-	8,590
Impairment loss on intangible assets		16,576	118,198
Miscellaneous losses		264,777	101,665
	₩	887,925	953,044

27. Income Tax Expense

(1) The components of income tax expense for the years ended December 31, 2017 and 2016, is summarized as follows:

(In millions of Korean won)

		2017	2016
Income tax payable	₩	476,476	726,917
Changes in deferred taxes due to temporary differences		(294,315)	(49,103)
Changes in deferred taxes due to an item directly charged to equity		(10,126)	9,580
Income tax expense	₩	172,035	687,394

(2) The components of items charged to equity for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

		2017	2016
Current tax:			
Gain on disposals of treasury stock	₩	-	6,499
Remeasurements of defined benefit obligations		(16,097)	(31,598)
	₩	(16,097)	(25,099)
Deferred income tax:			
Gain on valuation of available-for-sale financial assets	₩	6,536	34,661
Effective portion of changes in fair value of cash flow hedges		(565)	18
	₩	5,971	34,679
Changes in deferred taxes due to an item directly charged to equity	₩	(10,126)	9,580

Income tax related to gains/losses on valuation of remeasurements of defined benefit obligations, available-for-sale financial assets and derivative instruments were recognised in accumulated other comprehensive loss.

(3) Reconciliation from profit before income taxes to income tax expense for the years ended December 31, 2017 and 2016, is as follows:

(In millions of Korean won, except for ratio)

		2017	2016
Profit before income tax	₩	1,140,053	3,442,034
Income tax calculated at statutory tax rates (*)		279,097	1,065,826
Adjustments:			
Non-taxable income		(50,160)	(121,148)
Non-deductible expense		77,542	79,613
Tax credits		(117,326)	(202,484)
Tax Effect of gains/losses on investments in subsidiaries, joint ventures and associates		73,673	(123,661)
Others (Effect of tax rate change and others)		(90,791)	(10,752)
Income tax expense	₩	172,035	687,394
Effective average tax rate		15.09%	19.97%

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

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(4) 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.

(5) Details of changes in deferred tax assets and liabilities for the year ended December 31, 2017, are as follows:

(In millions of Korean won)

	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Allowance for doubtful accounts	₩ 9,000	2,513	-	11,513
Bad debts write-off	57,839	(48,306)	-	9,533
Accrued expenses	406,933	188,747	-	595,680
Provision of warranty	707,400	77,807	-	785,207
Provision of other long-term employee benefits	63,633	6,866	-	70,499
Annual leaves	28,645	4,189	-	32,834
Revaluated land	(355,261)	(43,943)	-	(399,204)
Depreciation	(502,783)	246,090	-	(256,693)
Investments in subsidiaries, joint ventures and associates	(1,766,486)	(3,460)	-	(1,769,946)
Gains/losses on disposal of investment assets and others	(43,689)	(5,064)	-	(48,753)
Gains/losses on valuation of derivatives	(4,234)	(1,883)	(565)	(6,682)
Gains/losses on valuation of available-for-sale financial assets	(6,946)	-	6,536	(410)
Accumulated deficit carryforward	131,815	(24,264)	-	107,551
Others	292,899	(110,948)	-	181,951
	₩ (981,235)	288,344	5,971	(686,920)

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 ventures and associates	(1,390,306)	(376,180)	-	(1,766,486)
Gains/losses on disposal of investment assets and others	(77,261)	33,572	-	(43,689)
Gains/losses on valuation of derivatives	(503)	(3,749)	18	(4,234)
Gains/losses on valuation of available-for-sale financial assets	(41,607)	-	34,661	(6,946)
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)

(6) As of December 31, 2017, the amounts of total temporary differences related to investments in subsidiaries, joint ventures and associates, which deferred tax assets and liabilities were not recognised, are ₩847,805 million and ₩2,474,148 million, respectively.

28. Classification of Expenses by Nature

Details of expenses by nature for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017	2016
Change in inventories	₩ 323,899	(1,166,888)
Raw material and merchandise consumed	37,137,473	37,250,135
Employee benefits	5,607,513	4,768,875
Depreciation	1,261,105	1,129,307
Amortization	594,620	557,269
Others	7,948,844	7,712,728
	₩ 52,873,454	50,251,426

29. Cash Flows

(1) Details of cash generated from operations for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017	2016
Profit for the year	**₩ 968,018**	**2,754,640**
Adjustments:		
Salaries	₩ 802,174	-
Retirement and severance benefits	339,849	305,538
Depreciation	1,261,105	1,129,307
Amortization	594,620	557,269
Warranty expenses	1,932,173	1,530,446
Income tax expense	172,035	687,394
Gain on investment in joint ventures and associates	(563,952)	(1,159,899)
Interest expenses (income), net	46,331	(12,103)
Dividends income	(5,170)	(5,034)
Loss (gain) on foreign currency translations, net	(134,340)	100,273
Loss on disposal of property, plant and equipment	4,081	61,480
Others	212,842	128,267
	₩ 4,661,748	3,322,938

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	2017	2016
Changes in operating assets and liabilities:		
Decrease in accounts and notes receivable – trade	₩ 205,251	89,125
Decrease (increase) in accounts and notes receivable – other	(104,524)	97,442
Decrease (increase) in inventories	151,054	(1,273,494)
Increase (decrease) in accounts and notes payable – trade	(1,017,529)	218,362
Increase (decrease) in advances received	(57,753)	86,282
Increase (decrease) in accounts and notes payable – other	53,347	(163,622)
Increase in accrued expenses	31,915	297,866
Payment of retirement benefits	(81,678)	(59,503)
Changes in net defined benefit liability	(139,509)	(346,364)
Changes in warranty provision	(1,456,448)	(1,143,317)
Others	(167,326)	(35,116)
	₩ (2,583,200)	(2,232,339)
Cash generated from operations	₩ **3,046,566**	**3,845,239**

(2) Significant non-cash investing and financing activities for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017	2016
Change in accounts and notes payable – others in connection to acquisition of property, plant and equipment	₩ (5,705)	1,425
Change in accounts and notes payable – others in connection to acquisition of intangible assets	54,806	7,549
Change in accounts and notes receivable – others in connection to disposal of investment property	-	(19,480)
Change in inventories in connection to acquisition of property, plant and equipment	139,747	123,549

(3) Changes in liabilities arising from financial activities for the year ended December 31, 2017 are as follows:

(In millions of Korean won)

	December 31, 2016	Cash flow	Changes in non-cash			December 31, 2017
			Exchange rate changes	Transferred in current portion	Amortization of present value discounts	
Short-term borrowings	₩ 2,876,276	252,096	(134,660)	-	-	2,993,712
Current portion of long-term debt and bonds	1,255,151	(1,197,101)	(50,548)	853,836	83	861,421
Current portion of finance lease liabilities	-	1,377	(72)	-	-	1,305
Bonds	1,665,407	1,499,270	(147,180)	-	2,471	3,019,968
Long-term debt	2,271,634	616,729	(159,795)	(853,836)	-	1,874,732
Finance lease liabilities	-	2,071	(235)	-	-	1,836
Others	16,497	(1,530)	20	-	-	14,987
	₩ 8,084,965	1,172,912	(492,470)	-	2,554	8,767,961

30. 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.

(1) 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.

(2) 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.

(3) 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.

(4) 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.

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31. Risk Management of Financial Instruments

(1) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets means maximum exposure in respect of credit risk. The maximum exposure as of December 31, 2017 and 2016, is as follows:

(In millions of Korean won)

	December 31, 2017	December 31, 2016
Cash and cash equivalents (*)	₩ 1,561,440	3,063,898
Short-term financial instruments	5,298,287	3,482,272
Short-term available-for-sale financial assets	2,508,682	1,806,374
Accounts and notes receivable – trade	2,092,975	2,402,540
Accounts and notes receivable – others	951,196	762,172
Other current assets	333,450	320,729
Long-term financial instruments	81,770	115,576
Long-term available-for-sale financial assets	30,417	151,797
Long-term accounts and notes receivable – trade	3,393	3,803
Guarantee deposits	177,505	175,467
Other non-current assets	348,096	270,626
	₩ 13,387,211	12,555,254

(*) Cash on hand is excluded.

(ii) Aging analysis of accounts and notes receivable

The aging information based on carrying amount of trade account and notes receivable and other receivable as of December 31, 2017 and 2016 is as follows:

(In millions of Korean won)

	December 31, 2017		December 31, 2016	
	Accounts and Notes receivable-trade	Other receivable (*)	Accounts and Notes receivable-trade	Other receivable (*)
Not overdue	₩ 1,878,473	1,475,497	2,253,355	1,003,816
Past due less than 3 months	192,460	16,417	126,862	212,372
Past due 4–6 months	23,501	22,441	25,245	40,459
Past due 7–12 months	388	11,595	930	3,393
Past due for more than 12 months	95,785	10,406	95,175	4,924
	₩ 2,190,607	1,536,356	2,501,567	1,264,964

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

Changes in allowance for doubtful trade accounts and notes receivable and other receivables for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017		2016	
	Accounts and notes receivable-trade	Other receivable	Accounts and notes receivable-trade	Other receivable
Balance at January 1	₩ 95,224	4,333	96,956	8,099
Collection of write-off	2,510	-	85	-
Write-off	(1,424)	(25)	(1,713)	(2,652)
Allowance for doubtful accounts	(2,691)	(476)	(110)	(887)
Others	620	(594)	6	(227)
Balance at December 31	₩ 94,239	3,238	95,224	4,333

(2) Liquidity risk

Aggregate maturities of the Group's financial liabilities, including estimated interest, as of December 31, 2017, 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	₩ 5,113,283	-	-	5,113,283
Accounts and notes payable – others	1,774,836	-	-	1,774,836
Accrued expenses	1,700,936	-	-	1,700,936
Other current liabilities	1,227	-	-	1,227
Other non-current liabilities	-	144,943	-	144,943
Interest-bearing liabilities:				
Bonds	₩ 75,036	1,874,902	1,544,802	3,494,740
Borrowings	3,953,191	1,828,000	142,404	5,923,595
Finance lease liabilities	1,305	1,836	-	3,141
Financial guarantee:	₩ 280,715	-	-	280,715

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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 – others	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

(3) 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, 2017 and 2016. 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, 2017		December 31, 2016	
	10% Up	10% Down	10% Up	10% Down
USD	₩ (319,146)	319,146	(350,749)	350,749
EUR	(29,639)	29,639	(39,600)	39,600

(4) Interest rate risk

Sensitivity analysis of interest expenses and interest income from changes of interests rate as of December 31, 2017 and 2016, is summarized as follows:

(In millions of Korean won)

	December 31, 2017		December 31, 2016	
	100 bp up	100 bp down	100 bp up	100 bp down
Interest income	₩ 18,116	(18,116)	33,040	(33,040)
Interest expenses	24,457	(24,457)	32,249	(32,249)

(5) 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, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	December 31, 2017		December 31, 2016	
	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	₩ 250,123	250,123	240,071	240,071
Loans and receivables:				
Cash and cash equivalents	₩ 1,561,738	1,561,738	3,064,191	3,064,191
Short-term financial instruments	5,298,287	5,298,287	3,482,272	3,482,272
Accounts and notes receivable – trade	2,092,975	2,092,975	2,402,540	2,402,540
Accounts and notes receivable – others	951,196	951,196	762,172	762,172
Long-term accounts and notes receivable – trade	3,393	3,393	3,803	3,803
Others	663,744	663,744	623,518	623,518
	₩ 10,571,333	10,571,333	10,338,496	10,338,496
Available-for-sale financial assets:				
Short-term available-for-sale financial assets	₩ 2,508,682	2,508,682	1,806,374	1,806,374
Long-term available-for-sale financial assets	360,921	360,921	509,466	509,466
	₩ 2,869,603	2,869,603	2,315,840	2,315,840
Financial derivatives assets:				
Currency swap	₩ 5,334	5,334	1,218	1,218
Interest swap	466	466	565	565
Total return swap	21,154	21,154	17,026	17,026
	₩ 26,954	26,954	18,809	18,809
Liabilities recognised by amortized cost:				
Accounts and notes payable – trade	₩ 5,113,283	5,113,283	6,128,049	6,128,049
Accounts and notes payable – others	1,774,836	1,774,836	2,139,939	2,139,939
Bonds	3,019,968	3,048,939	1,765,323	1,745,408
Borrowings	5,729,865	5,712,391	6,303,146	6,285,643
Financial lease liabilities	3,141	3,141	-	-
Others	1,765,891	1,765,891	1,753,466	1,753,466
	₩ 17,406,984	17,418,481	18,089,923	18,052,505
Financial derivatives liabilities:				
Currency swap	₩ 81,216	81,216	140	140
Currency option	-	-	1,101	1,101
Interest swap	-	-	99	99
	₩ 81,216	81,216	1,340	1,340

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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, 2017, 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, 2017, 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	₩ -	250,123	-	250,123
Available-for-sale financial assets:				
Marketable securities	₩ 253,240	-	-	253,240
Financial derivatives assets:				
Currency swap	₩ -	5,334	-	5,334
Interest swap	-	466	-	466
Total return swap	-	21,154	-	21,154
	₩ -	26,954	-	26,954
Financial derivatives liabilities:				
Currency swap	₩ -	81,216	-	81,216

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, 2017, are summarized as follows:

(In millions of Korean won)

	Fair value	Valuation methods	Inputs
Financial assets at fair value through profit or loss	₩ 250,123	DCF model and others	Discount rate and others (*)
Hedging derivative financial assets	26,954		
Hedging derivative financial liabilities	81,216		

(*) 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 recognised by amortized cost, but presented as fair value classified by fair value hierarchy as of December 31, 2017, are summarized as follows:

(In millions of Korean won)

	Level 1	Level 2	Level 3	Total
Bonds and borrowings	₩ -	-	8,761,330	8,761,330

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

The valuation techniques and the significant unobservable inputs used in measuring Level 3 fair values as of December 31, 2017, are summarized as follows:

(In millions of Korean won)

	Fair value	Valuation methods	Significant unobservable input
Bonds and borrowings	₩ 8,761,330	DCF model	Discount rate considering credit risk

(6) Income and expense by financial instruments category

Income and expenses by financial instruments category for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017			2016		
	Finance income	Finance expenses	Other comprehensive income (loss)	Finance income	Finance expenses	Other comprehensive income (loss)
Loans and receivables	₩ 233,298	23,462	-	208,064	38,192	-
Financial asset at fair value through profit or loss	123	-	-	71	-	-
Available-for-sale financial assets	9,724	-	(20,675)	8,701	-	(108,568)
Liabilities recognised by amortized cost	155,947	227,407	-	11,125	253,920	-
Derivative financial instruments	9,626	100	1,431	21,977	1,241	(57)
	₩ 408,718	250,969	(19,244)	249,938	293,353	(108,625)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(7) 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, 2017, are summarized as follows:

(In millions of Korean won)

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off	Net amounts of financial assets	Related amounts not set off	Net amount
Financial assets:					
Accounts and notes receivables – trade, and others	₩ 390,308	(274,630)	115,678	(24,232)	91,446
Financial liabilities:					
Short-term borrowings	2,829,432	-	2,829,432	(2,829,432)	-
Accounts and notes payables – trade, and others	1,612,844	(274,630)	1,338,214	(24,232)	1,313,982
	₩ 4,442,276	(274,630)	4,167,646	(2,853,664)	1,313,982

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

(In millions of Korean won)

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off	Net amounts of financial assets	Related amounts not set off	Net amount
Financial assets:					
Accounts and notes receivables – trade, and others	₩ 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 others	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

32. Transactions and Balances with Related Companies

(1) Significant transactions

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, 2017, are summarized as follows:

(In millions of Korean won)

Relation	Company	Revenue			Expenses		
		Sales	Other	Total	Purchases	Other	Total
Entity with significant influence over the Company and its subsidiaries	Hyundai Motors Co., Ltd.	₩ 93,777	44,250	138,027	567,200	676,001	1,243,201
	Hyundai Motor America	1,545,168	330	1,545,498	-	95,352	95,352
	Hyundai Motor Manufacturing Czech, s.r.o.	598,612	4,892	603,504	104,236	1,091	105,327
	Hyundai Motor Manufacturing Alabama, LLC	26,518	46,989	73,507	551,957	1,084	553,041
	Hyundai Auto Canada Corp.	347,028	-	347,028	-	31,736	31,736
	Hyundai Kefico Corporation	13	17	30	207,147	176	207,323
	Others	281,281	5,762	287,043	106,817	150,413	257,230
Joint ventures and associates	Hyundai Mobis Co., Ltd.	81,181	2,955	84,136	4,777,081	1,972	4,779,053
	Hyundai Powertech Co., Ltd.	6,559	7	6,566	323,220	993	324,213
	Hyundai Dymos Inc.	12,055	19	12,074	643,104	87	643,191
	Hyundai Engineering Co., Ltd.	23	162	185	-	150,432	150,432
	Hyundai Steel Co., Ltd.	16,294	266	16,560	105,358	-	105,358
	Hyundai Capital Services Inc.	333,090	265	333,355	637	61,735	62,372
	EUKOR Car Carriers, Inc.	-	494	494	-	263,190	263,190
	Donghee Auto Co., Ltd.	49	-	49	157,936	91	158,027
	Hyundai Motor Group China, Ltd.	59,260	-	59,260	-	6,138	6,138
	Dongfeng Yueda Kia Motors Co., Ltd.	199,070	4,544	203,614	-	71	71
	Hyundai Motor Manufacturing Rus LLC	19,307	19,067	38,374	1,146,534	162	1,146,696
	Mobis Alabama, LLC	3,394	27,867	31,261	1,690,334	13,540	1,703,874
	Mobis Parts America, LLC	4,520	-	4,520	615,519	-	615,519
	Mobis Slovakia s.r.o.	45,211	23,333	68,544	1,608,677	3,606	1,612,283
	Powertech America, Inc.	-	2,791	2,791	377,846	-	377,846
	Sewon America, Inc.	-	8	8	237,380	1,163	238,543
	Others	12,334	16,137	28,471	2,693,587	593,700	3,287,287
Other related parties		6,192	-	6,192	610	-	610
Affiliates by the Act		85,418	32,096	117,514	6,088,523	926,004	7,014,527

For the year ended December 31, 2017, the Group received dividends of ₩132,933 million from related parties and paid dividends of ₩158,927 million to related parties.

KIA MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

Significant transactions arising from operation between the Group and related parties or affiliates by the Act for the year ended December 31, 2016, are summarized as follows:

(In millions of Korean won)

Relation	Company	Revenue			Expenses		
		Sales	Other	Total	Purchases	Other	Total
Entity with significant influence over the Company and its subsidiaries	Hyundai Motors Co., Ltd.	₩ 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 ventures 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 Co., Ltd.	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.

(2) Account balances

Significant account balances with related parties or affiliates by the Act as of December 31, 2017, 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 Co., Ltd.	₩ 32,178	47,514	79,692	172,791	320,518	493,309
	Hyundai Motor America	194,948	-	194,948	-	10,590	10,590
	Hyundai Motor Manufacturing Czech, s.r.o.	22,491	330	22,821	2,433	80	2,513
	Hyundai Motor Manufacturing Alabama, LLC	975	9,513	10,488	20,478	-	20,478
	Hyundai Auto Canada Corp.	31,787	-	31,787	-	3,765	3,765
	Hyundai Kefico Corporation	-	7	7	43,526	1,120	44,646
	Others	23,721	18,258	41,979	1,641	16,857	18,498
Joint ventures and associates	Hyundai Mobis Co., Ltd.	-	2,021	2,021	909,716	7,456	917,172
	Hyundai Powertech Co., Ltd.	12	3,630	3,642	38,585	384	38,969
	Hyundai Dymos Inc.	-	4,759	4,759	105,126	1,683	106,809
	Hyundai Engineering Co., Ltd.	-	21	21	-	50,407	50,407
	Hyundai Steel Co., Ltd.	17,215	225	17,440	24,307	-	24,307
	Hyundai Capital Services Inc.	42,217	16	42,233	-	5,515	5,515
	EUKOR Car Carriers, Inc.	-	18	18	-	13,698	13,698
	Donghee Auto Co., Ltd.	3	-	3	14,196	4	14,200
	Hyundai Motor Group China, Ltd.	8,215	-	8,215	-	486	486
	Dongfeng Yueda Kia Motors Co., Ltd.	20,303	44,754	65,057	-	601	601
	Hyundai Motor Manufacturing Rus LLC	324	6,724	7,048	84,934	-	84,934
	Mobis Alabama, LLC	500	1,402	1,902	64,895	-	64,895
	Mobis Parts America, LLC	2,698	-	2,698	21,177	-	21,177
	Mobis Slovakia s.r.o.	-	-	-	91,921	-	91,921
	Powertech America, Inc.	-	246	246	14,044	-	14,044
	Sewon America, Inc.	-	-	-	10,295	-	10,295
	Others	11,352	13,200	24,552	438,540	105,612	544,152
Other related parties		1,390	-	1,390	154	-	154
Affiliates by the Act		11,811	28,137	39,948	795,897	141,611	937,508

KIA MOTORS CORPORATION AND SUBSIDIARIES

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For the years ended December 31, 2017 and 2016

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 Co., Ltd.	₩ 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
Joint ventures and associates	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 Co., Ltd.	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
	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

The Group holds financial instruments of ₩700,000 million in HMC Investment Securities Co., Ltd., its affiliate by the Act, and has contributions made to Hyundai Life Insurance Co., Ltd. for employee benefit plan in connection with severance and retirement benefits that totaled ₩531,297 million as of December 31, 2017.

(3) Significant transactions that occurred in funding with related parties

Significant transactions that occurred in funding with related parties for the years ended December 31, 2017 and 2016, are summarized as follows:

(In millions of Korean won)

	2017	2016
Investment in capital for associates	₩ 78,962	24,162

(4) Executive compensation of the Company

Executive compensation of the Company for each of the following categories for the years ended December 31, 2017 and 2016, is summarized as follows:

(In millions of Korean won)

	2017	2016
Salaries	₩ 40,817	53,165
Retirement benefits	15,194	14,667
	₩ 56,011	67,832

33. Date of Authorization for Issue

The consolidated financial statements were authorized for issue on January 25, 2018, at the Board of Directors meeting, and it is expected to be submitted for approval on March 9, 2018, at the general meeting of the stockholders.

PRODUCT LINE-UP



K900/QUORIS (K9)
This luxury, full-size sedan is the top model in the K Series, and offers market-leading elegance, a classy design and cutting-edge intelligent safety technologies.



CADENZA (K7)
This innovative mid- to large-size sedan has a sophisticated design that is full of charisma. It offers a smooth drive and strong power performance, befitting its number one ranking in the large model segment in the 2017 J.D. Power & Associates IQS.



SORENTO
This high-class mid-size SUV sports a tough, well-balanced exterior design and an interior that is full of refined details. It offers class-leading ride comfort and safety.



SPORTAGE
The Sportage sets new standards for next-generation SUVs, with its progressive, sporty style, exciting driving performance, and the best fuel efficiency and value for money amongst all compact SUVs.



SEDONA/GRAND CARNIVAL (CARNIVAL)
This minivan offers family convenience in a substantial, classy space, as well as delivering greater safety through six smart airbags and the use of Advanced High Strength Steel for 52% of the body shell.



SOUL
Offering peppy performance and a smooth drive, as well as a variety of convenient features and optimal use of space, this CUV took the number on spot in the Compact Multi-Purpose Vehicle segment in the 2017 J.D. Power & Associates IQS.



OPTIMA (K5)
This sporty mid-size sedan offers a new concept of chic design, exciting performance and smart technology.



CERATO/FORTE (K3)
This compact sedan features a sporty style that embodies the passion of youth, segment-leading convenience features, a comfortable ride, and outstanding fuel efficiency enabled by a smooth and highly efficient 6-speed automatic transmission.



RAY
This economical, family-oriented mini CUV sports a modern design and offers optimal use of space as well as outstanding safety and convenience features that exceed customer expectations.



RIO (PRIDE)
This compact car with a modern, urban style boasts a unique presence by bringing together a simple yet stylish exterior design, practical interior space and excellent fuel efficiency.



PICANTO (MORNING)
This stylish city car delivers remarkable interior space and extra convenience thanks to a smart packaging design, while also offering state-of-the-art safety technologies.



CARENS (RONDO)
This robust family minivan is packed with convenience features that are optimized for family life. It has the largest luggage space in its class, up to 1,643 liters when the seats are fully folded.

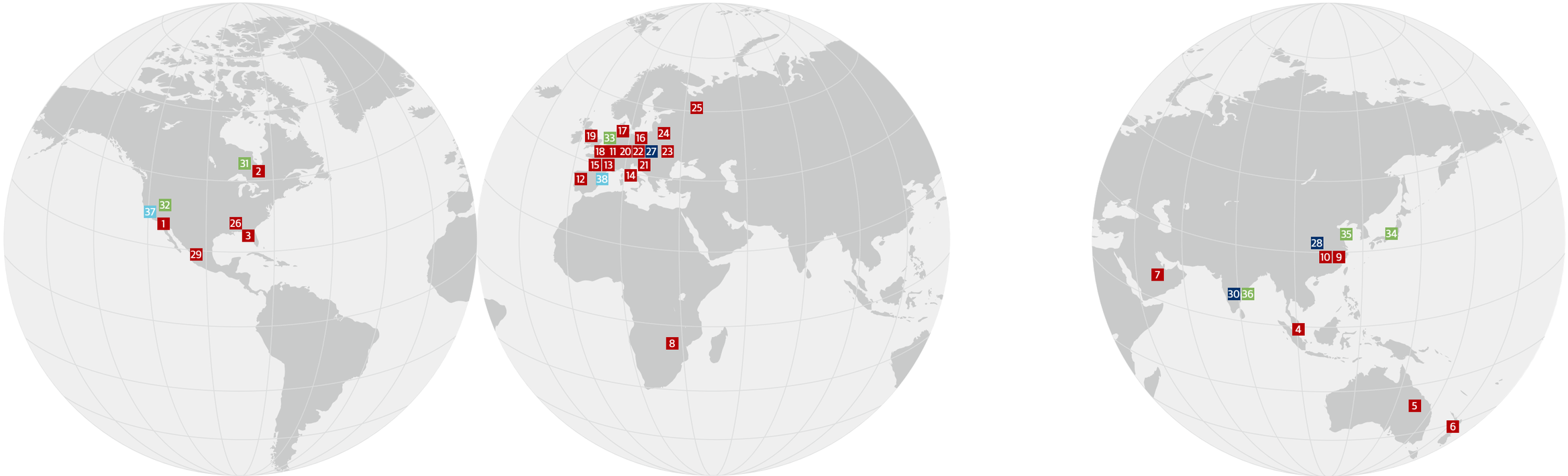


MOHAVE
This top-end large SUV features rear-wheel drive, strong power performance from its V6 3.0 diesel engine, sophisticated styling and cutting-edge safety features.



NIRO
This segment-leading, eco-friendly small SUV offers a simple yet dynamic design, good loading space, outstanding fuel efficiency and innovative safety systems.

GLOBAL NETWORK



OVERSEAS SALES SUBSIDIARIES & REGIONAL HQS

NORTH AMERICA

1 Kia Motors America (KMA)

2 Kia Canada Inc. (KCI)

CENTRAL & SOUTH AMERICA

3 Regional HQ / Central & South America (Miami Office)

ASIA/PACIFIC

4 Regional HQ / Asia (Kuala Lumpur Office)

5 Kia Motors Australia (KMAu)

6 Kia Motors New Zealand (KMNZ)

MIDDLE EAST & AFRICA

7 Regional HQ / Middle East & Africa (Dubai Office)

8 Kia Motors Corporation South Africa

CHINA

9 Kia Motors (China)

10 Dongfeng Yueda Kia Motors (DYK)

EUROPE

11 Kia Motors Europe (KME), Kia Motors Deutschland (KMD)

12 Kia Motors Iberia (KMIB)

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 HQ / Eastern Europe & CIS (Kiev Office)

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 (DYK)
• No.1 Plant • No.2 Plant • No.3 Plant

CENTRAL & SOUTH AMERICA

29 Kia Motors Mexico

INDIA

30 Kia Motors India

OVERSEAS R&D CENTERS

NORTH AMERICA

31 America Technical Center (Michigan)

32 Kia Motors California Proving Ground

EUROPE

33 Europe Technical Center

ASIA/PACIFIC

34 Japan Technical Center

35 China Technical Center

36 India Technical Center

OVERSEAS DESIGN CENTERS

37 Kia Design Center America

38 Kia Design Center Europe

MORE INFORMATION

More information on Kia Motors is available at our websites.

kia.com | pr.kia.com

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