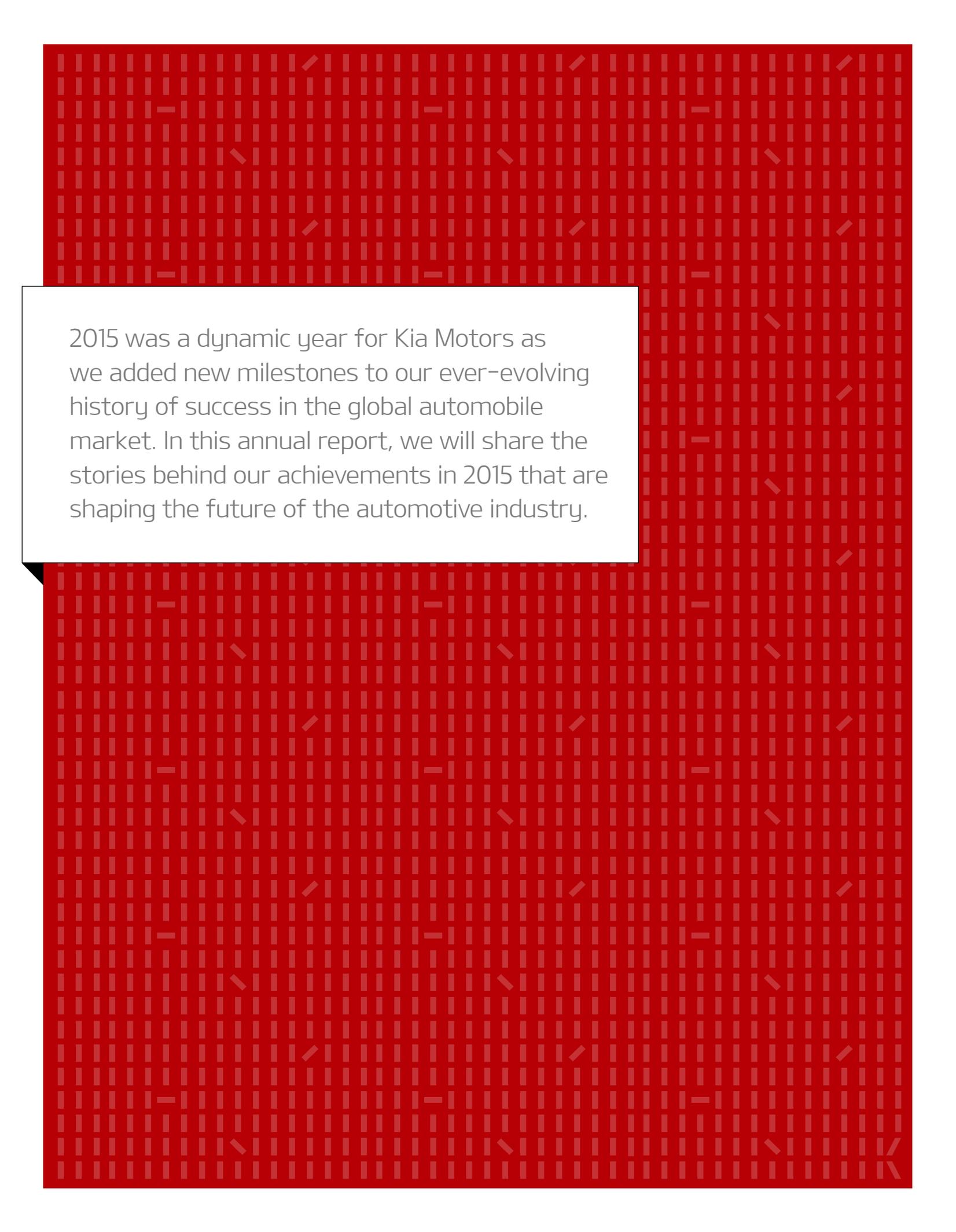


Annual Report 2015

# KIA MOTORS



The image features a solid red background with a subtle, repeating white grid pattern. A white rectangular text box is positioned in the upper-left quadrant, containing a paragraph of text. The text is in a clean, sans-serif font and describes the year 2015 as a dynamic one for Kia Motors, highlighting new milestones and achievements in the global automobile market. The text box has a thin black border and a small black triangle at its bottom-left corner, giving it the appearance of a callout or a speech bubble.

2015 was a dynamic year for Kia Motors as we added new milestones to our ever-evolving history of success in the global automobile market. In this annual report, we will share the stories behind our achievements in 2015 that are shaping the future of the automotive industry.

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## CHAIRMAN'S MESSAGE



We will expand our rapidly rising position in the global automobile market based on our spirit of passion and willingness to take on the challenges of the future.

---

In 2015, despite difficult market conditions, Kia Motors sold more than 3 million vehicles for the second year in a row, further reinforcing our status as one of the world's fastest rising automakers.

Global economic growth is expected to remain slow in 2016 due to China's economic slowdown, low oil prices, and anxiety in emerging markets about U.S. interest rate hikes. In addition, the automotive industry will undergo structural changes as vehicles become increasingly electronic and competition becomes fiercer than ever before. It is therefore vital for us to improve our competitiveness, so that Kia Motors can overcome uncertainties in the business environment and continue to grow.

As such, we will substantially increase our R&D investments so that we can lead technological innovation in the automotive industry. We will respond rapidly and efficiently to the strengthening of safety and environmental regulations across the globe, and will develop more technologies that bring IT and electronics together. In addition, we will enhance our brand value by releasing a steady stream of highly competitive, top quality new vehicles.

With Kia Motors' new plant in Mexico scheduled to begin full operations in the first half of this year, we are poised to further strengthen communication and cooperation across the organization to ensure the efficient operation of our global production and sales systems.

Our future growth will be realized in partnership with all our stakeholders, and that includes our commitment to taking the lead in creating jobs for young people and undertaking meaningful social contribution activities. We will do our best to promote a society that brings happiness to all citizens.

Everyone at Kia Motors will unite based on our spirit of passion and willingness to tackle the challenges of the future so that we take another leap in 2016 towards becoming a global leader in the automotive industry.

Thank you.



**Mong-Koo Chung**  
Chairman

## VICE CHAIRMAN'S MESSAGE

### Dear shareholders,

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

Economic trends in 2015 were mixed. Emerging nations saw stagnation due to slowing growth in China along with political and economic instability in Russia and the Middle East. In contrast, the U.S. and Western Europe enjoyed a bit of an economic recovery. Meanwhile, competition in the automobile market has intensified as a result of the growth of local Chinese brands and aggressive measures taken by Japanese brands to leverage the weak Japanese Yen.

Despite the difficult business environment, we achieved a number of records last year, including a global sales mark of 3.05 million units, as we fought hard both in developed markets and at home in Korea, while our performance was also helped by a rise in RV sales. 2015 was the second consecutive year we have sold more than three million units.

Meanwhile, domestic sales exceeded 500,000 units for the first time, and sales in the U.S. eclipsed the 600,000-unit mark for the first time since we began sales there in 1994.

As a result of our continued emphasis on quality management, Kia Motors ranked in first place among all non-premium brands in J.D. Power & Associates' 2015 Initial Quality Study (IQS). Kia Motors was also named one of the "most reliable brands" in a survey by Consumer Reports in the U.S., and was the number one ranked brand for the first time in a quality survey by Germany's Auto Bild. Such performance is a clear reflection of the recognition we have received from customers around the world for our efforts to offer unsurpassed quality.

We have also continued to bolster our brand competitiveness, and in 2015 succeeded in posting a year-on-year rise in brand value of 5% to USD 5.7 billion. This cemented Kia Motors 74th position among the world's best global brands in 2015,



making us one of the world's top 100 brands for the fourth consecutive year.

Finally, productivity rose again at our plants in Korea and overseas, and our global-leading levels of operational efficiency will be featured at our new plant in Mexico once it begins mass production in the first half of 2016.

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

Turning now to 2016, we expect to see greater uncertainties in the global economy, including the effects of interest rate hikes in the U.S., stagnant growth in China, and increased country risks stemming from plummeting oil prices. Developed markets could see slowing growth, while emerging markets will continue to suffer from a slump in demand.

In 2015, Kia Motors proved its competitiveness amidst numerous challenging situations while achieving a number of milestones in terms of sales, production, quality, design and R&D.

The Korean market is forecast to be difficult due to economic downturn and increased imports of overseas brands. Furthermore, structural changes are taking place in the automotive industry such as greater segmentation of customer needs and growing demand for eco-friendly and autonomous driving technologies.

In order to adapt to these changes and continue to achieve stable growth, Kia Motors established 'Strategy 2020' that builds upon our achievements resulting from the execution of 'Vision 2016' which commenced in 2012. 'Strategy 2020' is a new mid-to long-term plan to boost our competitive edge in terms of the markets we cover and the customers we serve, and it will drive growth and profitability while helping us to become a truly global leading automaker. Accordingly, we will undertake the following key strategic tasks.

**First, we will focus on strengthening sales.**

We will continue with the release of new vehicles, including the all-new Cadenza (K7) and the Niro, our first dedicated-hybrid compact sports utility vehicle, in early 2016; as well as the next generation Rio (Pride) and Picanto (Morning), which are planned for release in the second half of the year. In addition, we will improve sales in China and other emerging markets, including ramping up our efforts in the Central and South America market which will be buoyed by the start of mass production at our new plant in Mexico. 2016 will also see an expansion in our line-up of eco-friendly cars, including Niro, Optima (K5) PHEV, and all-new K7 HEV.

**Second, we will move forward with product, marketing and customer channel innovation.**

We not only will improve how customers think of the Kia brand by enhancing our marketing communications and product quality, but will also offer the best in customer service at sales and service points while always looking to fulfill customer needs.

**Third, we will continue to focus on maximizing efficiency and profitability.**

In addition to seeking production efficiency increases at our plants in Korea and abroad, while offering improvements in the initial quality and reliability of our new cars, we will monitor global inventory levels, reduce costs and eliminate waste to improve profitability.

**Fourth, we will establish a forward-thinking management system.**

By strengthening our global organization, hiring the best people, and cultivating the best human resources, we will build on Kia Motors' unique corporate culture while also maintaining a strong sense of social responsibility.

Everyone at Kia Motors will make 2016 a year for building a great future through creativity and passion. We will tackle any difficulties head on and accomplish the plans we have set for this year, while always doing our best to repay your steadfast support.

I ask for your continued encouragement for Kia Motors in 2016, and wish you and your families good health and happiness in the year ahead.

Thank you.



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

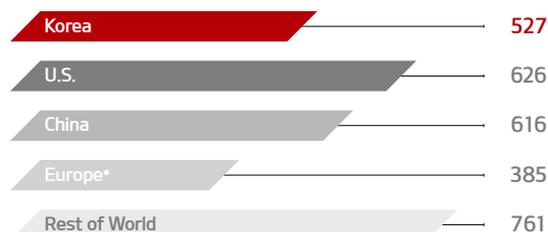
# 2015 HIGHLIGHTS

## Business Highlights

|   | 2015         | 2014         | 2013         | 2012         | 2011         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Global Retail Sales</b> <span style="float: right;">(Unit: thousand vehicles)</span> |              |              |              |              |              |
| <b>Total</b>  | <b>2,915</b> | <b>2,907</b> | <b>2,746</b> | <b>2,709</b> | <b>2,478</b> |
| Korea   | 527          | 465          | 458          | 481          | 492          |
| Overseas  | 2,388        | 2,442        | 2,289        | 2,228        | 1,986        |

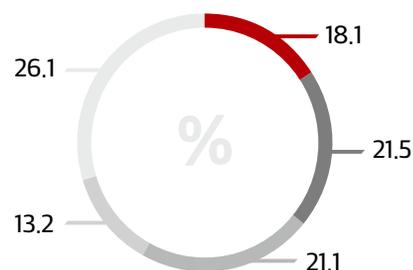
### Sales by Region

(Unit: thousand vehicles, %)



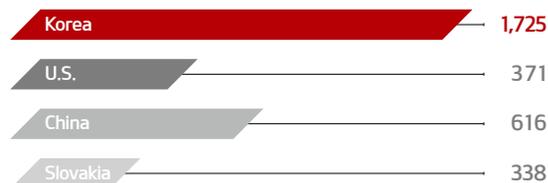
\* Europe: EU and EFTA countries

TOTAL  
**2,915**

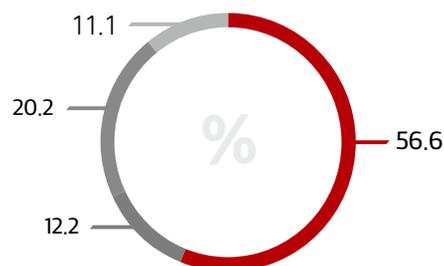


### Sales by Plant

(Unit: thousand vehicles, %)

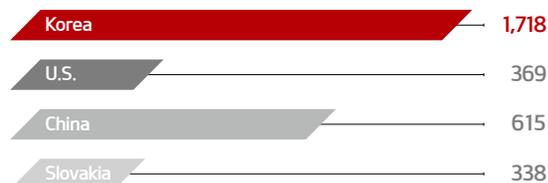


TOTAL  
**3,050**

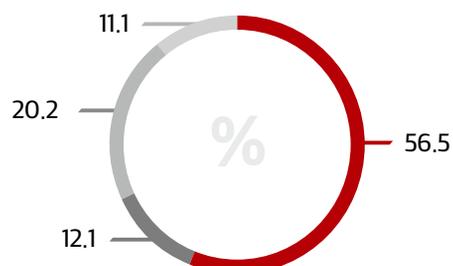


### Production by Plant

(Unit: thousand vehicles, %)



TOTAL  
**3,041**



## Financial Highlights

|  | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|------|------|------|------|------|
|--|------|------|------|------|------|

### Consolidated Statement of Financial Position\*

(Unit: KRW million)

|  |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Total Assets</b>                      | <b>45,980,113</b> | <b>41,044,202</b> | <b>36,182,040</b> | <b>32,398,314</b> | <b>30,255,179</b> |
| Cash Items (Liquidity)                   | 7,052,979         | 7,313,777         | 6,346,643         | 4,270,539         | 3,934,169         |
| Current Assets                           | 18,390,784        | 16,655,401        | 13,472,386        | 11,139,430        | 11,075,187        |
| <b>Total Liabilities</b>                 | <b>21,776,082</b> | <b>18,560,337</b> | <b>15,927,245</b> | <b>15,550,252</b> | <b>16,745,469</b> |
| Short-term Debt                          | 2,781,090         | 1,808,930         | 1,640,958         | 1,404,947         | 3,104,071         |
| Current Liabilities                      | 14,579,485        | 11,974,338        | 10,806,238        | 10,000,239        | 11,421,924        |
| Long-term Debt                           | 3,531,941         | 2,882,263         | 1,698,194         | 2,471,132         | 2,503,230         |
| Total Debt                               | 6,313,031         | 4,691,193         | 3,339,152         | 3,876,079         | 5,607,300         |
| Net Debt                                 | (739,948)         | (2,622,584)       | (3,007,491)       | (394,460)         | 1,673,132         |
| <b>Total Stockholders' Equity</b>        | <b>24,204,031</b> | <b>22,483,865</b> | <b>20,254,795</b> | <b>16,848,062</b> | <b>13,509,709</b> |
| Total Liabilities & Stockholders' Equity | 45,980,113        | 41,044,202        | 36,182,040        | 32,398,314        | 30,255,179        |
| Liability-to-Equity Ratio (%)            | 90.0              | 82.6              | 78.6              | 92.3              | 124.0             |
| Debt-to-Equity Ratio (%)                 | 26.1              | 20.9              | 16.5              | 23.0              | 41.5              |
| Net Debt-to-Equity Ratio (%)             | (3.1)             | (11.7)            | (14.9)            | (2.3)             | 12.4              |

### Consolidated Statement of Income\*

(Unit: KRW million)

|                         |                   |                   |                   |                   |                   |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Revenue</b>          | <b>49,521,447</b> | <b>47,097,049</b> | <b>47,597,897</b> | <b>47,242,933</b> | <b>43,190,942</b> |
| <b>Cost of Sales</b>    | <b>39,653,769</b> | <b>37,754,115</b> | <b>37,511,941</b> | <b>36,536,005</b> | <b>33,138,961</b> |
| Cost of Sales (%)       | 80.1              | 80.2              | 78.8              | 77.3              | 76.7              |
| Gross Profit            | 9,867,678         | 9,342,934         | 10,085,956        | 10,706,928        | 10,051,981        |
| <b>Operating Profit</b> | <b>2,354,273</b>  | <b>2,572,549</b>  | <b>3,177,100</b>  | <b>3,522,251</b>  | <b>3,499,088</b>  |
| Margin (%)              | 4.8               | 5.5               | 6.7               | 7.5               | 8.1               |
| Pretax Profit           | 3,100,266         | 3,816,316         | 4,828,576         | 5,164,056         | 4,721,650         |
| <b>Net Profit</b>       | <b>2,630,600</b>  | <b>2,993,593</b>  | <b>3,817,059</b>  | <b>3,864,704</b>  | <b>3,519,236</b>  |
| Margin (%)              | 5.3               | 6.4               | 8.0               | 8.2               | 8.1               |

### Consolidated Statement of Cash Flows\*

(Unit: KRW million)

|  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| Cash Flows from Operating Activities         | 3,375,248   | 2,363,825   | 4,776,593   | 4,345,425   | 4,745,189   |
| Cash Flows from Investing Activities         | (5,613,823) | (2,983,406) | (3,513,940) | (2,842,577) | (2,630,548) |
| Cash Flows from Financing Activities         | 906,397     | 986,491     | (791,207)   | (1,810,114) | (1,440,956) |
| Cash and Cash Equivalents, Beginning of Year | 2,478,470   | 2,311,264   | 1,903,309   | 2,304,169   | 1,615,879   |
| Net Increase (Decrease)                      | (1,373,542) | 167,206     | 407,955     | (400,860)   | 688,290     |
| Cash and Cash Equivalents, End of Year       | 1,104,928   | 2,478,470   | 2,311,264   | 1,903,309   | 2,304,169   |

### Credit Rating

|          |              |      |      |      |      |      |
|----------|--------------|------|------|------|------|------|
| Domestic | KIS          | AA+  | AA+  | AA+  | AA+  | AA   |
|          | KOREA Rating | AA+  | AA+  | AA+  | AA+  | AA   |
| Overseas | Moody's      | Baa1 | Baa1 | Baa1 | Baa1 | Baa2 |
|          | S&P          | A-   | BBB+ | BBB+ | BBB+ | BBB  |

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

# NEWS HIGHLIGHTS

From a long-term perspective, 2015 was a significant year for Kia Motors as we saw tangible results from our operational and design management strategies, set numerous new records, and solidified our foundation for sustainable growth.

\* Awards  
 📄 Reference Page

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

📄 Page 27



Held 'Surprise Weekend,' a Kia brand experience event

Officially sponsored the 2015 Australian Open

📄 Page 37



JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

Sorento received iF Product Design Award in Transportation Design category\*

📄 Page 32

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



Kia Motors ranked in first place among all non-premium nameplates in J.D. Power & Associates' 2015 Initial Quality Study

📄 Page 38





Released all-new Optima (K5)

Page 27

Released all-new Sportage

Page 26

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

Cumulative sales by Kia Motors Russia exceeded one million units

Ranked 74th in Best Global Brands 2015 by Interbrand\*

Page 34

Kia Motors ranked number one in a quality survey by Auto Bild\*

Page 39



Mexico plant commenced pilot production

Page 24~25



# COMPANY HISTORY

Our history is full of change and innovation for customers. Kia Motors never stops looking for new ways to tap into the future of mobility by playing to a 'Different Beat' in delivering new driving experiences and an improved lifestyle for our customers.



**1992**  
**Oct.** Established Kia Motors America (KMA)

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

**1995**  
**Feb.** Established Kia Motors Europe (KME)

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

**1998**  
**Dec.** Hyundai Motor Company and Kia Motors Corporation merged

**2000**  
**July** Launched Optima (K5) mid-size sedan

**2001**  
**May** Introduced Carnival (Sedona) to the U.S.

**Aug.** Kia Tigers professional baseball team founded

**Nov.** Received the Korea Quality Award

**2002**  
**Mar.** Received the Korea Quality Award

**Apr.** Cumulative production exceeded 10 million units

**2003**  
**Mar.** Launched Amanti (Opirus) full size sedan  
Cumulative U.S. sales exceeded 1 million units

**May** Opened Namyang R&D Center, an integrated global automobile research institute

**June** Declared initiative to pursue environment-friendly operations globally

**Nov.** Launched Cerato (Forte/K3)

**Dec.** Annual exports of finished cars exceeded 500,000 units

## 1944-1990

**1944**  
**Dec.** Company founded as Kyungsung Precision Industries

**1952**  
**Apr.** Company name Changed to Kia Industries  
Launched Samcheonri, Korea's first bicycle

**1962**  
**Jan.** Began production of K-360 three wheeler

**1973**  
**June** Completed construction of Sohari Plant  
**Aug.** Began production of Brisa pick-up truck

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

**1989**  
**July** Completed construction of Hwaseong plant

## 1991-2000



## 2001-2005

**2004**  
**Apr.** Began construction of Slovakia plant  
**May** Signed investment agreement for second plant in China

**Aug.** Launched all-new Sportage  
Ranked first in automobiles category in KS-SQI (Korean Standard Service Quality Index) survey by Korean Standards Association

**Oct.** Hwaseong plant became the first local passenger car plant to receive OHSMS certification

**Nov.** Received USD 7 Billion Export Tower Award

**Dec.** Sportage won Korea Industrial Design Award (KIDA)

**2005**  
**Mar.** Exports reached 5 million units

**Apr.** Launched all-new Rio (Pride)

**July** Launched Grand Carnival

**2006**

- Jan.** Launched all-new Carnival (Sedona)
- June** Rio (Pride) ranked first in subcompact category in Initial Quality Study by J.D. Power and Associates of the U.S.
- Sep.** Declared design management strategy  
Unveiled cee'd, Kia's strategic model for Europe, at Paris Motor Show
- Oct.** Began construction of Georgia plant in the U.S.
- Nov.** Named winner of Environmental Management Award

**2007**

- Apr.** Completed construction of Slovakia plant
- Dec.** Completed construction of second plant in China

**2008**

- Jan.** Launched Borrego (Mohave) premium SUV
- Mar.** Car Book (U.S.) recommended Kia models as 'Best Bets'
- Apr.** cee'd obtained international environmental certification from TUV NORD, a first among Korean cars
- June** Launched Lotze Innovation  
Completed construction of new corporate campus of U.S. subsidiary and Kia Design Center America
- Aug.** Launched Forte compact sedan
- Sep.** Launched Soul urban crossover
- Nov.** Named 'Car Company of the Year' by Autocar (UK)  
Received Design Management Award at Korean Design Awards



**2006-2010**

**2009**

- Mar.** Soul and Borrego (Mohave) made Kelly Blue Book's weekly '5 Great Deals' in the U.S.
- Apr.** Launched Sorento midsize SUV
- Oct.** Kia Tigers won Korea Baseball League championship
- Nov.** Launched Cadenza (K7) full-size luxury sedan
- Dec.** Venga received iF Design Award

**2010**

- Feb.** Completed construction of Georgia plant
- Mar.** Unveiled Optima (K5) mid-size sedan  
Venga received Red Dot Design Award  
Launched Sportage urban CUV

**2011**

- Mar.** Cumulative exports reached 10 million units  
Optima (K5) received Red Dot Design Award
- May** Launched Optima (K5) Hybrid
- Nov.** Launched Ray

**2012**

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

**2011-2014**

**2013**

- Mar.** Received Red Dot Design Award for four models
- Apr.** Cumulative exports reached 10 million units
- June** Launched refreshed Optima (K5)  
Ranked 37th in Best Global Green Brands 2013 b d
- Oct.** Launched second generation Soul
- Dec.** Kia's social contribution website opened

**2014**

- Feb.** Obtained UL Environmental Claim Validation for Soul EV, a first in the domestic and global automotive industry
- Apr.** Launched Soul EV
- June** Developed GDS-Mobile, the world's first mobile diagnostics system for vehicles  
Ranked 3rd in Initial Quality Study by J.D. Power & Associates  
Launched all-new Sedona (Carnival)
- July** Received Platinum award at the LACP Vision Awards for 'MOVE' 2014 sustainability report  
Ranked 1st in China Sales Satisfaction Index (SSI) Study by J.D. Power & Associates  
Ranked highest in U.S. Automotive Performance Execution and Layout (APEAL) study
- Aug.** Signed investment agreement for Mexico plant  
Launched all-new Sorento  
Officially sponsored 2014 FIFA U-20 Women's World Cup
- Sep.** Officially sponsored the 2014 Busan International Film Festival  
Executed "RE:Design" global brand campaign
- Oct.** Ranked 74th in Best Global Brands 2014 by Interbrand  
Launched refreshed K9
- Nov.** Received grand prize at Korea Color Awards for all-new Carnival and all-new Sorento
- Dec.** Launched refreshed Forte  
Launched refreshed Rio (Pride)  
Obtained CCM (Consumer Centered Management) recertification



# 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 design new products that enrich our customers' lives while continuing to improve customer value as a global brand by practicing five core values: customer, challenge, collaboration, people, and globality.

## Management Philosophy

### Unlimited Sense of Responsibility

- Realization of Possibilities
- Respect for Mankind

Creating a new future and realizing humanity's dreams by thinking creatively and tackling challenges head on

## Vision

### Lifetime Partner in Automobiles and Beyond

Providing a new space that makes life more convenient and enjoyable by realizing superlative mobility based on innovative people-oriented, eco-friendly technologies and comprehensive services

## Core Values

Members of the Hyundai Motor Group use our five core values as the basis on which corporate decisions are made. By taking on challenges, collaborating with and respecting customers and people, and embracing diversity, Kia Motors continues to build its distinctive corporate culture and provide value to its customers.



### CUSTOMERS

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 members, and we will help them develop their potential by creating a corporate culture that respects talent.



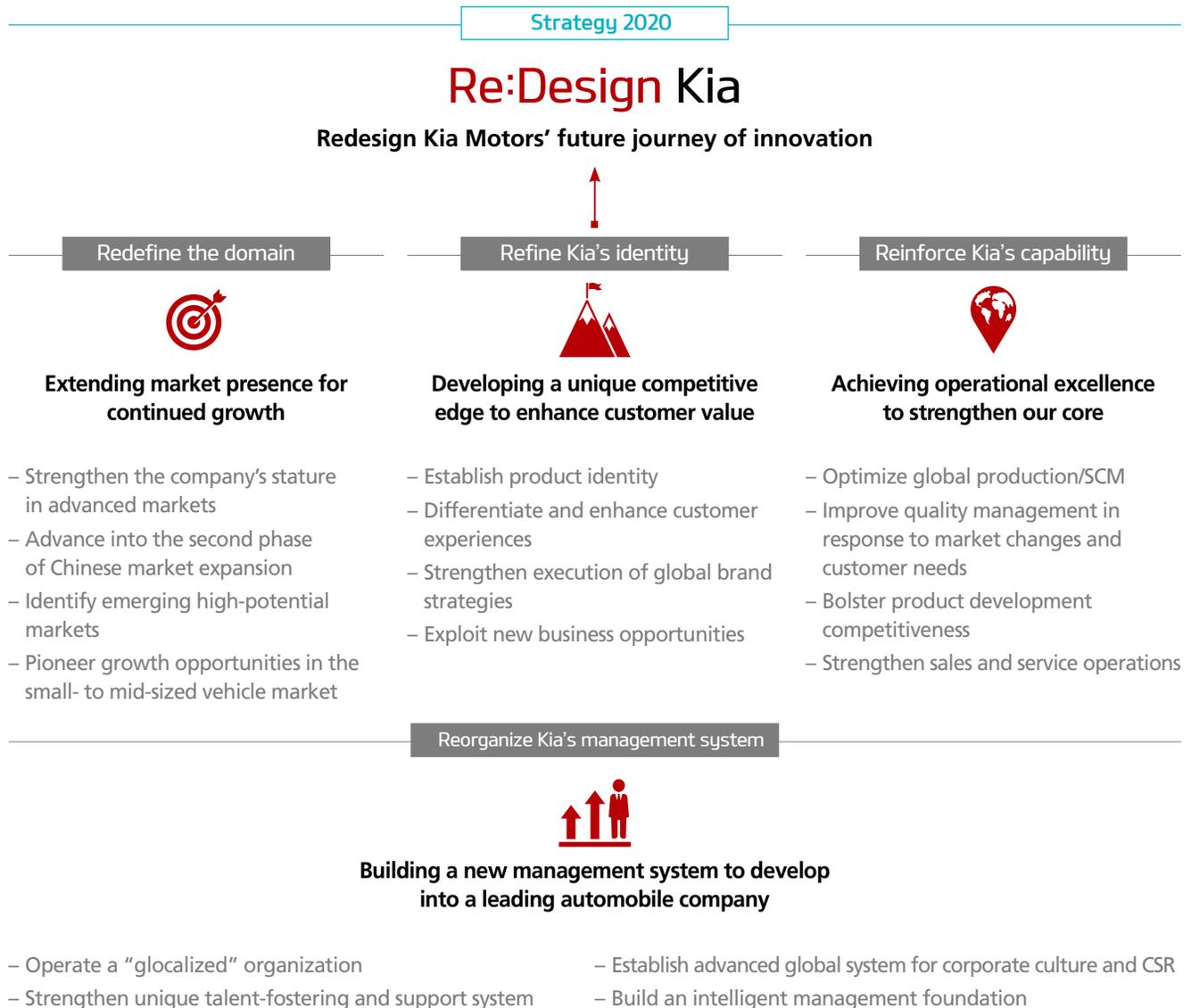
### GLOBALITY

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

# CORPORATE STRATEGY 2020

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

Based on a new management system designed to transform Kia Motors 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.





# Our Performance

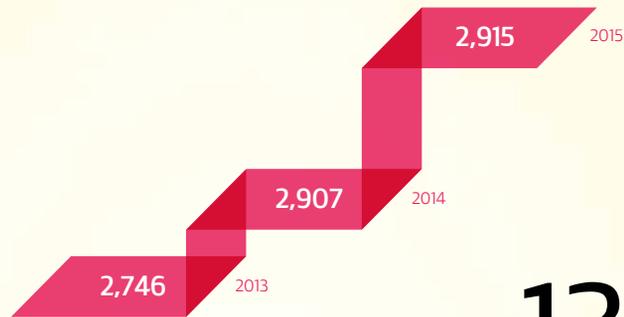
Despite a challenging business environment, Kia Motors grew strongly in 2015 thanks to our endless pursuit of innovation. Our record-breaking performance in the domestic market and outstanding results in overseas markets will drive us to achieve even stronger growth in the year ahead.



GLOBAL

### Global Retail Sales

(Unit: thousand vehicles)



Retail sales increase in Korea

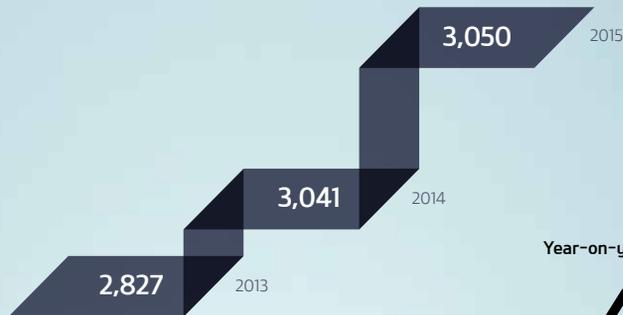
13.4% ↑



We're setting our sights high as a globally integrated company operating in a globally connected world.

## Global Plant Sales

(Unit: thousand vehicles)



Year-on-year sales increase of Slovakia plant

**4.5%** ↑



And yet we are truly local. We make the most of our distinctive combination of broad global knowledge and deep local expertise.

LOCAL

## DOMESTIC BUSINESS PERFORMANCE

In 2015, Kia Motors sold almost 527,000 vehicles in the domestic market, up 13.4% over the previous year, and it was the first time we have sold more than 500,000 vehicles in a year. We will continue our strong growth in the domestic automotive market through continuous innovation.



Domestic Sales (Domestic Market Share)  
(Unit: thousand vehicles)

|      |             |
|------|-------------|
| 2015 | 527 (28.7%) |
| 2014 | 465 (28.0%) |
| 2013 | 458 (29.8%) |



### UNPRECEDENTED ACCOMPLISHMENTS, NEW RECORDS

Despite a stagnant domestic market and aggressive imports by overseas car brands in 2015, Kia Motors sold 526,600 vehicles in Korea for an increase of 13.4% over the previous year. This was the first time our annual domestic sales exceeded 500,000 units, and was the result of steady sales of RVs, such as the Carnival (Grand Carnival/Sedona) and Sorento, and the release of new vehicles, including Sportage and K5 (Optima). In addition, established models such as the K3 (Cerato), Pride (Rio), and Sorento continued to be popular. We also benefited from a reduction in consumption tax, and we undertook a wide range of marketing activities to maximize the effects of that reduction.

Breaking down our sales performance, sedan sales fell 4.8% year-on-year to 251,097 units, but demand for SUVs and minivans rose due to the spread of an outdoor leisure culture in Korea, and as a result, RV sales reached 210,418 units, up 47.6% over the previous year.

The all-new Sportage was immediately popular upon its release in September, leading to total 2015 Sportage sales in Korea of 52,641 units. The Sorento also remained popular, recording its best ever annual sales of 77,738 units. The K5 (Optima) sold 57,927 units, thanks to the release of the new generation model. The all-new Carnival (Grand Carnival/Sedona) enjoyed sales of 67,503 units, a year-on-year increase of more than 50%. As the combined result of all of these successes, Kia Motors' domestic market share rose 0.7%p in 2015 to 28.7%.

### CHALLENGING ENVIRONMENT, DISTINCTIVE GROWTH STRATEGIES

In 2016, we expect fiercer competition among car manufacturers, and the consumption tax reduction will come to an end. Despite these challenges, the future of Kia Motors remains positive, and we will achieve continued growth by releasing new cars, strengthening customer service, and executing impactful marketing initiatives.

We launched the all-new K7 (Cadenza), the first complete update of our mid- to large-size luxury sedan since the first-generation was introduced in 2009. This was followed by the release of other models, including the refreshed Mohave full-size SUV and the Morning (Picanto) city car. We will also expand market dominance of the K3 (Cerato) thanks to the high efficiency of the recently released facelift model and diesel version. Meanwhile, sales of the all-new Sportage, which was released in September 2015, have been strong and are expected to contribute considerably to our domestic business performance in 2016.

In addition, we will expand our presence in the eco-friendly vehicle market, led by the Niro, our very first dedicated eco-friendly model and the first hybrid SUV in Korea. We plan to release Niro with two powertrain variants – a hybrid electric vehicle (HEV) in 2016 followed by a plug-in hybrid electric vehicle (PHEV) in 2017. By leveraging the competitive edge of the Niro's distinctive design and high practicality, we will succeed in both the eco-friendly vehicle market, which is becoming more and more important around the world, and in the small SUV market, which is growing rapidly in Korea. The K5 (Optima) PHEV, our first PHEV model, will be released in May 2016, and we will further expand our eco-friendly car line-up to include the K7 HEV and other vehicles, as our positive response to the changing market environment continues.

In addition, we will actively use our smart customer response system, and expand it to include smart sales services, so that we can further improve customer management and satisfaction. These strategies will work in combination with the development of innovative cars that provide great value, and will be supported by marketing activities that reflect customer perspectives. In this way, Kia Motors will become the car brand that is most recognized and appreciated by customers.

## OVERSEAS BUSINESS PERFORMANCE

Kia Motors manages its overseas business through localization while aiming to increase exports of high value-added models. This two-track strategy is the foundation for our continued growth and the means by which we will become a leading global automotive company.



Overseas Sales\* (Overseas Market Share)  
(Unit: thousand vehicles)

|      |              |
|------|--------------|
| 2015 | 2,523 (2.7%) |
| 2014 | 2,576 (2.9%) |
| 2013 | 2,369 (2.9%) |

\*Ex-factory sales basis



## TANGIBLE PROGRESS IN GLOBAL MANAGEMENT

The year 2015 was marked by both opportunities and challenges in the global automotive market. While the U.S. and Europe saw positive growth as a result of economic improvements, in contrast, most emerging markets, including China, saw slowing growth and difficult market conditions. The overall balance was somewhat negative.

Against this backdrop, Kia Motors' overseas sales in 2015 totaled 2,523,000 units, including 1,198,000 units manufactured in Korea and 1,325,000 units made overseas. This was a year-on-year decrease of 2.1%, but still a significant achievement when considering the challenging market conditions and intense competition. While sales volume fell, Kia Motors achieved a 5.1% year-on-year increase in revenues to KRW 49,521.4 billion thanks to increased sales of high value-added models, the release of new vehicles, and strong sales of RVs.

The Sportage, including both new and previous models, led our performance with 370,193 units sold, followed by the Rio (Pride) with 466,000 units, and the Cerato (K3/Forte) with 358,000 units. Sales of the Optima (K5),

which is also manufactured locally in the U.S., reached 110,000 units to reinforce its position as a steady seller. The Venga, a strategic model for the European market, saw a year-on-year increase in sales of 8.3%, once again proving the strengths of our localized global management strategy.

Meanwhile, RV sales enjoyed remarkable growth in the U.S., where our large-size models sold well, helped by low oil prices and an economic recovery. Sales growth was led by the Sorento, Sedona (Carnival), and Sportage, with increases of 13.4%, 152.3%, and 25.1%, respectively, over the previous year. As a result, total U.S. sales reached 626,000 units, up 7.9% over 2014, and our market share also rose slightly to 3.6%. In Europe, we sold 385,000 units, up 8.8% over the previous year, thanks to the new Sorento and strong sales of the Sportage. In contrast, sales in China were down 4.6% to 616,000 units as a result of the Chinese economic slowdown and fierce price competition from local companies. There was, however, a rebound in the fourth quarter, and our Chinese plant operation ratio reached 116.6%. 2016 should see increased sales in China thanks to the launch of the new Sportage as well as a reduced purchase tax for vehicles with an engine capacity of 1.6 liters or less.

Backed by our enhanced brand awareness and product competitiveness in the global market, Kia Motors will turn challenges into opportunities, thus achieving new engines for growth.

### TURNING CHALLENGES INTO OPPORTUNITIES

Low growth is expected to continue in 2016, with slow economic recovery in emerging markets, exchange rate fluctuations, and stagnation in resource exporting countries stemming from low oil prices and falling raw material prices. Furthermore, competition among automobile companies will likely intensify.

Kia Motors will implement customized strategies for each country based on specific industry forecasts while building on our strong product and brand awareness in

global markets. The U.S. market, in particular, is expected to continue to benefit from economic recovery and a stable job market, meaning more potential customers willing to buy a new vehicle. We aim to increase sales by maximizing the impact of new car launches, including the Sportage, Cadenza (K7), and Niro, with the Optima (K5) remaining our strategic model. In Europe, where interest rates will remain low, we will expand financial promotions. In the Central and South America region, we will maximize the potential generated through the start of mass production at our Mexico plant in the first half of 2016.

#### 2015 Best-selling Models\*

\*Including sales in Korea

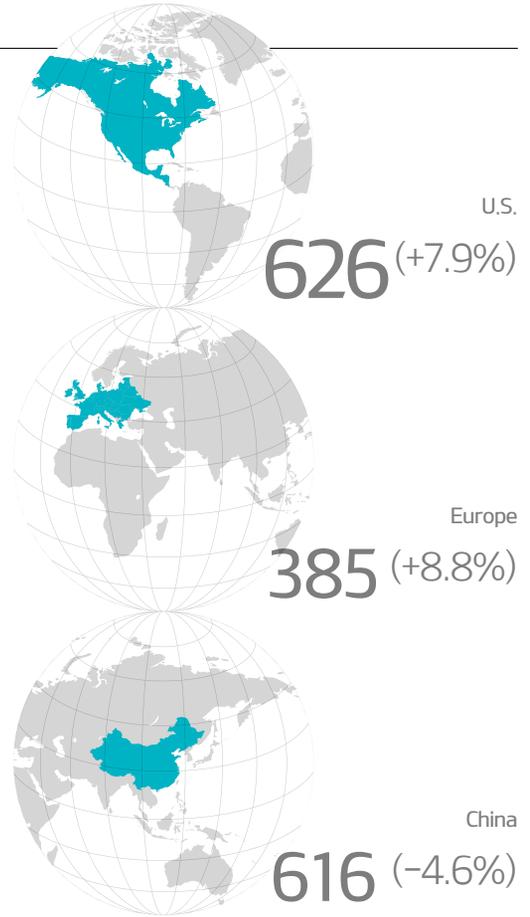


**2015 Sales Growth by Region\***

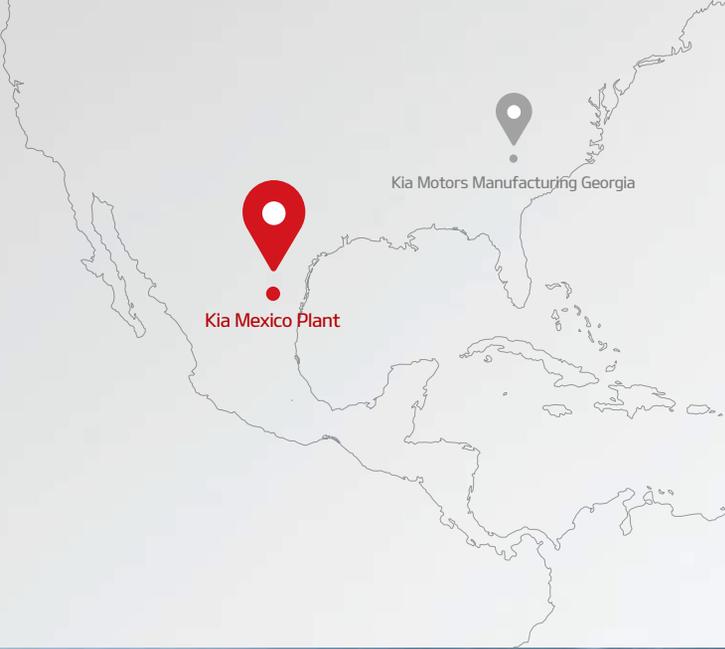
(Unit: thousand vehicles)

\*Retail sales basis

The Sorento and Sportage are strong performers in global markets, and we expect that to continue in 2016 as well, especially with the launch of the all-new Sportage in major markets, including the U.S., Europe and China. The all-new Optima (K5) was released around the world at the end of 2015, and is selling well. We plan to release new vehicles across different regions, including the all-new Cadenza (K7) and the dedicated eco-friendly Niro, which is planned for release in the first half of 2016. These new products will boost global sales and help improve profitability. To back up our localized global management and growth strategies based on competitive new vehicles, we will focus on innovative marketing activities and customer communication. Together, these activities will help us achieve our global sales target of 3,083,000 units, an increase of 5.8% over 2015.



# KIA MEXICO PLANT



Geographic coverage of first wave of Kia dealers





Kia Motors Slovakia



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

## GLOBAL GROWTH MOMENTUM

Kia Motors' new plant in Mexico began pilot operations in November 2015, and mass production is targeted to commence in May 2016. Mexico is the fourth overseas country in which we have opened a plant, following our three plants in China, Kia Motors Slovakia in Europe, and Kia Motors Manufacturing Georgia in the U.S. The Mexico plant will increase our market position in the Mexican market, where we have begun to make inroads, and will also serve an export base for the Central & South American and North American markets.



Q

**What is the significance of the Mexico plant for Kia Motors?**

A

The Mexico plant is more than just one of our overseas plants, as it is central to our future growth plans. At the moment, Kia Motors has production bases in North America, Europe and Asia, but not in Central & South America. With the Central & South American market growing rapidly, the Mexico plant will serve as a strategic export base to cover the Americas and enhance our overall global competitiveness.

Once operations at the Mexico plant begin, Kia Motors will have a global production capacity of 3.37 million units, comprised of 1.69 million units in domestic capacity and 1.68 million units in overseas capacity. On the retail front, we have gone from an initial 21 dealerships in Mexico to 48 by the end of 2015, and we expect to have 70 dealerships in place by 2016 so that Mexican consumers can enjoy a comprehensive sales and maintenance network. In addition, our innovative marketing activities will strengthen our position in Mexico while enhancing our reputation as a truly global automotive company.

**Will the Mexico plant drive Kia Motors' growth?**

The Mexico plant is an optimal base for further advances into overseas markets. It has competitive labor costs, strong productivity, outstanding technology and facilities, and an excellent location. The plant is situated on an area spanning around 500 ha, including a partner site, and its cutting-edge production technology will enable it to manufacture one vehicle every 53 seconds. It will produce more than 300,000 units annually and account for around 10% of Kia Motors' global production, beginning with the production of 105,000 units of the Forte (K3) in 2016.

Mexico has a Free Trade Agreement (FTA) with around 50 countries across the globe, including the North American Free Trade Agreement (NAFTA). In addition, Mexico is one of 12 member countries of the Trans-Pacific Partnership signed in October 2015. With the U.S. as a neighbor, the Mexico plant is perfect as a global production and export base. Mass production of finished cars at our plant in Mexico will therefore play a key role in strengthening the global competitiveness of Kia Motors.

**What particular value can the Mexico plant generate?**

The Mexico plant will help Kia Motors create shared value with both Korean exporters and local communities in Mexico. The plant project has forged a new path for Korean export companies, with 14 Korean suppliers entering the Mexican market alongside us, thus creating new opportunities for Korea's export industry, which has been stagnating in recent years.

## 2015 NEW MODELS

For automakers, new vehicles are the fruits of innovation and the drivers of growth. By unleashing new models through continuous innovation, Kia Motors both promotes continued growth and offers distinctive value to our customers.



### THE SUV **SPORTAGE** Redefining the SUV

The all-new Sportage sets new standards for SUVs with its progressive, innovative design and cutting-edge technology. The first-generation Sportage became the world's first 'urban-style SUV' when it was unveiled in 1993, and we have continued to innovate over the years through to the release of the fourth-generation model in September 2015. The Sportage has been a major success in the SUV market, with cumulative global sales reaching more than 3.7 million units.

The all-new Sportage is the result of an investment of KRW 390 billion and 44 months of development to produce a car that fulfills the concept of a 'next-generation SUV that keeps the key characteristics of an SUV while simultaneously featuring top-level design and performance'. It signifies a major step forward over the previous model, which itself won world-renowned design awards. The new model sports a strong, powerful design, making it suitable for outdoor trips

as well as city driving – this is in line with the changing profile of SUV customers, who now pursue more active lifestyles. The new model sees advances in performance and safety as well. The R 2.0 diesel engine guarantees dynamic power performance, with a maximum output of 186 horsepower and maximum torque of 41.0 kg/m. To protect drivers and passengers, advanced high strength steel (AHSS) is now used for 51% of the bodywork, up from 18%, resulting in substantial improvements in safety.

At the 2015 Guangzhou International Motor Show in November, we unveiled the 'KX5', a variant of the all-new Sportage for the Chinese market. The wider global release began in Europe in January 2016, and will be followed by market launches in China and the U.S. in the first half of 2016, expanding its presence in the global market.

## OPTIMA *K5* More driving pleasure

The all-new Optima (K5) is an icon of Kia Motors' innovation and design. The new, next-generation model offers 'two faces and five hearts' – two styles and five engines. The Optima (K5) Modern Extreme (MX) emphasizes modern, refined beauty, while the Optima (K5) Sporty Extreme (SX) has a dynamic, sporty image. There is a choice of five engines, including new 1.7 diesel and 1.6 turbo engines, allowing customers to choose based on personal preferences and lifestyle.

As well as the design and powertrain choices, we have applied a seven-speed dual-clutch transmission (DCT) to achieve improved efficiency and advanced driving performance. This is matched by best-in-class safety, a sophisticated interior, and cutting-edge convenience features.

The all-new Optima (K5) was released in Korea in July 2015, and recorded sales of 34,173 units as of the end of 2015, underlining its position as Kia Motors' flagship model. It has also been launched in global markets with considerable success – after its U.S. launch in October 2015, the all-new Optima (K5) was selected by Kelley Blue Book as one of the 16 'best family cars', and it continues to receive favorable market reviews and achieve good sales performance. The all-new Optima (K5) will also increase our market position in the mid-size vehicle market in China thanks to its outstanding product quality.

## 傲跑 *KX3* Exclusively for China

The KX3 is a localized strategic compact SUV released in March 2015 and targeted at the Chinese market, which is experiencing massive growth in the SUV segment. Previewed by the KX3 concept that was presented at the 2014 Guangzhou Motor Show, the KX3 is characterized by its trendy design with a slim rendition of Kia's signature tiger-nose radiator grille. It also features excellent engine performance, safety functions and interior design where a simple, uncluttered dashboard is dominated by a large touch screen that controls the infotainment system. Made in China by Dongfeng Yueda Kia, the KX3 is available with three four-cylinder petrol engines: a 123-horsepower 1.6, a 200-horsepower 1.6 turbo, and a 202-horsepower 2.0. The turbo unit is offered with a 7-speed DCT gearbox.

Marketed under the Chinese name 'Ao Pao', which means to move forward with confidence, the KX3 has been expanding its market dominance in China based on its dynamic exterior design preferred by young customers, as well as its outstanding quality and marketability. Its excellence was further proven by being named the winner of its segment in the 2015 China Automobile Customer Satisfaction Index. The KX3 is expected to serve as a strategic model that will further enhance Kia Motors' brand image in China.





# Our Strengths

Innovation and creativity are the driving forces that have enabled our dynamic growth. We will continue to pursue innovation and creativity through 'A Different Beat' that only Kia can play, as we strive to provide new driving pleasure to our customers and achieve new engines for growth.



UNIQUE



### **Innovative Design**

All-new Sorento and Soul EV are winners of the 2015 Red Dot Design Award. The Sorento also received the 2015 iF Product Design Award, once again proving our competitiveness in design.



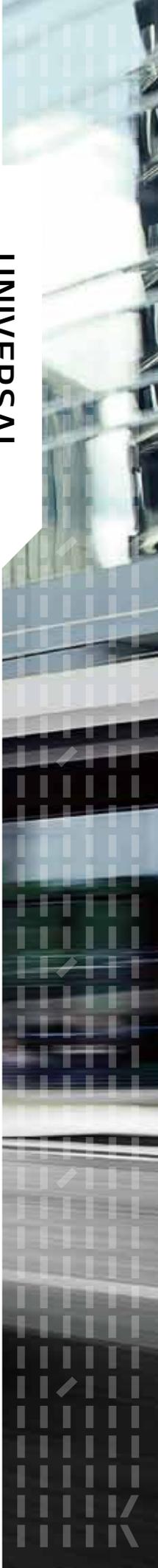
# 74<sup>th</sup>

## Best Global Brand

Kia Motors ranked in 74th position on Interbrand's list of Best Global Brands 2015 for two years in a row. Our brand value has continued to rise and recorded USD 5.7 billion in 2015.



UNIVERSAL



# DESIGN MANAGEMENT

'Design Kia' is at the center of everything we do at Kia Motors. In 2015, Kia Motors continued to innovate for the future of 'Design Kia', always looking to go beyond what we have already achieved.



## INNOVATION OF DESIGN MANAGEMENT

Since declaring a full-fledged commitment to design management in 2006, we have produced a series of automobiles with distinctive designs, including the Soul, Sportage, and K-series. One key philosophy of Kia's designs is 'The Simplicity of the Straight Line'. A straight line is clear, precise, and distinctive, and we use straight lines to create simple and clear structures as well as exquisite interior and exterior details. Our unique, distinctive designs add value to the Kia brand.

Kia Motors' design management began to come to fruition in 2009 when the Soul became the first Korean car to receive the Red Dot Design Award, and the Venga, a strategic model for the European market, became the first Kia vehicle to receive the iF Design Award. After its unveiling in 2010, the Optima (K5) won the Best of the Best prize at the Red Dot Design Award in the automobile category in 2011, as well as the iF Design Award and Good Design Award. The third-generation Sportage, Sorento, K900/Quoris (K9), Picanto (Morning), and Rio (Pride) have also received multiple awards and achieved high sales. Our commitment to



reddot award 2015  
winner





## GLOBAL DESIGN MANAGEMENT NETWORK

design management has truly been a success, with the Soul achieving a grand slam of the top three global design awards – the Red Dot Design Award, iF Design Award, and IDEA Award. Our communication channels, including mobile app and corporate culture PR homepage, have also been recognized by global design award competitions, showing how design management has been fully integrated into our product design, as well as into our branding, marketing, and corporate culture.

In 2015, Kia Motors' design management continued with even more clarity and detail. We launched the all-new Cadenza (K7) which sports a more sophisticated exterior than the first-generation design. The all-new Optima (K5) features multiple designs for the same model, according to customer preference, and the all-new Sportage builds on the design prowess of the third-generation model.

In 2014, Kia Motors opened its own independent design center inside the Namyang R&D Center. The Namyang Design Center has one story below ground and two above, covering a total area of 18,000 m<sup>2</sup>. The center undertakes comprehensive design development, including design planning, creation of unique exterior designs with the Kia family look and ergonomic interior designs, digital modeling using advanced computing tools, and development of new colors.

The Namyang Design Center focuses on developing the world's best design capabilities based on a seamless system of cooperation between Kia Motors' global design studios in the US, Europe, China, and other regions. Located in Frankfurt, Germany, Kia Design Center Europe participated in the development of the fourth-generation Sportage, the Niro small hybrid SUV, and Sportspace, a radically-styled concept tourer. In California, Kia Design Center America has contributed various designs for concept cars, including the Trail'ster concept car featuring an eco-friendly powertrain and strong performance.

Kia Motors has received many world-renowned awards that prove our competitiveness in design.

### WORLD'S BEST DESIGN CAPABILITIES

Kia Motors' design management has won several major global awards. In 2015, the Optima (K5) and Sorento won in the automotive category for transportation design at the 2015 Good Design Awards in the U.S. The Optima (K5) was recognized for its dynamic exterior design, which is simple yet has a refined sense of size, while the Sorento was recognized for its innovative design.

The all-new Sedona/Grand Carnival (Carnival) was chosen as one of the best 10 interiors in the world for 2015 by Ward's Auto, an automobile consulting company in the U.S., thanks to its unique interior design and excellent use of space. In addition, the all-new Sorento and Soul EV received awards in the product design category at the 2015 Red Dot Design Awards, further enhancing the reputation of 'Design Kia'.



## DESIGN AWARDS

### 2015

#### All-New Sorento

- Winner of 2015 Red Dot Design Award in Product Design Category
- Mobile App: Best of the Best in Communication Design Category at the 2015 Red Dot Design Awards
- Winner of 2015 iF Product Design Award in Product Design Category

#### Soul EV

- Winner of 2015 Red Dot Design Award in Product Design Category
- Mobile App: Best of the Best in Communication Design Category at the 2015 Red Dot Design Awards

### 2014

#### Soul

- Best of the Best in Exterior Design Category at the Automotive Brand Contest
- Winner of 2014 Red Dot Design Award in Product Design Category
- Winner of 2014 iF Product Design Award in Product Design Category

#### Soul EV

- Winner of 2014 Good Design Award in Transportation Design Category

#### K900/Quoris (K9)

- Winner of 2014 Good Design Award in Transportation Design Category

#### GT4 Stinger

- Winner of 2014 Good Design Award in Transportation Design Category

#### Provo

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

#### pro\_cee'd GT

- Best in Automobile Design Category at the Australian Good Design Awards

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## 2013

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### pro\_cee'd

- Best of the Best at the 2013 Red Dot Design Awards in Product Design Category

### cee'd 5D

- Best of the Best at the 2013 Red Dot Design Awards in Product Design Category

### cee'd Sportswagon

- Best of the Best at the 2013 Red Dot Design Awards in Product Design Category

### Carens (Rondo)

- Best of the Best at the 2013 Red Dot Design Awards in Product Design Category

### Forte

- Winner of 2013 Ward's 10 Best Interiors

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## 2012

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### cee'd

- Special Mention at the German Design Award in Transportation and Interior Categories
- Special Mention at the Automotive Brand Contest in Interior Category
- Best Exterior Design at the Automotive Brand Contest in Exterior Category

### pro\_cee'd

- Winner of 2012 iF Product Design Award in Transportation Design Category

### Rio (Pride)

- Winner of 2012 Red Dot Design Award in Product Design Category
- Bronze of IDEA Design Award in Transportation Design Category

### Picanto (Morning)

- Winner of 2012 Red Dot Design Award in Product Design Category

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## 2011

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### Optima (K5)

- Best of the Best at the 2011 Red Dot Design Awards in Product Design Category
- Winner of 2011 iF Design Award in Product Design Category
- Winner of 2011 Australian International Design Awards
- Winner of Automotive Brand Contest in Exterior Category

### Sportage

- Best of the Best at the 2011 Red Dot Design Award in Product Design Category
- Winner of Automotive Brand Contest in Exterior Category

### Picanto (Morning)

- Winner of 2011 iF Product Design Award in Transportation Design Category

### Rio (Pride)

- Winner of Automotive Brand Contest in Exterior Category

### Rio (Pride) 5DR

- Winner of 2011 Good Design Award in Transportation Design Category

### Cadenza (K7) Concept Car

- Winner of 2011 Good Design Award in Transportation Design Category

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## 2010

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### Sportage

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

### Optima (K5)

- Winner of 2010 iF Design Award in Product Design Category
- Winner of 2010 Good Design Award in Transportation Design Category
- Prime Minister's Award at the 2010 Korea Designs Award by the Ministry of Knowledge Economy

### Venga

- Best of the Best at the 2010 Red Dot Design Award in Product Design Category

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## 2009

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### Venga

- Winner of 2009 iF Design Award in Product Design Category

### Soul

- Honorable Mention at the 2009 Red Dot Design Awards in Product Design Category
- Best of the Best at the 2009 Best Interior Award by Ward's Auto World

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## 2008

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### Kia Motors

- Presidential Award at the 2008 Korea Design Awards in Design Management Category

# BRANDING

Kia Motors strives to deliver 'A Different Beat' to customers all across the globe. We want our customers to enjoy excitement in their driving and daily lives. By delivering on this promise, we are growing into a world-leading brand.



## 'A DIFFERENT BEAT' POWERED BY KIA

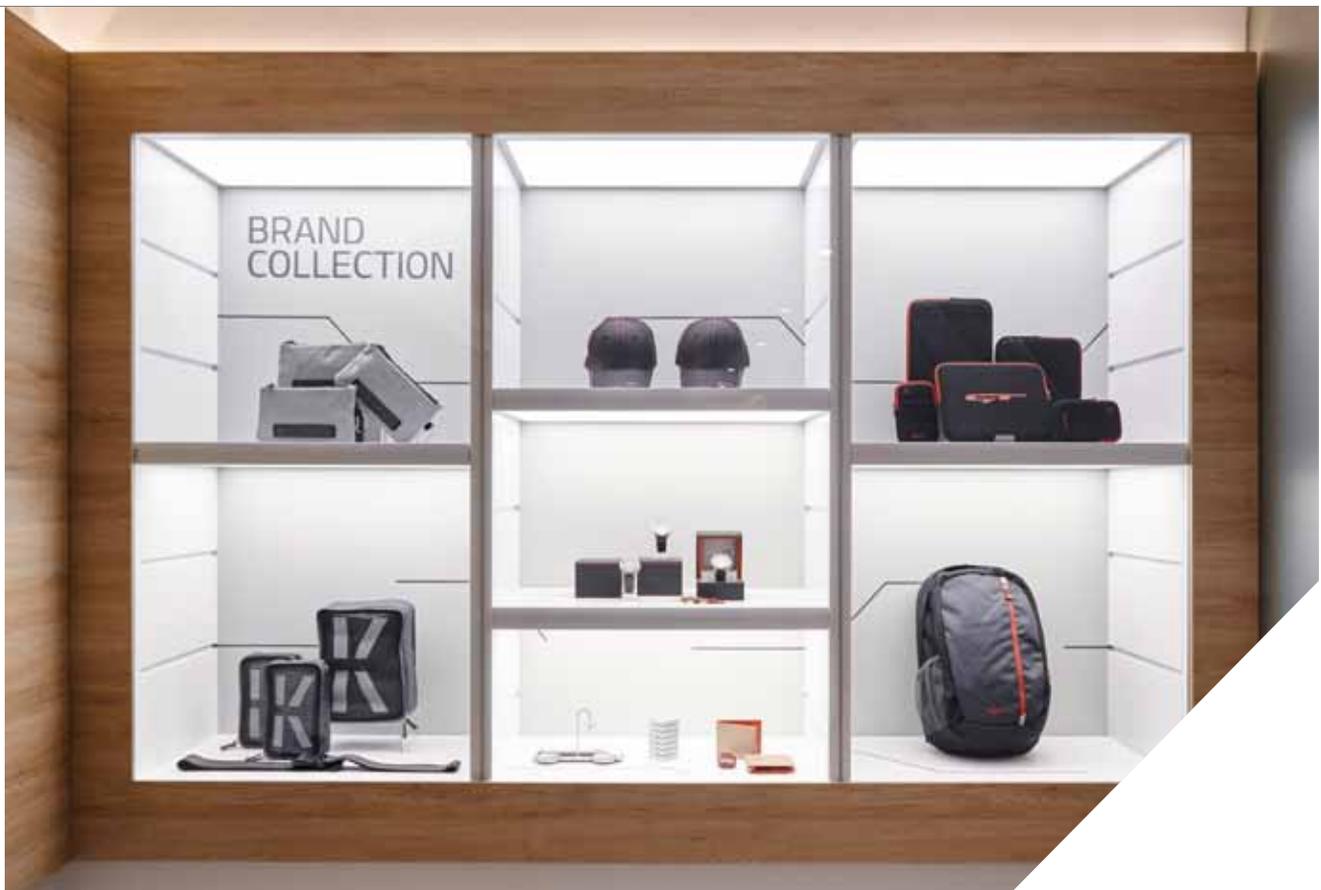
With our commitment to 'The Power to Surprise', we deliver a consistent brand image at all customer contact points, enhancing awareness of both the Kia brand and our corporate image. 'A Different Beat' has defined our brand identity since 2012, helping us to share how we are delivering excitement and new experiences to customers around the world. 'A Different Beat' consists of three major elements: Vibrant, Distinctive, and Reliable.

In 2015, we unveiled a collection of branded goods so that more people can experience 'A Different Beat' in their daily lives. The 'Rhythm in Basic' concept was conceived to embody our unique identity, and has been visualized into patterns which are applied to car accessories, travel and leisure goods, household items, office supplies, fashion items, miscellaneous goods, and goods for children. These items are sold through our online shop at <https://eshop.kia.com>, and we plan to add to the range of items available.

## ONE OF THE BEST GLOBAL BRANDS IN 2015

Kia Motors communicates its global management, design management, and social responsibility management activities through a wide range of branding activities. This has resulted in Kia being selected by Interbrand, a global brand consulting group, as one of the entrants for its Best Global Brands 2015 in which we ranked 74th for the second consecutive year. The value of our brand reached USD 5.7 billion, or around KRW 6.6 trillion, up 5% year-on-year, and up more than six-fold since 2007 when we launched our new design management strategy. Kia Motors first entered the ranks of the 100 Best Global Brands in 2012 in 87th place; we then rose to 83rd in 2013, and have now consolidated our 74th position with a strong ambition to rise even further.





### DIFFERENT WAYS TO MEET 'A DIFFERENT BEAT'

Kia Motors communicates with customers through diverse channels to deliver a full Kia experience, so that customers can see us as more than just a company that manufactures and sells automobiles. We implement 'sensory branding' initiatives as part of this effort, encouraging customers to experience the Kia brand through all five senses. To this end, in March 2013 we unveiled the 'Advent of the Kians', our brand identity song, to publicize the Kia brand identity through sound. In October, we developed the 'Kia Fragrance' to communicate our brand ethos through the sense of smell. We then unveiled sonic branding initiatives in July 2014 to enable people to experience the dynamism of the Kia brand through sound, and in October 2014 we introduced the 'Taste of Kia' recipes to underline Kia's young and sophisticated brand characteristics. These distinctive branding activities have further strengthened the Kia brand worldwide.



## MARKETING

Kia Motors looks at cars as being a part of people's lives, rather than just a means of transportation. We communicate with our customers to share our vision as a brand that delivers new value and a strong sense of affinity.



## KIA, A CUSTOMER-FRIENDLY BRAND

Since 2014, Kia Motors has been undertaking the Re:Design project, which aims to go beyond automobiles and offer more to customers' lives by touching their hearts. The 'Father & Son's Road Trip' was the first Re:Design campaign. Launched in 2014, it demonstrated how a car can be more than a simple means of transportation, but can add to the enjoyment of a journey. For the 'Gear Up' campaign in 2015, Kia created a video to show how young people, tentative about driving and their future, can experience real thrills and excitement both in life and behind the wheel of a car.

We will launch another global brand campaign in 2016 that will focus on the essence of automobiles so that we can 'Re:Design' customers' perceptions about Kia based on outstanding quality and marketing.

## YOUNG, VIBRANT AND DYNAMIC KIA

Kia Motors undertakes sports marketing to support its young, dynamic brand image. Our sports marketing activities are led by our role as the major sponsor of the Australian Open tennis Grand Slam tournament since 2002. We estimate that the annual impact of this sponsorship on the Kia brand exceeds USD 300 million. In addition, Rafael Nadal is a global brand ambassador for Kia Motors which has raised awareness of the Kia brand among the world's sports fans.

We also sponsor international football tournaments in order to share the world's greatest game with football fans around the world. Kia Motors sponsors the World Cup as an official partner of the Fédération Internationale de Football Association (FIFA), and also sponsors the Union of European Football Association (UEFA) EURO Championship and the Copa America.

In the U.S. market, our sports marketing activities include sponsoring the National Basketball Association (NBA) and the Ladies Professional Golf Association (LPGA), in addition to hosting the Kia Classic Golf Tournament. We actively engage in sports marketing activities in Korea as well, such as our sponsorship of the Korea Ladies Professional Golf Association (KLPGA) and the Korea Baseball Organization (KBO).

## GROWING WITH FUTURE GENERATIONS

Kia Motors strives to invest in the future of society and supports a range of projects as part of this commitment. The 'Kia EcoDynamics Expedition' program has been fostering young environmental leaders since 2010, and, in 2015, an environmental improvement project took place in Mongolia and Malaysia in partnership with the United Nations Environment Programme (UNEP) National Committee for the Republic of Korea and the Massachusetts Institute of Technology (MIT) 'D-Lab'. Meanwhile, the 'UNESCO Kids Overseas Camp' enables elementary school students to experience and learn about overseas international organizations. Launched in 2013, the camp is sponsored by Kia Motors and organized by the Korean National Commission for UNESCO. The 'Kia Global Camp' is an overseas experience program that we operate with the Korean National Commission for UNESCO, and 430 undergraduate and graduate students have participated since it was launched in 2006.

Kia Motors' youth marketing activities feature Enzy, a friendly animated monster who lives inside a car. Along with his friends they tell interesting, easy-to-understand stories about cars. 'Enzy in the Hood' helps children develop a sense of affinity with automobiles while becoming familiar with the Kia brand, and we also have launched a traffic safety campaign for children. In 2015, an animated film entitled 'Super Racer Enzy' was screened in theaters and attracted more than 10,000 viewers in one month.



## GLOBAL QUALITY MANAGEMENT

Quality is fundamental to Kia and will never be compromised. We make continued efforts to enhance quality throughout our operations, from new car development to finished car production, in our pursuit to deliver flawless quality.



With increased production at overseas plants, including our new plant in Mexico and the expansion of our Chinese plant, we have recently formulated a strategy to minimize quality deviations across the entire global manufacturing network. Our quality development system will be applied to all vehicles manufactured at overseas plants to ensure that all manufacturing is conducted at a level of quality guaranteed by Kia Motors, thus completely eliminating quality gaps and fortifying our long-term global competitiveness.

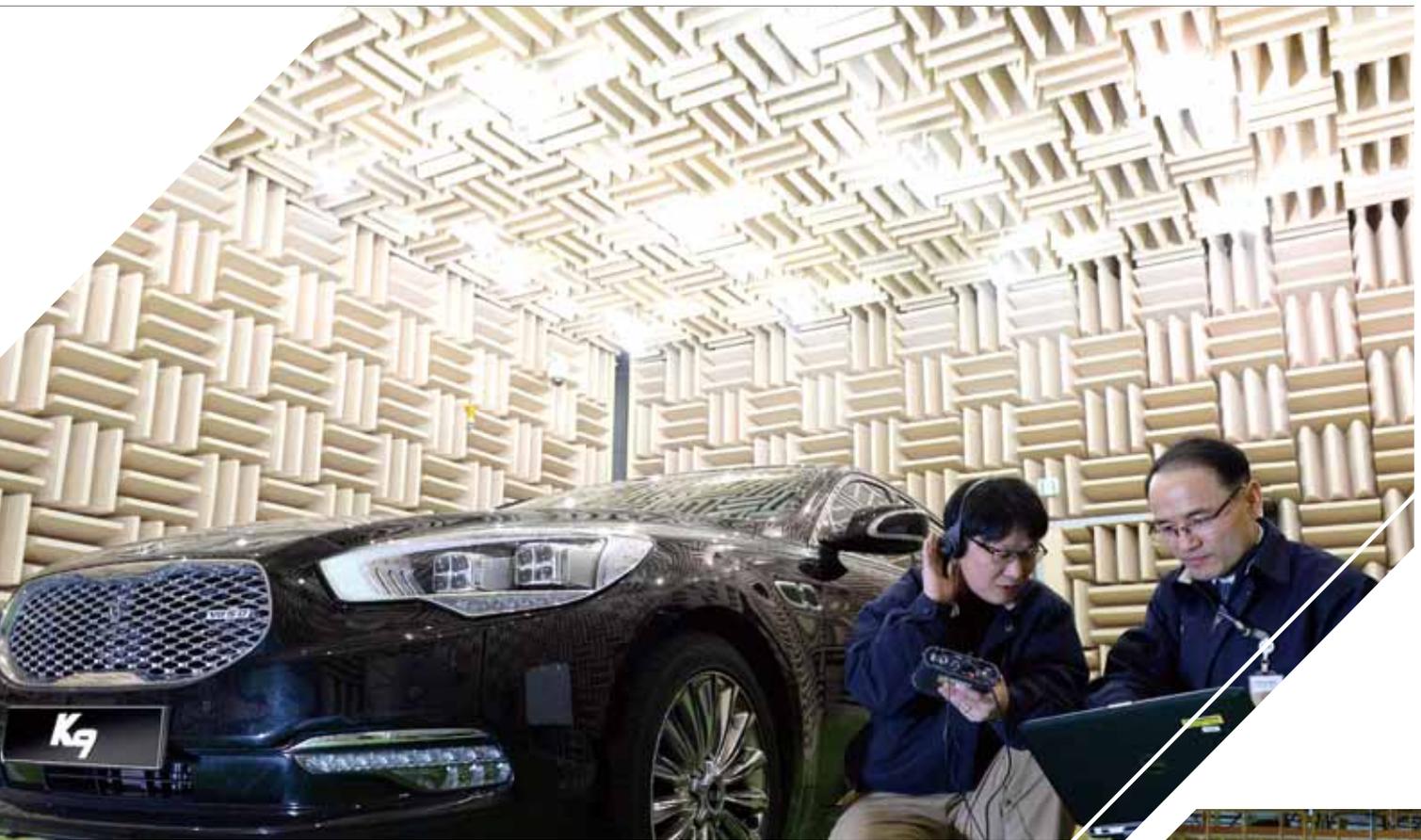
### BEDROCK OF GLOBAL COMPETITIVENESS

Kia Motors believes that quality not only is fundamental to product competitiveness, but is a major source of our pride as an automaker. We are therefore undertaking numerous efforts across the company to ensure that our products offer the best in quality. In 2010, Kia Motors began its customer-oriented global quality management drive to satisfy customer expectations by pursuing failure-free vehicles. Under the Drive Defects to Zero (DDTZ) campaign, we have strengthened new car development standards and established a 'quality cluster', which is a collaborative system whereby employees across the company verify actual quality in the field.

### GLOBALLY RECOGNIZED QUALITY MANAGEMENT

Kia Motors received 86 points, 26 points better than the industry average, in the 2015 Initial Quality Study (IQS) by J.D. Power and Associates in the U.S. Kia took the number one spot for the first time among 21 non-premium brands, and ranked second overall among all makes, including premium brands, beating many world-renowned high-end automakers. The Soul and the Sorento came in first place in their respective segments, and our Gwangju Plant 1, which produces the Soul, received a gold award for being the best plant in Asia.

Kia also ranked among the best in the 2015 IQS in China. We came in fifth place among 46 non-premium nameplates and the Sportage was a segment winner, which is further proof of Kia Motors' strong position in China.



We also earned global attention through quality achievements in Europe, often considered the home of automobiles. We ranked first among 20 automakers in the '2015 Quality Report' from Auto Bild, the most authoritative automobile magazine in Europe. This recognition for quality is due in part to our new cars being customized to meet local needs through detailed analysis of European consumer lifestyles and habits, starting right from the initial vehicle development phase.

Kia Motors will not be complacent when it comes to quality, even after winning so many positive reviews and awards. Instead, we will listen even more closely to customer opinions, and communicate with them continually in our efforts to offer products with unsurpassed levels of quality.



A background image of a water fountain with multiple jets of water spraying upwards against a clear blue sky. The water droplets are captured in mid-air, creating a dynamic and refreshing scene. A white rectangular text box is overlaid on the upper left portion of the image. On the right side of the page, there is a vertical decorative element consisting of a grid of small white squares on a blue background, with some squares containing white diagonal lines. A small red triangle is located at the bottom right corner of the white text box.

# Our Future

Our research and development in the future of mobility, our commitment to green mobility and our sense of responsibility as a corporate citizen are the driving forces that propel us toward sustainable growth in partnership with all our stakeholders.

MORE

Opening up a new future full of love and hope  
by providing mobility to more people and by turning  
challenges into opportunities

# FULL

Our corporate social responsibility (CSR)  
commitment to offer “A Better Way to Go”  
represents our determination to pursue CSR  
for a better future.



# ZERO

On the road to emission-free and accident-free driving,  
so that we can offer more driving pleasure with  
a smaller ecological footprint



Our 'EcoDynamics' brand is not just a name, it is our promise of a brighter tomorrow and a greener environment.

LESS

## CORPORATE SOCIAL RESPONSIBILITY

Kia Motors aims to contribute to society through various activities based on sincerity and a spirit of challenge. We want to create a better world that brings happiness to all by discovering “A Better Way to Go”.





### CSR MISSION AND DIRECTIONS

With the Social Responsibility Committee performing a central role, Kia Motors looks to internalize social contributions as a part of our organizational culture. Our staff around the world do their best to work together for a better future based on shared values of 'mobility' and 'challenge'. We avoid one-off activities, and instead participate in activities that contribute to the sustainable development of local communities, always looking for "A Better Way to Go".

### CSR HIGHLIGHTS

  **GREEN LIGHT PROJECT** | The Green Light Project (GLP) is our flagship global social contribution project, and aims to support individuals and self-reliance in local communities. We provide continuous and phased support over five years in regions where people have limited access to educational, medical, and cultural facilities. In addition, establishing schools and community centers offers education and medical services that help local communities build foundations for self-reliance and development. We also provide transportation services as needed.

Since the launch of GLP in 2012, two regions have been added to the GLP roadmap every year, and the number of beneficiary countries is growing. GLP first started in Tanzania and Malawi, followed by implementation in Ethiopia and Kenya. As of the end of 2015, there

are five GLP schools, one GLP health care center, and two GLP car maintenance training centers in eight local communities in five countries. In 2015, 24 Kia Motors employees stayed for 10 days in Salima and Lilongwe, Malawi as part of GLP, instead of taking a summer vacation. They taught teenagers and undertook volunteer work to help residents achieve financial independence.

 **GREEN TRIP** | Green Trip is a program that offers assistance to people who find it difficult to travel due to physical disabilities. Around 17,000 people have benefited from Green Trip, and the total distance travelled between June 2012, when it was first launched, and November 2015 exceeded 1 million kilometers, the equivalent of more than 25.6 circumventions of the globe. Green Trip provides specially-produced 'Carnival Easy Move' vehicles to people with disabilities, so that they can drive themselves and transport their wheelchairs in the vehicles. We also provide drivers for people who find it difficult to drive themselves, and offer travel expenses so that people with disabilities can go on trips with their families. Employees at Kia Motors participate in Green Trip as volunteers, thereby giving even more meaning to the program.

 **VOLUNTEER ACTIVITIES** | Kia Motors encourages its employees to participate in volunteer activities. After an employee volunteer group called 'Challenge Volunteer Group' was launched in 2005, we instituted a volunteer group system at each company worksite, and company-wide efforts are being made to spread the culture of sharing. We launched the 'K-Family Volunteer Group' in 2013 so that volunteer activities can be carried out together with family members. In 2015, a total 5,141\* people from 976 families took part in volunteer activities, a year-on-year increase of 11.5%. In June 2015, we designated two weeks as 'K Challenger Weeks', beginning from the day of the 71st anniversary of the company's founding. Around 1,000 employees took part in activities across the nation, including taking people with disabilities on outings, improving the street environment, and helping the underprivileged.

\* Total number of employees who participated in the Challenge Volunteer Group and employees and family members who participated in the K-Family Volunteer Group



# RESEARCH & DEVELOPMENT

The goal of Kia Motors' R&D is 'zero'. We aim for "zero emissions", through the development of eco-friendly vehicles that emit no greenhouse gases, and "zero accidents", enabled by smart safety technologies that prevent traffic accidents.

## GREEN MOBILITY - EcoDynamics

One of the hottest topics in the automobile industry in 2015 was "Dieselgate", which led to a sharp rise in interest in eco-friendly vehicles. Sales of hybrid electric vehicles (HEVs) are rising, and their market share is expected to grow further. Electric vehicles (EVs) also have great growth potential, with countries around the world providing greater policy support for eco-friendly vehicles. Developing eco-friendly cars has therefore become an essential focus for automobile companies to compete in the automobile market of the future.

Kia Motors established EcoDynamics, an eco-friendly sub-brand, in 2009 and continues to increase investment in eco-friendly vehicle development. As of the end of 2015, our line-up featured four eco-friendly cars – the Optima Hybrid (K5 Hybrid 500h), K7 Hybrid 700h, Soul EV, and Ray EV. We plan to strengthen our eco-friendly vehicle line-up by launching two more products in 2016 – our first hybrid-dedicated SUV, Niro, and the Optima (K5) Plug-in Hybrid Electric Vehicle (PHEV). We will accelerate the development of alternative powertrain vehicles in accordance with our roadmap for expanding our eco-friendly car line-up by 2020. This will enable us to respond to the changing automobile market, and build a foundation for sustainable growth.

### Investment in R&D

(Unit: KRW billion)



### Niro

Planned for release in the first half of 2016, the Niro is the first small SUV in Korea to house a hybrid engine. The hybrid-specific Kappa 1.6 GDI engine in the Niro has a maximum output of 105 horsepower (ps) and maximum torque of 15.0 kgf-m. The electric motor has maximum output of 43.5 horsepower with a 32 kW conversion and maximum torque of 17.3 kgf-m. The Niro also features a hybrid-only 6-speed dual clutch transmission (DCT) and 1.56 kWh battery, leading to maximum fuel efficiency. In addition, its unique and sporty design is aerodynamically optimal. The Niro is an ideal eco-friendly car that brings together the practical value of an SUV and the high efficiency and eco-friendliness of a hybrid vehicle.



### Optima Hybrid (K5 Hybrid 500h)

The all-new Optima Hybrid (K5 Hybrid 500h) offers enhanced efficiency through the application of a parallel hard-type hybrid system and hybrid-specific 2.0 GDI engine. It features strong power performance, with maximum output of 156 horsepower (ps) and maximum torque of 19.3 kgf-m. Battery capacity is 13.2% higher than the previous model. The hybrid-only 6-speed DCT enables efficient regenerative braking and has raised fuel efficiency to around 17.5 km/l (based on new fuel efficiency criteria), resulting in excellent value for money.





1,523.5

1,270.0

1,241.6

### K7 Hybrid 700h

To reduce energy loss, the K7 Hybrid 700h is equipped with the hybrid-specific Theta II 2.4 MPI engine with maximum output of 159 horsepower and maximum torque of 21 kgf-m. It offers enhanced efficiency thanks to its parallel hard-type hybrid system featuring a 35 kW electric motor that is smaller and lighter and has a simpler structure than those of competitors. In addition, the lithium-ion polymer battery ensures high-levels of safety.

### Soul EV

The Soul EV is an electric vehicle powered by a high-capacity 27 kWh lithium-ion battery. Its driving range is 148 km per charge, and recharging takes 4 hours 20 minutes using a slow charger, but only 24-33 minutes using a quick charger. The Soul EV's 81.4 kW motor enables it to reach 100 km/h in no more than 11.2 seconds, and it features outstanding power performance, with a maximum speed of 145 km/h and maximum torque of around 285 Nm.

### Ray EV

The Ray EV is an eco-friendly electric vehicle that has no direct carbon dioxide emissions. It features a 50 kW electric motor and high-capacity 16.4 kWh lithium-ion battery. The Ray EV has maximum torque of 167 Nm and a driving range of 139 km per charge. It supports both quick charging (around 25 minutes) and slow charging (6 hours).



## SMART MOBILITY - DRIVE WISE

The kind of safe car Kia Motors envisions is a 'smart car' with collision safety technology that protects drivers in the event of accidents, design elements that can even protect pedestrians, and technology that helps drivers prevent accidents altogether. Our ideal smart car also offers greater driving convenience and fun. We are focusing on combining automobiles with IT so that drivers can enjoy safe and comfortable journeys, and we are leading innovation with our Advanced Driver Assistance System (ADAS) and car-IT connectivity technology that connect cars with people, cars with objects, or cars with cars.

ADAS is a driver assistance system that controls vehicles by recognizing surrounding conditions. It is a base technology for intelligent driving, informing drivers about conditions by going through recognition-judgment-control steps, and can even directly operate the vehicle if required. We are enhancing driver and passenger safety and convenience by applying various ADAS technologies to mass-produced vehicles; these include Vehicle Stability Management (VSM),

Autonomous Emergency Braking (AEB), Lane Keeping Assist System (LKAS), Forward Collision Warning System (FCWS), and Smart Parking Assist System (SPAS).

We recently unveiled 'DRIVE WISE', a new sub-brand that encompasses our overall ADAS technologies. We have also revealed our roadmap for the new intelligent safety technology and autonomous driving technology we are currently developing, which together will comprise ADAS. The aim of DRIVE WISE is more than just bringing together the functions of ADAS. Rather, it is the development of an autonomous driving vehicle with car-IT connectivity. This involves connecting cars with objects such as smart devices, or making a connection between a car and other cars or infrastructure by recognizing spoken words, thus resulting in substantially improved recognition and control. The all-new Cadenza (K7) features many cutting-edge driver assistance technologies that support safe driving and, going forward, we plan to systematically develop more DRIVE WISE technologies.



### Vehicle Stability Management

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



### Autonomous Emergency Braking

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



### Lane Keeping Assist System

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



Kia Motors will lead the future of the automotive industry through clean mobility that results in a smaller ecological footprint and smart cars that offer greater safety and convenience.



### Forward Collision Warning System

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



### Smart Parking Assist System

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



# KIA AT CES 2016



**ABOUT CES** \_ Consumer Electronics Show (CES) is a global consumer electronics and consumer technology tradeshow that takes place every January in Las Vegas, Nevada. It is one of the world's top three IT shows. Participants include household electric appliance, automobile, IT, and even fashion companies from all across the globe, coming together to show their innovative, cutting-edge technologies and new products.

**Q** What are the key elements of the autonomous driving technologies unveiled by Kia Motors?

**A** We hope to offer drivers 'hassle-free, delightful driving' experiences through our autonomous driving technologies. In line with this, we featured our state-of-the-art Advanced Driver Assistance System (ADAS) at CES 2016 based on the theme, 'Evolution of the Autonomous Driving Vehicle'.

Many of the technologies showcased at CES are now being applied to mass-produced vehicles, including Lane Departure Warning System (LDWS), Lane Keeping Assist System (LKAS), and Advanced Emergency Braking (AEB). In addition, we exhibited advanced technologies for future mass-produced vehicles, such as Highway Autonomous Driving (HAD), Traffic Jam Assist (TJA), and Autonomous Parking System (APS). We also launched the DRIVE WISE brand, which will be applied to our autonomous driving technologies that enhance safety and convenience. We also presented a roadmap for the future development of autonomous driving.

Moreover, we plan to invest KRW 2 trillion by 2018 to develop related technologies and speed up the convergence of automobiles with IT. We aim to commercialize partially autonomous driving vehicles by 2020 and usher in the era of complete autonomous driving by 2030 in an effort to realize our goal of 'hassle-free, delightful driving'.

**What is special about the Soul EV autonomous driving vehicle displayed at CES 2016?**

The autonomous Soul EV showcased at CES is not just a standard electric vehicle, but rather a vehicle that combines all our state-of-the-art technologies and enables people to experience autonomous driving technology t ute-finding, and technology to assess driving conditions, which combine to ensure safer and more convenient driving.

In 2015, the autonomous Soul EV satisfied the strict testing criteria required for an autonomous driving license in Nevada, U.S. In the lead-up to CES 2016, we held a successful demonstration of complete autonomous driving at a global media test drive. At CES, we exhibited the actual vehicle used for the autonomous driving license test evaluation by the State of Nevada and the global media test drive. We showed a video about the entire process, from initial development to test drive, on a transparent display on the rear window of the vehicle, and set up a virtual reality autonomous car experience zone, which provided visitors with an opportunity to experience Kia's various autonomous driving technologies.



**What is unique about  
Kia's future vision  
for mobility?**

Kia Motors is pursuing an enjoyable, safe, and comfortable future of mobility through the development and commercialization of cutting-edge technologies. At CES 2016, we showed how we are converging automobiles and IT to bring about our vision. For example, we displayed Vehicle-to-Everything (V2X), through which information can be shared with another vehicle over a wireless communication network. We also introduced the 'Kia I-Cockpit', a futuristic cockpit and smart home system that use a vehicle-based set-up to control home lighting, air-conditioning, and heating. These systems will deliver smart driving and enhance the quality of life for drivers.

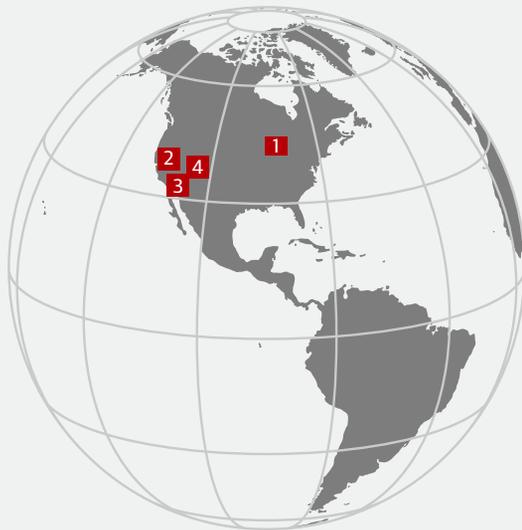
We also hinted at the future of driving through the Novo concept car which features advanced autonomous driving, connectivity, smart IT functions and IT convergence technologies. We also unveiled 'UVO 3.0' which uses a smartphone to determine a vehicle's parking location.

**ROADMAP FOR FUTURE MOBILITY**

Kia Motors participated in the 2016 International Consumer Electronics Show (CES) held at the Las Vegas Convention Center in January 2016 where we featured our vision of cutting-edge autonomous driving technologies. We unveiled a new sub-brand called 'DRIVE WiSE', which encompasses our state-of-the-art autonomous driving technologies. We exhibited the Soul EV, Novo medium-sized sportback concept car, and the all-new Sportage, all of which are equipped with our outstanding technologies. Kia Motors has taken another step towards our goal of ushering in an era of complete autonomous driving, and the following provides key issues surrounding the "future of mobility" that we suggested at CES 2016.



# GLOBAL R&D NETWORK



## U.S.

### 1 America Technical Center

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

 Superior Township, Michigan, U.S.

 Technical Center

### 2 America Design & Technical Center

The America Design & Technical Center undertakes research into concept cars and the 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, the Kia Design Center America is the birthplace of innovative models under the Kia label.

 Irvine, California, U.S.

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

### 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<sup>2</sup> (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

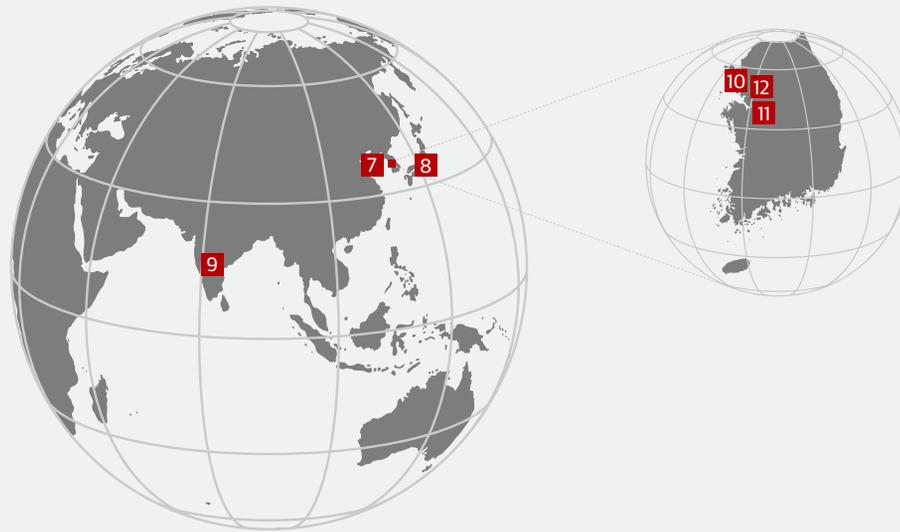
 Design Center

### 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



ASIA

**7**  
China  
R&D Center

Construction on the China R&D Center began in February 2013. The Center will develop cars for the Chinese market, which has become one of the largest and fastest-growing car markets. The construction of the China R&D Center is progressing on its 1,840,000 m<sup>2</sup> site and will serve as an R&D hub to expand the presence of Hyundai Motor Company and Kia Motors Corp. in China.

-  Yantai, China
-  Technical Center

**8**  
Japan  
R&D Center

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

-  Yokohama, Japan
-  Technical and Design Center

**10**  
Hyundai Kia Motors  
R&D Center

-  Hwaseong, Gyeonggi-do
-  3,470,000 m<sup>2</sup>
-  Engineering Design Building, Design Center, Powertrain R&D Center, Wind Tunnel, Proving Ground, etc.

**11**  
Eco-Technology  
Research Institute

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

**9**  
India  
R&D Center

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

-  Hyderabad, India
-  Technical Center

**12**  
Central Advanced Research &  
Engineering Institute

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

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## CONCEPT CARS

Concept cars are the blueprints for future mobility. We continually develop concept cars to bring together innovative technology and creative design. Our goal is for today's concept cars to become the mass production vehicles of tomorrow.



### NOVO DESIGNED BY "DESIGN KIA"

We introduced the Novo mid-sized sportback concept at the Seoul Motor Show 2015. The Novo has a dynamic feel thanks to its sporty but elegant design, and offers plenty of space in a coupe-style sedan sportback. We wanted to reflect the trend of combining digital technology with analogue sentiments – to this end, we included design elements such as side mirrors reminiscent of wings, a display that is integrated into the dashboard, and an ergonomically-designed center console. The interior design is marked by an efficiently arranged control system, including a three-dimensional digital hologram cluster and a smart interactive controller, which allows vehicle control through fingerprint recognition. The Novo was also displayed at CES 2016, a global consumer electronics and consumer technology tradeshow, and was received with great interest by visitors.

### POWERED BY "X-MEN" KIA X-CAR

The Sorento and Sportage have joined up with the two lead characters of the 'X-Men' movie franchise – Wolverine and Mystique – to transform into the stunning Kia X-Cars. The 'Wolverine' X-Car based on the Sorento features 'adamantium' claws at the front and rear of the car, and the 'X' emblem on the radiator grille, sides, and other parts of the vehicle. The 'Mystique' Sportage X-Car has a striking matte blue paint scheme mirroring the Mystique character, with red and yellow accents to create a feeling of agility. The Wolverine and Mystique X-Cars were first unveiled at the 2015 and 2016 Australian Open, respectively, by Rafael Nadal, Kia Motors' global brand ambassador. The vehicles were on display at Melbourne Park throughout the Australian Open championship and drew a hugely positive response from fans around the world.

# Financial Review

## INDEPENDENT AUDITORS' REPORT

### The Board of Directors and Stockholders Kia Motors Corporation:

We have audited the accompanying consolidated financial statements of Kia Motors Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising 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 opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. 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 our 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, we consider 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 consolidated financial position of the Company as of December 31, 2015 and 2014 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

### Other Matter

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
February 29, 2016

This report is effective as of February 29, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2015 and 2014

(In millions of won)

|   | Note       | 2015                | 2014              |
|---|------------|---------------------|-------------------|
| <b>Assets</b>                                   |            |                     |                   |
| Cash and cash equivalents                       | 5, 32      | ₩ 1,104,928         | 2,478,470         |
| Short-term financial instruments                | 5, 32      | 2,875,137           | 3,458,889         |
| Short-term available-for-sale financial assets  | 7, 32      | 2,872,653           | 1,176,362         |
| Accounts and notes receivable - trade           | 32, 33     | 2,388,911           | 2,419,265         |
| Accounts and notes receivable - other           | 32         | 696,593             | 514,366           |
| Advance payments                                |            | 26,387              | 23,099            |
| Prepaid income taxes                            |            | 250,169             | 123,312           |
| Inventories                                     | 6          | 7,695,346           | 6,080,582         |
| Other current assets                            | 13, 20, 32 | 319,386             | 381,056           |
| Non-current assets held for sale                | 8, 14      | 161,274             | -                 |
| <b>Total current assets</b>                     |            | <b>18,390,784</b>   | <b>16,655,401</b> |
| Long-term financial instruments                 | 5, 32      | 93,352              | 84,349            |
| Long-term available-for-sale financial assets   | 7, 32      | 724,356             | 1,245,287         |
| Long-term accounts and notes receivable - trade | 32         | 3,145               | 3,836             |
| Investments in associates and joint ventures    | 8          | 10,971,504          | 10,470,634        |
| Property, plant and equipment, net              | 4, 9, 15   | 13,042,121          | 10,114,317        |
| Investment property, net                        | 4, 10      | 53,474              | 51,249            |
| Intangible assets, net                          | 4, 11, 12  | 2,133,785           | 1,888,828         |
| Guarantee deposits                              | 32         | 171,553             | 168,929           |
| Deferred tax assets                             | 28         | 278,579             | 248,774           |
| Other non-current assets                        | 13, 32     | 117,460             | 112,598           |
| <b>Total non-current assets</b>                 |            | <b>27,589,329</b>   | <b>24,388,801</b> |
| <b>Total assets</b>                             |            | <b>₩ 45,980,113</b> | <b>41,044,202</b> |

See accompanying notes to the consolidated financial statements.

(In millions of won)

|   | Note       | 2015                | 2014              |
|---|------------|---------------------|-------------------|
| <b>Liabilities</b>                              |            |                     |                   |
| Accounts and notes payable - trade              | 32, 33     | ₩ 5,885,651         | 5,888,191         |
| Short-term borrowings                           | 15, 32     | 1,512,424           | 1,389,833         |
| Accounts and notes payable - other              | 32         | 2,653,394           | 1,959,339         |
| Advances received                               |            | 590,686             | 121,248           |
| Accrued expenses                                | 32         | 1,521,078           | 1,359,185         |
| Income taxes payable                            |            | 400,681             | 131,074           |
| Current portion of long-term debt and bonds     | 15, 32     | 1,268,666           | 419,097           |
| Provisions – current                            | 18         | 698,492             | 667,654           |
| Other current liabilities                       | 16, 20, 32 | 48,413              | 38,717            |
| <b>Total current liabilities</b>                |            | <b>14,579,485</b>   | <b>11,974,338</b> |
| Bonds   | 15, 32     | 927,052             | 812,363           |
| Long-term debt                                  | 15, 19, 32 | 2,604,889           | 2,069,900         |
| Long-term advances received                     |            | 76,747              | 47,997            |
| Net defined benefit liabilities                 | 17         | 256,341             | 332,006           |
| Provision for other long-term employee benefits |            | 259,815             | 247,066           |
| Provisions                                      | 18         | 1,691,670           | 1,385,716         |
| Deferred tax liabilities                        | 28         | 1,308,917           | 1,622,427         |
| Other non-current liabilities                   | 16, 32     | 71,166              | 68,524            |
| <b>Total non-current liabilities</b>            |            | <b>7,196,597</b>    | <b>6,585,999</b>  |
| <b>Total liabilities</b>                        |            | <b>21,776,082</b>   | <b>18,560,337</b> |
| <b>Equity</b>                                   |            |                     |                   |
| Common stock                                    | 21         | 2,139,317           | 2,139,317         |
| Capital surplus                                 |            | 1,560,650           | 1,560,650         |
| Retained earnings                               | 22         | 21,039,080          | 18,815,654        |
| Accumulated other comprehensive income (loss)   | 7, 21      | (473,682)           | (118,301)         |
| Other   | 21         | (59,666)            | 86,545            |
| Other capital item expected to be held for sale | 21         | (1,668)             | -                 |
| <b>Total equity</b>                             |            | <b>24,204,031</b>   | <b>22,483,865</b> |
| <b>Total liabilities and equity</b>             |            | <b>₩ 45,980,113</b> | <b>41,044,202</b> |

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2015 and 2014

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

|   | Note   | 2015               | 2014             |
|---|--------|--------------------|------------------|
| Sales   | 4, 33  | ₩ 49,521,447       | 47,097,049       |
| Cost of sales   | 29, 33 | (39,653,769)       | (37,754,115)     |
| <b>Gross profit</b>   |        | <b>9,867,678</b>   | <b>9,342,934</b> |
| Selling expenses  | 25, 29 | (4,711,708)        | (4,186,289)      |
| General and administrative expenses                                 | 25, 29 | (2,801,697)        | (2,584,096)      |
| <b>Operating profit</b>   |        | <b>2,354,273</b>   | <b>2,572,549</b> |
| Share of profits of associates and joint ventures, gain on disposal | 8      | 894,873            | 1,394,152        |
| Finance income  | 26, 32 | 359,567            | 250,814          |
| Finance costs   | 26, 32 | (275,925)          | (169,345)        |
| Other income  | 27     | 657,123            | 459,684          |
| Other expenses  | 27     | (889,645)          | (691,538)        |
| <b>Profit before income taxes</b>                                   |        | <b>3,100,266</b>   | <b>3,816,316</b> |
| Income tax expense  | 28     | (469,666)          | (822,723)        |
| <b>Profit</b>   |        | <b>₩ 2,630,600</b> | <b>2,993,593</b> |
| Profit attributable to owners of the Parent Company                 |        | 2,630,600          | 2,993,593        |
| <b>Earnings per share</b>   |        |                    |                  |
| Basic earnings per share in won                                     | 23     | ₩ 6,559            | 7,393            |

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2015 and 2014

(In millions of won)

|  | 2015               | 2014             |
|--|--------------------|------------------|
| <b>Profit</b>  | ₩ <b>2,630,600</b> | <b>2,993,593</b> |
| <b>Other comprehensive income (loss) (net of tax):</b>                                     |                    |                  |
| <b>Items that will never be reclassified subsequently to profit or loss:</b>               |                    |                  |
| Defined benefit plan remeasurements  | (60)               | (162,118)        |
| Change in remeasurements of associates   | (3,056)            | (34,144)         |
| <b>Total items that will never be reclassified subsequently to profit or loss</b>          | <b>(3,116)</b>     | <b>(196,262)</b> |
| <b>Items that are or may be reclassified subsequently to profit or loss:</b>               |                    |                  |
| Change in fair value of available-for-sale financial assets                                | (218,293)          | 45,954           |
| Change in fair value of available-for-sale financial assets reclassified to profit or loss | (107,531)          | -                |
| Effective portion of changes in fair value of cash flow hedges                             | 430                | -                |
| Change in capital adjustments - increase in gain of equity method accounted investments    | 18,515             | (13,216)         |
| Change in capital adjustments - increase in loss of equity method accounted investments    | (49,645)           | (106,195)        |
| Foreign currency translation difference  | (525)              | (146,820)        |
| <b>Total items that are or may be reclassified subsequently to profit or loss</b>          | <b>(357,049)</b>   | <b>(220,277)</b> |
| <b>Other comprehensive loss for the period, net of income tax</b>                          | <b>(360,165)</b>   | <b>(416,539)</b> |
| <b>Total comprehensive income for the period</b>   | ₩ <b>2,270,435</b> | <b>2,577,054</b> |
| Attributable to owners of the Parent Company   | 2,270,435          | 2,577,054        |

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2015 and 2014

(In millions of won)

|   | Attributable to owners of Parent Company |                 |                   |   |                 |                  |
|---|--|-----------------|-------------------|---|-----------------|------------------|
|   | Common stock                             | Capital surplus | Retained earnings | Accumulated other comprehensive income (loss) | Other           | Total            |
| <b>Balance at January 1, 2014</b>   | ₩ 2,139,317                              | 1,560,650       | 16,301,812        | 101,976                                       | 151,040         | 20,254,795       |
| <b>Comprehensive income (net of tax):</b>   |  |                 |                   |   |                 |                  |
| Profit  | -  | -               | 2,993,593         | -   | -               | 2,993,593        |
| Changes in fair value of available-for-sale financial assets                            | -  | -               | -                 | 45,954  | -               | 45,954           |
| Change in capital adjustments - decrease in gain of equity method accounted investments | -  | -               | -                 | (13,216)                                      | -               | (13,216)         |
| Change in capital adjustments - increase in loss of associates and joint ventures       | -  | -               | -                 | (106,195)                                     | -               | (106,195)        |
| Defined benefit plan remeasurements   | -  | -               | (162,118)         | -   | -               | (162,118)        |
| Change in remeasurements of associates  | -  | -               | (34,144)          | -   | -               | (34,144)         |
| Foreign currency translation difference   | -  | -               | -                 | (146,820)                                     | -               | (146,820)        |
| <b>Total comprehensive income (net of tax)</b>  | -  | -               | <b>2,797,331</b>  | <b>(220,277)</b>                              | -               | <b>2,577,054</b> |
| <b>Transactions with owners and other, recognized directly in equity:</b>               |  |                 |                   |   |                 |                  |
| Dividends   | -  | -               | (283,489)         | -   | -               | (283,489)        |
| Acquisition of treasury shares  | -  | -               | -                 | -   | (64,495)        | (64,495)         |
| <b>Total transactions with owners and other, recognized directly in equity:</b>         | -  | -               | <b>(283,489)</b>  | -   | <b>(64,495)</b> | <b>(347,984)</b> |
| <b>Balance at December 31, 2014</b>   | ₩ 2,139,317                              | 1,560,650       | 18,815,654        | (118,301)                                     | 86,545          | 22,483,865       |

See accompanying notes to the consolidated financial statements.

(In millions of won)

|  | Attributable to owners of Parent Company |                 |                   |   |           |  | Total      |
|--|--|-----------------|-------------------|---|-----------|--|------------|
|  | Common stock                             | Capital surplus | Retained earnings | Accumulated other comprehensive income (loss) | Other     | Other capital items expected to be held for sale |            |
| <b>Balance at January 1, 2015</b>  | ₩ 2,139,317                              | 1,560,650       | 18,815,654        | (118,301)                                     | 86,545    | -  | 22,483,865 |
| <b>Comprehensive income (net of tax):</b>  |  |                 |                   |   |           |  |            |
| Profit   | -  | -               | 2,630,600         | -   | -         | -  | 2,630,600  |
| Change in fair value of available-for-sale financial assets                                | -  | -               | -                 | (218,293)                                     | -         | -  | (218,293)  |
| Change in fair value of available-for-sale financial assets reclassified to profit or loss | -  | -               | -                 | (107,531)                                     | -         | -  | (107,531)  |
| Effective portion of changes in fair value of cash flow hedges                             | -  | -               | -                 | 430   | -         | -  | 430        |
| Change in capital adjustments - increase in gain of equity method accounted investments    | -  | -               | -                 | 18,515  | -         | -  | 18,515     |
| Change in capital adjustments - increase in loss of associates and joint ventures          | -  | -               | -                 | (49,645)                                      | -         | -  | (49,645)   |
| Classification of held for sale  | -  | -               | -                 | 1,668   | -         | (1,668)  | -          |
| Defined benefit plan remeasurements  | -  | -               | (60)              | -   | -         | -  | (60)       |
| Change in remeasurements of associates   | -  | -               | (3,056)           | -   | -         | -  | (3,056)    |
| Foreign currency translation difference  | -  | -               | -                 | (525)   | -         | -  | (525)      |
| <b>Total comprehensive income (net of tax)</b>   | -  | -               | 2,627,484         | (355,381)                                     | -         | (1,668)  | 2,270,435  |
| <b>Transactions with owners and other, recognized directly in equity:</b>                  |  |                 |                   |   |           |  |            |
| Dividends  | -  | -               | (404,058)         | -   | -         | -  | (404,058)  |
| Acquisition of treasury shares   | -  | -               | -                 | -   | (146,211) | -  | (146,211)  |
| <b>Total transactions with owners and other, recognized directly in equity:</b>            | -  | -               | (404,058)         | -   | (146,211) | -  | (550,269)  |
| <b>Balance at December 31, 2015</b>  | ₩ 2,139,317                              | 1,560,650       | 21,039,080        | (473,682)                                     | (59,666)  | (1,668)  | 24,204,031 |

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

(In millions of won)

|   | Note | 2015               | 2014               |
|---|------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                                   |      |                    |                    |
| Cash generated from operations  | 30   | ₩ 3,567,053        | 2,679,387          |
| Interest received   |      | 199,573            | 231,950            |
| Interest paid   |      | (119,184)          | (90,707)           |
| Dividends received  |      | 294,132            | 467,969            |
| Income tax paid   |      | (566,326)          | (924,774)          |
| <b>Net cash provided by operating activities</b>                              |      | <b>3,375,248</b>   | <b>2,363,825</b>   |
| <b>Cash flows from investing activities</b>                                   |      |                    |                    |
| Proceeds from disposal of long-term financial instruments                     |      | 2,075              | 211,881            |
| Proceeds from disposal of property, plant and equipment                       |      | 74,569             | 41,275             |
| Proceeds from disposal of intangible assets                                   |      | 935                | 468                |
| Proceeds from disposal of short-term financial instruments                    |      | 639,262            | 900,953            |
| Purchase of short-term financial instruments                                  |      | (28,154)           | (320,614)          |
| Purchase of long-term financial instruments                                   |      | (32,076)           | (3,080)            |
| Acquisition of investments in associates                                      |      | (26,991)           | (156,098)          |
| Acquisition of available-for-sale financial assets                            |      | (1,668,719)        | (1,440,341)        |
| Acquisition of property, plant and equipment                                  |      | (3,914,610)        | (1,429,596)        |
| Acquisition of intangible assets  |      | (661,419)          | (589,855)          |
| Cash flows from other investing activities                                    |      | 1,305              | (198,399)          |
| <b>Net cash used in investing activities</b>                                  |      | <b>(5,613,823)</b> | <b>(2,983,406)</b> |
| <b>Cash flows from financing activities</b>                                   |      |                    |                    |
| Cash flows from short-term borrowings and long-term debt                      |      | 1,315,959          | 2,231,693          |
| Proceeds from issuance of bonds   |      | 827,036            | -                  |
| Dividends paid  |      | (404,058)          | (283,489)          |
| Repayment of short-term borrowings and long-term debt                         |      | (381,576)          | (460,184)          |
| Repayment of bonds  |      | (300,000)          | (426,590)          |
| Repayment of current portion of financial lease liabilities                   |      | (5,278)            | (6,962)            |
| Acquisition of treasury stock   |      | (146,211)          | (64,495)           |
| Cash flows from other financing activities                                    |      | 525                | (3,482)            |
| <b>Net cash provided by financing activities</b>                              |      | <b>906,397</b>     | <b>986,491</b>     |
| <b>Impact on foreign currency exchange rates on cash and cash equivalents</b> |      | <b>(41,364)</b>    | <b>(199,704)</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>                   |      | <b>(1,373,542)</b> | <b>167,206</b>     |
| Cash and cash equivalents at January 1  |      | 2,478,470          | 2,311,264          |
| <b>Cash and cash equivalents at December 31</b>                               |      | <b>₩ 1,104,928</b> | <b>2,478,470</b>   |

See accompanying notes to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

## 1. General Description of Parent Company and Subsidiaries

### (a) Organization and description of the Company

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

The shares of the Parent Company have been listed on the Korea Exchange since 1973. As of December 31, 2015, the Parent Company's largest shareholder is Hyundai Motor Company, which holds 33.88 percent of the Parent Company's stock.

The consolidated financial statements comprise the Parent Company and its subsidiaries (together referred to as the "Company") and the Company's interest in associates and joint ventures.

### (b) Consolidated subsidiaries

Details of consolidated subsidiaries as of December 31, 2015 are summarized as follows:

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

(\*1) 100.00% owned by KMA (\*2) 17.47% owned by KMA (\*3) 100.00% owned by KMD (\*4) 100.00% owned by KME

(\*5) 80.00% owned by KME and 20.00% owned by KMD (\*6) 100.00% owned by KMAU (\*7) 0.01% owned by KMA

Fifteen investment trusts which are not included in the note above are separate entities and the entities are consolidated as they are under control of the Company.

### (c) Financial information of subsidiaries

Financial information of significant subsidiaries (before eliminating intra-group transaction) as of and for the years ended December 31, 2015 and 2014 are summarized as follows:

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

(In millions of won)

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

(ii) Financial information as of and for the year ended December 31, 2014

(In millions of won)

| Company | Total assets | Total liabilities | Sales      | Net income(loss) |
|---------|--------------|-------------------|------------|------------------|
| KMA     | ₩ 4,528,878  | 3,452,198         | 12,846,503 | 423,987          |
| KMMG    | 2,206,318    | 1,399,460         | 7,685,561  | 151,836          |
| KMS     | 2,516,976    | 1,428,020         | 6,415,996  | 395,051          |
| KMR     | 889,520      | 834,289           | 3,517,360  | (231,882)        |

## 2. Basis of Accounting

### (a) Statement of compliance

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

### (b) Basis of measurement

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

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

### (c) Functional and presentation currency

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

## (d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

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

- Note 17 : Employee Benefits
- Note 18 : Provisions
- Note 19 : Commitments and Contingencies
- Note 28 : Income Tax Expense

## (e) Measurement of fair value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company 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 Company 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.

### (a) Basis of consolidation

#### *Subsidiaries*

Subsidiaries are entities controlled by the Company. The Company 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 Company uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

#### *Intra-group transactions*

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

### *Non-controlling interests*

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

### *Changes in the Company's ownership interest in a subsidiary*

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

## **(b) 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:

- Only those contingent liabilities assumed in a business combination that are a present obligation and can be measured reliably are recognized
- Deferred tax assets or liabilities are recognized and measured in accordance with K-IFRS No.1012 *Income Taxes*
- Employee benefit arrangements are recognized and measured in accordance with K-IFRS No.1019 *Employee Benefits*

As of the acquisition date, non-controlling interests in the acquiree are measured as the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

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. However, any portion of the acquirer's share-based payment awards exchanged for awards held by the acquiree's employees that is included in consideration transferred in the business combination shall be measured in accordance with the method described above rather than at fair value.

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed in the periods in which the costs are incurred and the services are received. The costs to issue debt or equity securities are recognized in accordance with K-IFRS No.1032 *Financial Instruments: Presentation* and K-IFRS No.1039 *Financial Instruments: Recognition and Measurement*.

### *Goodwill*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

## (c) Associates and joint ventures

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

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

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

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

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

## (d) Cash and cash equivalents

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

## (e) Inventories

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

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

## (f) 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 Company recognizes an impairment loss for any initial or subsequent write-down of an asset or disposal group to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized.

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

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**(g) Non-derivative financial assets**

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

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

***Financial assets at fair value through profit or loss***

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

***Held-to-maturity investments***

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Company has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. 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 except for loans and receivables of which the effect of discounting is immaterial.

***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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost. When a financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Dividends on an available-for-sale equity instrument are recognized in profit or loss when the Company's right to receive payment is established.

***Derecognition of financial assets***

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

***Offsetting between financial assets and financial liabilities***

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## (h) Non-derivative financial liabilities

The Company 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 Company recognizes financial liabilities in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial liability.

### *Financial liabilities at fair value through profit or loss*

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

### *Other financial liabilities*

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

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

## (i) Derivative financial instruments, including hedge accounting

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

### (i) Hedge accounting

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

### *Fair value hedge*

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

The Company 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 recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

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

(ii) Other derivative financial instruments

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

**(j) Impairment of financial assets**

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

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

*Financial assets measured at amortized cost*

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

*Financial assets carried at cost*

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

*Available-for-sale financial assets*

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

**(k) 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.

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

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

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

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

|                          | Useful lives (years) |
|--------------------------|----------------------|
| Buildings and structures | 20 ~ 40              |
| Machinery and equipment  | 3 ~ 15               |
| Dies, molds and tools    | 5                    |
| Vehicles                 | 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.

## (l) Borrowing costs

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

## (m) 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 Company's intangible assets for the current and comparative periods are as follows:

|  | Estimated useful lives (years) |
|--|--------------------------------|
| Industrial property rights                       | 5, 10                          |
| Software   | 2~5                            |
| Development costs                                | (*)                            |
| Country club membership and golf club membership | Indefinite                     |
| Other  | 25                             |

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

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

#### *Research and development*

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

#### *Subsequent expenditures*

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

#### **(n) 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.

#### **(o) Impairment of non-financial assets**

The carrying amounts of the Company'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 or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Company estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then the Company 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 a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or a CGU.

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

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

#### **(p) Leases**

The Company classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Company 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 Company recognizes as finance assets and finance liabilities in its consolidated statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset. 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.

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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 Company reviews to determine whether the leased asset may be impaired.

## (q) Government grants

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

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

## (r) 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 Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

### *Other long-term employee benefits*

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. The present value is determined by discounting the expected future cash flows using the interest rate of high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

### *Retirement benefits: defined benefit plans*

The Company'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 Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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

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In addition, employees of KMA are eligible to participate, upon meeting certain service requirement, in the profit sharing retirement plan and defined benefit pension 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.

#### **(s) Provisions**

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

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

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

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

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

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

#### **(t) Emission Rights**

The Company accounts for greenhouse gases emission right and the relevant liability as below pursuant to the Act on Allocation and Trading of Greenhouse Gas Emission which became effective in 2015.

##### **① Greenhouse Gases Emission Right**

Greenhouse Gases Emission Right consists of emission allowances which 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 Rights 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, are carried at cost less accumulated impairment losses.

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

##### **② Emission liability**

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

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## (u) Foreign currency

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

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

The assets and liabilities of foreign operations are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to presentation currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

## (v) Equity capital

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

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

## (w) Revenue

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

Revenue from sales of vehicles, service parts and other related products is recognized when the Company has transferred to the buyer the significant risk and rewards of ownership of the goods, the Company 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 Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

## (x) Finance income and finance costs

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

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

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**(y) Income taxes**

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

*Current tax*

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

*Deferred tax*

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

The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent that the Company 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 Company recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

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

**(z) Earnings per share**

The Company 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 Parent 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.

**(aa) Operating segments**

An operating segment is a component of the Company 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 Company, 2) whose operating results are reviewed regularly by the Company's chief operating decision maker ('CODM') in order to allocate resources and assess its performance, and 3) for which discrete financial information is available.

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Management has determined that the CODM of the Company is the CEO. The CODM does not receive and therefore does not review discrete financial information for any component of the Company. 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.

## (ab) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning after January 1, 2015, and the Company has not early adopted them. The company is assessing the potential impact on its consolidated financial statements resulting from the application of the following new standards.

### (i) K-IFRS No. 1109, Financial Instruments

K-IFRS 1109, published in December 2015, replaces the existing guidance in K-IFRS No. 1039, Financial Instruments: Recognition and Measurement. K-IFRS 1109 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from K-IFRS No. 1039. K-IFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

### (ii) K-IFRS No. 1115, Revenue from Contracts with Customers

K-IFRS 1115, published in January 2016, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including K-IFRS No. 1018, Revenue, K-IFRS No. 1011, Construction Contracts and K-IFRS No. 2113, Customer Loyalty Programmes. K-IFRS 1115 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

## 4. Geographic and Other Information

The Company is engaged in manufacturing and sales of vehicles and parts, leasing of vehicles and rendering vehicle maintenance services. Leasing income and maintenance services are insignificant to total sales. Revenue information by products and services is not available and management believes the cost to develop such information would be excessive. Consequently revenue amounts by products and services are not disclosed.

- (a) The following tables provide information of sales by geographic locations based on the location of customers and non-current assets as of and for the year ended December 31, 2015:

(In millions of won)

|  | Domestic     | North America | Europe     | Other region | Consolidation adjustment | Consolidation amount |
|--|--------------|---------------|------------|--------------|--------------------------|----------------------|
| External sales   | ₩ 18,960,632 | 18,896,020    | 10,889,617 | 775,178      | -                        | 49,521,447           |
| Property, plant and equipment, intangible assets and other | 12,172,863   | 1,989,548     | 1,007,500  | 3,426        | 56,042                   | 15,229,379           |

(b) The following tables provide information of sales by geographic locations based on the location of customers and non-current assets as of and for the year ended December 31, 2014:

(In millions of won)

|  | Domestic     | North America | Europe     | Other region | Consolidation adjustment | Consolidation amount |
|--|--------------|---------------|------------|--------------|--------------------------|----------------------|
| External sales   | ₩ 17,695,609 | 16,865,983    | 11,892,172 | 643,285      | -                        | 47,097,049           |
| Property, plant and equipment, intangible assets and other | 9,650,614    | 1,285,600     | 1,059,052  | 4,544        | 54,584                   | 12,054,394           |

## 5. Cash, Cash Equivalents and Restricted Financial Instrument

(a) Cash and cash equivalents as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                                      | 2015        | 2014      |
|--------------------------------------|-------------|-----------|
| Cash on hand                         | ₩ 306       | 299       |
| Deposits with financial institutions | 1,104,622   | 2,478,171 |
|                                      | ₩ 1,104,928 | 2,478,470 |

(b) Financial instruments which are restricted in use for as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                              | 2015     | 2014   |
|------------------------------|----------|--------|
| Win-Win cooperation deposits | ₩ 31,000 | 31,000 |
| Guarantee deposits           | 10       | 10     |
| Green mold fund              | 20,000   | 20,000 |
| Other deposits               | 9,808    | 23,143 |
|                              | ₩ 60,818 | 74,153 |

## 6. Inventories

Inventories as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                      | 2015        | 2014      |
|----------------------|-------------|-----------|
| Finished goods       | ₩ 6,424,987 | 4,733,908 |
| Merchandise          | 21,492      | 45,932    |
| Semi-finished goods  | 220,443     | 319,761   |
| Work-in-process      | 199,341     | 196,849   |
| Raw materials        | 375,326     | 391,060   |
| Supplies             | 162,506     | 152,752   |
| Materials-in-transit | 291,251     | 240,320   |
|                      | ₩ 7,695,346 | 6,080,582 |

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## 7. Available-for-sale Financial Assets

(a) Available-for-sale financial assets as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

| Company                                    | Percentage of ownership | Acquisition Cost | 2015      | 2014      |
|--|-------------------------|------------------|-----------|-----------|
| <b>Marketable securities</b>               |                         |                  |           |           |
| Hyundai WIA Corporation                    | 13.44%                  | ₩ 237,510        | 409,249   | 643,105   |
| Hyundai Hysco Co., Ltd. (*1)               | -                       | -                | -         | 259,568   |
| HMC Investment Securities Co., Ltd.        | 4.90%                   | 29,574           | 14,384    | 14,600    |
| SeAH Besteel Corp.                         | 0.00%                   | 20               | 48        | 49        |
|  |                         | 267,104          | 423,681   | 917,322   |
| <b>Non-marketable securities (*2)</b>      |                         |                  |           |           |
| WIA Automotive Engine (Shang-dong) Company | 18.00%                  | ₩ 54,487         | 54,487    | 47,332    |
| Other                                      |                         | 21,144           | 21,144    | 20,313    |
|  |                         | 75,631           | 75,631    | 67,645    |
| <b>Debt securities</b>                     |                         |                  |           |           |
| Industrial finance bond and other          |                         | 822,030          | 822,030   | 891,148   |
| Bond trust and other                       |                         | 2,252,202        | 2,252,202 | 544,906   |
| Other                                      |                         | 23,465           | 23,465    | 628       |
|  |                         | 3,097,697        | 3,097,697 | 1,436,682 |
|  |                         | ₩ 3,440,432      | 3,597,009 | 2,421,649 |

(\*1) Hyundai Hysco Co., Ltd. merged into Hyundai Steel Company in 2015.

(\*2) 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.

(b) Changes in fair value of available-for-sale financial assets for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                                     | 2015      | 2014      |
|-------------------------------------|-----------|-----------|
| Balance at January 1                | ₩ 601,778 | 541,153   |
| Unrealized gain(loss)               | (287,985) | 60,625    |
| Realized in loss upon disposal      | (141,862) | -         |
| Balance at December 31 before taxes | 171,931   | 601,778   |
| Income tax effect                   | (41,607)  | (145,630) |
| Balance at December 31              | ₩ 130,324 | 456,148   |

## 8. Investments in Associates and Joint Ventures

(a) Details of investments in associates and joint ventures as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

| Company   | 2015                    |                 | 2014                    |                 |
|---|-------------------------|-----------------|-------------------------|-----------------|
|   | Percentage of ownership | Carrying amount | Percentage of ownership | Carrying amount |
| Hyundai Mobis Co., Ltd. (*1)                      | ₩ 16.88%                | 4,167,138       | 16.88%                  | 3,770,722       |
| Hyundai Steel Company (*1, 2, 8)                  | 17.27%                  | 2,578,536       | 19.78%                  | 2,649,892       |
| Hyundai Engineering & Construction Co., Ltd. (*1) | 5.23%                   | 795,122         | 5.23%                   | 782,721         |
| Hyundai Powertech Co., Ltd.                       | 37.58%                  | 433,871         | 37.58%                  | 386,175         |
| Hyundai Card Co., Ltd. (*1)                       | 11.48%                  | 286,326         | 11.48%                  | 300,676         |
| Hyundai Dymos Inc.                                | 45.37%                  | 314,692         | 45.37%                  | 278,619         |
| EUKOR Car Carriers Inc. (*1)                      | 8.00%                   | 127,471         | 8.00%                   | 113,247         |
| Hyundai Engineering Co., Ltd. (*1)                | 9.35%                   | 234,643         | 9.35%                   | 215,700         |
| Hyundai Partecs Co., Ltd.                         | 31.00%                  | 22,446          | 31.00%                  | 21,403          |
| Hyundai Autoever Systems Co., Ltd. (*1)           | 19.37%                  | 61,339          | 19.37%                  | 53,786          |
| Donghee Auto Co., Ltd.                            | 35.10%                  | 17,377          | 35.10%                  | 16,178          |
| TRW Steering Co., Ltd.                            | 29.00%                  | 1,205           | 29.00%                  | 770             |
| Kia Tigers Co., Ltd. (*3)                         | 100.00%                 | -               | 100.00%                 | -               |
| Hyundai NGV Co., Ltd.                             | 24.39%                  | 2,587           | 24.39%                  | 2,146           |
| Haevichi Resort Co., Ltd. (*4)                    | 23.24%                  | 39,667          | 40.00%                  | 21,656          |
| Hyundai Autron Co., Ltd.                          | 20.00%                  | 20,966          | 20.00%                  | 19,579          |
| Beijing Dymos Transmission Co., Ltd.              | 24.08%                  | 62,232          | 24.08%                  | 57,455          |
| China Millennium Corporations                     | 30.30%                  | 29,779          | 30.30%                  | 26,006          |
| Hyundai Motor Group China Ltd.                    | 30.00%                  | 78,834          | 30.00%                  | 94,624          |
| Yanji Kia Motors A/S and Repair (*3)              | 100.00%                 | 2,528           | 100.00%                 | 1,792           |
| Hyundai Powertech (Shangdong) Co., Ltd.           | 25.00%                  | 78,667          | 25.00%                  | 36,734          |
| Dongfeng Yueda Kia Motors Co., Ltd. (*5)          | 50.00%                  | 880,820         | 50.00%                  | 958,400         |
| Hyundai Motor Manufacturing Russia LLC            | 30.00%                  | 93,250          | 30.00%                  | 117,029         |
| Innocean Worldwide Americas, LLC                  | 20.00%                  | 1,360           | 20.00%                  | 1,853           |
| Hyundai Information System North America          | 30.00%                  | 3,921           | 30.00%                  | 3,154           |
| Sewon America, Inc.                               | 40.00%                  | 10,212          | 40.00%                  | 11,663          |
| Hyundai Capital America                           | 20.00%                  | 582,225         | 20.00%                  | 503,842         |
| Hyundai Capital Services UK Ltd. (*5)             | 10.00%                  | 14,922          | 10.00%                  | 9,407           |
| Hyundai Capital Canada Inc. (*6)                  | 40.00%                  | 22,017          | 40.00%                  | 15,405          |
| Hyundai Capital Services Deutschland GmbH (*7)    | 20.00%                  | 7,351           | -                       | -               |
|   | ₩                       | 10,971,504      |                         | 10,470,634      |

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

(\*2) In 2015, Hyundai Hysco Co., Ltd. merged into Hyundai Steel Company. Upon the merger, the Company received 0.855761 shares of Hyundai Steel Company's common stock in exchange for each shares of Hyundai Hysco Co., Ltd's common stock. As a result, investments in Hyundai Steel Company increased by ₩ 205,656 million.

(\*3) Though the Company has 100% of the ownership, equity method is applied because management believes that the difference between consolidation and applying equity method is immaterial.

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(\*4) In 2015, the Company's ownership decreased due to disproportionate capital increase.

(\*5) The Company classified Dongfeng Yueda Kia motors Co., Ltd. and Hyundai Capital Services UK Ltd. as joint ventures since the Company has the right to the net assets established by contractual agreement.

(\*6) In 2015, the Company invested ₩ 15,646 million in cash to Hyundai Capital Canada Inc..

(\*7) In 2015, the Company invested ₩ 11,121 million in cash to Hyundai Capital Services Deutschland GmbH.

(\*8) In 2015, The Company classified its investments in Hyundai Steel Company of ₩ 337,020 million as non-current assets held for sale due to its plan for sale.

(b) Fair value of marketable securities of associates companies as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | 2015        | 2014      |
|--|-------------|-----------|
| Hyundai Mobis Co., Ltd.                      | ₩ 4,049,274 | 3,876,138 |
| Hyundai Steel Company                        | 1,151,305   | 1,463,622 |
| Hyundai Engineering & Construction Co., Ltd. | 166,499     | 245,521   |

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

(In millions of won)

| Company                                      | Beginning balance | Acquisition (Disposition) | Equity profit or loss on investment | Other capital movement | Dividends received | Other Increase (decrease) | Ending balance |
|--|-------------------|---------------------------|-------------------------------------|------------------------|--------------------|---------------------------|----------------|
| Hyundai Mobis Co., Ltd.                      | ₩ 3,770,722       | -                         | 502,504                             | (56,807)               | (49,281)           | -                         | 4,167,138      |
| Hyundai Steel Company                        | 2,649,892         | 205,656                   | 80,704                              | (3,408)                | (17,288)           | (337,020)                 | 2,578,536      |
| Hyundai Engineering & Construction Co., Ltd. | 782,721           | -                         | 11,922                              | 3,396                  | (2,917)            | -                         | 795,122        |
| Hyundai Powertech Co., Ltd.                  | 386,175           | -                         | 47,958                              | (262)                  | -                  | -                         | 433,871        |
| Hyundai Card Co., Ltd.                       | 300,676           | -                         | 15,619                              | (1,286)                | (28,683)           | -                         | 286,326        |
| Hyundai Dymos Inc.                           | 278,619           | -                         | 35,735                              | 338                    | -                  | -                         | 314,692        |
| EUKOR Car Carriers Inc.                      | 113,247           | -                         | 12,982                              | 6,522                  | (5,280)            | -                         | 127,471        |
| Hyundai Engineering Co., Ltd.                | 215,700           | -                         | 29,516                              | (2,053)                | (8,520)            | -                         | 234,643        |
| Hyundai Partecs Co., Ltd.                    | 21,403            | -                         | 1,043                               | -                      | -                  | -                         | 22,446         |
| Hyundai Autoever Systems Co., Ltd.           | 53,786            | -                         | 10,203                              | (850)                  | (1,800)            | -                         | 61,339         |
| Donghee Auto Co., Ltd.                       | 16,178            | -                         | 1,515                               | -                      | (316)              | -                         | 17,377         |
| TRW Steering Co., Ltd.                       | 770               | -                         | 436                                 | (1)                    | -                  | -                         | 1,205          |
| Kia Tigers Co., Ltd. (*)                     | -                 | -                         | -                                   | -                      | -                  | -                         | -              |
| Hyundai NGV Co., Ltd.                        | 2,146             | -                         | 466                                 | -                      | (25)               | -                         | 2,587          |
| Haevichi Resort Co., Ltd.                    | 21,656            | 224                       | 17,756                              | 31                     | -                  | -                         | 39,667         |
| Hyundai Autron Co., Ltd.                     | 19,579            | -                         | 1,521                               | (134)                  | -                  | -                         | 20,966         |
| Beijing Dymos Transmission Co., Ltd.         | 57,455            | -                         | 5,699                               | 568                    | (1,490)            | -                         | 62,232         |
| China Millennium Corporations                | 26,006            | -                         | 3,583                               | 190                    | -                  | -                         | 29,779         |
| Hyundai Motor Group China Ltd.               | 94,624            | -                         | (16,837)                            | 1,047                  | -                  | -                         | 78,834         |
| Yanji Kia Motors A/S and Repair              | 1,792             | -                         | (955)                               | 1,691                  | -                  | -                         | 2,528          |
| Hyundai Powertech (Shangdong) Co., Ltd.      | 36,734            | -                         | 15,783                              | 26,150                 | -                  | -                         | 78,667         |
| Dongfeng Yueda Kia Motors Co., Ltd.          | 958,400           | -                         | 85,077                              | 10,335                 | (172,992)          | -                         | 880,820        |
| Hyundai Motor Manufacturing Russia LLC       | 117,029           | -                         | (5,238)                             | (18,541)               | -                  | -                         | 93,250         |
| Innocean Worldwide Americas, LLC             | 1,853             | -                         | 1,748                               | -                      | (2,471)            | 230                       | 1,360          |
| Hyundai Information System North America     | 3,154             | -                         | 967                                 | -                      | (418)              | 218                       | 3,921          |
| Sewon America, Inc.                          | 11,663            | -                         | (2,147)                             | -                      | -                  | 696                       | 10,212         |
| Hyundai Capital America                      | 503,842           | -                         | 43,458                              | 192                    | -                  | 34,733                    | 582,225        |
| Hyundai Capital Services UK Ltd.             | 9,407             | -                         | 5,355                               | -                      | -                  | 160                       | 14,922         |

| Company                                   | Beginning balance | Acquisition (Disposition) | Equity profit or loss on investment | Other capital movement | Dividends received | Other increase (decrease) | Ending balance |
|---|-------------------|---------------------------|-------------------------------------|------------------------|--------------------|---------------------------|----------------|
| Hyundai Capital Canada Inc.               | 15,405            | 15,646                    | (7,264)                             | (1,770)                | -                  | -                         | 22,017         |
| Hyundai Capital Services Deutschland GmbH | -                 | 11,121                    | (4,236)                             | 466                    | -                  | -                         | 7,351          |
|   | ₩10,470,634       | 232,647                   | 894,873                             | (34,186)               | (291,481)          | (300,983)                 | 10,971,504     |

(\*) The Company discontinued the use of the equity method for investment in associates of Kia Tigers Co., Ltd. due to the carrying amount of the Company's share being reduced to zero as of December 31, 2015.

(d) Changes in investment in associates and joint ventures for the year ended December 31, 2014 are summarized as follows:

(In millions of won)

| Company                                      | Beginning balance | Acquisition (Disposition) | Equity profit or loss on investment | Other capital movement | Dividends received | Other increase (decrease) | Ending balance |
|--|-------------------|---------------------------|-------------------------------------|------------------------|--------------------|---------------------------|----------------|
| Hyundai Mobis Co., Ltd.                      | ₩ 3,288,988       | -                         | 547,082                             | (33,315)               | (32,033)           | -                         | 3,770,722      |
| Hyundai Steel Company                        | 2,566,364         | -                         | 149,354                             | (54,301)               | (11,525)           | -                         | 2,649,892      |
| Hyundai Engineering & Construction Co., Ltd. | 762,700           | -                         | 12,671                              | 10,266                 | (2,916)            | -                         | 782,721        |
| Hyundai Powertech Co., Ltd.                  | 344,798           | -                         | 41,526                              | (149)                  | -                  | -                         | 386,175        |
| Hyundai Card Co., Ltd.                       | 271,642           | -                         | 34,426                              | (5,392)                | -                  | -                         | 300,676        |
| Hyundai Dymos Inc.                           | 261,013           | -                         | 20,022                              | (2,416)                | -                  | -                         | 278,619        |
| EUKOR Car Carriers Inc.                      | 99,070            | -                         | 15,538                              | 3,919                  | (5,280)            | -                         | 113,247        |
| Hyundai AMCO Co., Ltd. (*)                   | 129,764           | (133,213)                 | 2,632                               | 817                    | -                  | -                         | -              |
| Hyundai Engineering Co., Ltd.                | -                 | 214,848                   | 16,649                              | (7,987)                | (7,810)            | -                         | 215,700        |
| Hyundai Partecs Co., Ltd.                    | 20,576            | -                         | 827                                 | -                      | -                  | -                         | 21,403         |
| Hyundai Autoever Systems Co., Ltd.           | 44,487            | -                         | 10,206                              | 693                    | (1,600)            | -                         | 53,786         |
| Donghee Auto Co., Ltd.                       | 14,556            | -                         | 1,622                               | -                      | -                  | -                         | 16,178         |
| TRW Steering Co., Ltd.                       | 1,124             | -                         | (362)                               | 8                      | -                  | -                         | 770            |
| Kia Tigers Co., Ltd.                         | -                 | -                         | -                                   | -                      | -                  | -                         | -              |
| Hyundai NGV Co., Ltd.                        | 1,653             | -                         | 513                                 | -                      | (20)               | -                         | 2,146          |
| Haevichi Resort Co., Ltd.                    | 22,962            | -                         | (976)                               | (330)                  | -                  | -                         | 21,656         |
| Hyundai Autron Co., Ltd.                     | 19,212            | -                         | 682                                 | (315)                  | -                  | -                         | 19,579         |
| Beijing Dymos Transmission Co., Ltd.         | 58,113            | -                         | 8,117                               | 426                    | (9,201)            | -                         | 57,455         |
| China Millennium Corporations                | 21,852            | -                         | 3,305                               | 849                    | -                  | -                         | 26,006         |
| Hyundai Motor Group China Ltd.               | 93,526            | -                         | 13,854                              | 2,461                  | (15,217)           | -                         | 94,624         |
| Yanji Kia Motors A/S and Repair              | 1,792             | -                         | -                                   | -                      | -                  | -                         | 1,792          |
| Hyundai Powertech (Shangdong) Co., Ltd.      | 41,981            | -                         | 16,852                              | (22,099)               | -                  | -                         | 36,734         |
| Dongfeng Yueda Kia Motors Co., Ltd.          | 888,208           | -                         | 373,909                             | 14,950                 | (318,667)          | -                         | 958,400        |
| Hyundai Motor Manufacturing Russia LLC       | 220,314           | -                         | 6,818                               | (64,651)               | (45,452)           | -                         | 117,029        |
| Innocean Worldwide Americas, LLC             | 4,818             | (1,034)                   | 2,180                               | -                      | (3,928)            | (183)                     | 1,853          |
| Hyundai Information System North America     | 2,554             | -                         | 798                                 | -                      | (330)              | 132                       | 3,154          |
| Sewon America, Inc.                          | 8,092             | -                         | 2,565                               | 191                    | -                  | 815                       | 11,663         |
| Hyundai Capital America                      | -                 | 453,093                   | 35,147                              | -                      | -                  | 15,602                    | 503,842        |
| Hyundai Capital Services UK Ltd.             | 7,561             | 1,728                     | 273                                 | -                      | -                  | (155)                     | 9,407          |
| Hyundai Capital Canada Inc.                  | -                 | 21,096                    | (5,459)                             | (232)                  | -                  | -                         | 15,405         |
|  | ₩ 9,197,720       | 556,518                   | 1,310,771                           | (156,607)              | (453,979)          | 16,211                    | 10,470,634     |

(\*) Hyundai AMCO Co., Ltd. was merged into Hyundai Engineering Co., Ltd., which is an associate of the Company, during the period ended December 31, 2014.

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

(In millions of won)

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

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

(In millions of won)

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

(f) Financial information of associates and joint ventures as of and for the year ended December 31, 2014 is summarized as follows:

(In millions of won)

| Company                                      | Total assets | Total liabilities | Sales      | Operating profit (loss) | Net income (loss) | Total comprehensive income (loss) |
|--|--------------|-------------------|------------|-------------------------|-------------------|-----------------------------------|
| Hyundai Mobis Co., Ltd.                      | ₩39,111,916  | 15,825,813        | 36,184,974 | 3,070,594               | 3,392,511         | 3,246,719                         |
| Hyundai Steel Company                        | 28,933,799   | 15,119,012        | 16,762,360 | 1,491,138               | 782,295           | 508,044                           |
| Hyundai Engineering & Construction Co., Ltd. | 18,439,693   | 11,473,381        | 17,386,959 | 958,903                 | 586,697           | 563,589                           |
| Hyundai Powertech Co., Ltd.                  | 2,116,632    | 1,087,859         | 3,253,110  | 106,852                 | 105,377           | 105,431                           |
| Hyundai Card Co., Ltd.                       | 12,397,420   | 9,842,039         | 2,612,533  | 300,023                 | 223,514           | 189,253                           |
| Hyundai Dymos Inc.                           | 1,862,580    | 1,239,756         | 2,572,325  | 64,126                  | 47,006            | 50,871                            |
| EUKOR Car Carriers Inc.                      | 3,045,259    | 1,629,676         | 2,487,114  | 236,756                 | 196,984           | 257,710                           |
| Hyundai Engineering Co., Ltd.                | 5,768,363    | 3,299,281         | 5,689,716  | 408,396                 | 314,985           | 276,647                           |
| Hyundai Partecs Co., Ltd.                    | 135,101      | 66,060            | 51,856     | 5,068                   | 2,668             | 2,668                             |
| Hyundai Autoever Systems Co., Ltd.           | 625,959      | 347,767           | 1,121,747  | 65,077                  | 52,927            | 48,148                            |
| Donghee Auto Co., Ltd.                       | 144,700      | 98,609            | 203,793    | 6,848                   | 5,483             | 5,483                             |
| TRW Steering Co., Ltd.                       | 27,826       | 25,166            | 72,139     | (1,439)                 | (1,170)           | (1,133)                           |
| Kia Tigers Co., Ltd.                         | 5,825        | 6,746             | 34,767     | (310)                   | (138)             | (138)                             |
| Hyundai NGV Co., Ltd.                        | 18,739       | 9,939             | 36,860     | 2,669                   | 2,105             | 2,105                             |
| Haevichi Resort Co., Ltd.                    | 329,978      | 273,535           | 63,727     | 4,012                   | 3,135             | 2,310                             |
| Hyundai Autron Co., Ltd.                     | 177,795      | 79,996            | 591,116    | 42                      | 3,747             | 2,172                             |
| Beijing Dymos Transmission Co., Ltd.         | 373,874      | 135,275           | 398,413    | 44,479                  | 33,708            | 33,708                            |
| China Millennium Corporations                | 104,872      | 19,043            | 30,188     | 13,630                  | 10,908            | 10,908                            |
| Hyundai Motor Group China Ltd.               | 710,625      | 372,528           | 1,543,124  | 79,302                  | 59,769            | 59,769                            |
| Hyundai Powertech (Shangdong) Co., Ltd.      | 899,557      | 651,590           | 1,666,248  | 89,439                  | 61,166            | 61,166                            |
| Dongfeng Yueda Kia Motors Co., Ltd. (*)      | 4,598,011    | 2,659,660         | 9,970,876  | 999,358                 | 749,739           | 749,739                           |
| Hyundai Motor Manufacturing Russia LLC       | 884,601      | 550,768           | 2,384,202  | 180,621                 | 22,464            | 22,464                            |
| Innocean Worldwide Americas, LLC             | 231,191      | 210,238           | 243,718    | 17,841                  | 17,970            | 17,970                            |
| Hyundai Information System North America     | 33,436       | 20,338            | 172,141    | 3,842                   | 3,909             | 3,909                             |
| Sewon America, Inc.                          | 302,671      | 273,552           | 416,706    | 11,578                  | 6,413             | 6,413                             |
| Hyundai Capital Services UK Ltd. (*)         | 1,879,927    | 1,764,363         | 1,052,620  | 31,071                  | 24,526            | 24,526                            |
| Hyundai Capital America                      | 30,363,632   | 27,837,108        | 2,315,542  | 432,647                 | 266,867           | 266,867                           |
| Hyundai Capital Canada Inc.                  | 43,242       | 4,730             | 1          | (13,676)                | (13,647)          | (13,647)                          |

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

(In millions of won)

| Company                             | Cash and cash equivalents | Financial liabilities | Depreciation | Interest income | Interest expense | Income tax expense |
|-------------------------------------|---------------------------|-----------------------|--------------|-----------------|------------------|--------------------|
| Dongfeng Yueda Kia Motors Co., Ltd. | ₩ 174,172                 | 397,899               | 155,926      | 17,595          | 14,801           | 248,030            |
| Hyundai Capital Services UK Ltd.    | 54,121                    | 1,745,604             | -            | -               | -                | 6,545              |

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- (g) Financial information of significant associates and joint ventures reconciled from the proportionate share in investees' net assets to the balance in the Company's consolidated financial statements as of December 31, 2015 is summarized as follows:

(In millions of won)

| Company                                      | Net assets (*) | The Company's ownership percentage | Based on Company's ownership percentage | Goodwill | Intra-Company transaction | Acquisition adjustments | Ending balance |
|--|----------------|------------------------------------|---|----------|---------------------------|-------------------------|----------------|
| Hyundai Mobis Co., Ltd.                      | ₩24,536,507    | 16.88%                             | 4,140,614                               | 29,519   | (2,995)                   | -                       | 4,167,138      |
| Hyundai Steel Company                        | 15,232,809     | 17.27%                             | 2,631,057                               | 8,277    | (60,798)                  | -                       | 2,578,536      |
| Hyundai Engineering & Construction Co., Ltd. | 5,820,906      | 5.23%                              | 304,578                                 | 284,338  | -                         | 206,206                 | 795,122        |
| Dongfeng Yueda Kia Motors Co., Ltd.          | 1,794,303      | 50.00%                             | 897,152                                 | -        | (16,332)                  | -                       | 880,820        |

(\*) Excluded proportionate share of non-controlling interests in net assets of associates and joint ventures.

- (h) Unrecognized share of loss in investment in associate and joint ventures due to discontinuing the use of the equity method as of and for the year ended December 31, 2015 is summarized as follows:

(In millions of won)

|                     | 2015  | Accumulated |
|---------------------|-------|-------------|
| Kia Tigers Co., Ltd | ₩ 203 | 1,124       |

## 9. Property, Plant and Equipment

- (a) Details of property, plant and equipment as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                          | 2015             |  |                 | 2014             |  |                 |
|--------------------------|------------------|--|-----------------|------------------|--|-----------------|
|                          | Acquisition cost | Accumulated depreciation and impairment losses | Carrying amount | Acquisition cost | Accumulated depreciation and impairment losses | Carrying amount |
| Land                     | ₩ 4,868,513      | -  | 4,868,513       | 2,669,012        | -  | 2,669,012       |
| Buildings                | 3,028,374        | (967,756)                                      | 2,060,618       | 2,824,763        | (847,946)                                      | 1,976,817       |
| Structures               | 629,711          | (346,861)                                      | 282,850         | 598,966          | (321,461)                                      | 277,505         |
| Machinery and equipment  | 6,663,540        | (3,389,764)                                    | 3,273,776       | 6,214,330        | (3,033,159)                                    | 3,181,171       |
| Dies, molds and tools    | 3,776,522        | (2,726,771)                                    | 1,049,751       | 3,413,559        | (2,601,292)                                    | 812,267         |
| Vehicles                 | 214,211          | (73,772)                                       | 140,439         | 197,819          | (69,075)                                       | 128,744         |
| Other equipment          | 498,566          | (327,873)                                      | 170,693         | 466,451          | (294,486)                                      | 171,965         |
| Construction-in-progress | 1,195,481        | -  | 1,195,481       | 896,836          | -  | 896,836         |
|                          | ₩ 20,874,918     | (7,832,797)                                    | 13,042,121      | 17,281,736       | (7,167,419)                                    | 10,114,317      |

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

(In millions of won)

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

(\*1) The net amount of loss on sale of property, plant and equipment is ₩ 24,957 million for the year ended December 31, 2015.

(\*2) The Company received ₩ 219,658 million government grants in 2015 through investment agreement with Slovakia government and etc.. The grants are presented as reduction of property, plant and equipment.

(\*3) Finance lease assets are included.

(\*4) Other increase (decrease) is mainly related to foreign currency translation impact.

(c) Details of changes in property, plant and equipment for the year ended December 31, 2014 are summarized as follows:

(In millions of won)

|                           | Beginning balance | Acquisition | Disposal | Depreciation | Reclassification | Other    | Ending balance |
|---------------------------|-------------------|-------------|----------|--------------|------------------|----------|----------------|
| Land                      | ₩ 2,684,696       | -           | (19,425) | -            | 2,332            | 1,409    | 2,669,012      |
| Buildings                 | 1,880,973         | 4,010       | (7,776)  | (100,181)    | 212,159          | (12,368) | 1,976,817      |
| Structures                | 276,827           | 750         | (1,397)  | (25,328)     | 30,077           | (3,424)  | 277,505        |
| Machinery and equipment   | 3,186,242         | 36,395      | (24,471) | (395,360)    | 404,345          | (25,980) | 3,181,171      |
| Dies, molds and tools     | 728,822           | 17,025      | (4,766)  | (315,576)    | 390,255          | (3,493)  | 812,267        |
| Vehicles                  | 103,826           | 15,830      | (27,647) | (32,050)     | 73,733           | (4,948)  | 128,744        |
| Other equipment           | 174,434           | 25,638      | (2,607)  | (58,476)     | 38,953           | (5,977)  | 171,965        |
| Construction- in-progress | 741,185           | 1,310,448   | (1,076)  | -            | (1,151,854)      | (1,867)  | 896,836        |
|                           | ₩ 9,777,005       | 1,410,096   | (89,165) | (926,971)    | -                | (56,648) | 10,114,317     |

(d) As of December 31, 2015, KMS has a purchase commitment for plant expansion in connection of which, KMS acquired property, plant, and equipment amounting EUR 9,379 thousand.

(e) The capitalized borrowing costs and capitalization interest rate for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                                 | 2015     | 2014   |
|---------------------------------|----------|--------|
| Capitalized borrowing costs (*) | ₩ 58,873 | 39,533 |
| Capitalization interest rate    | 3.03%    | 4.26%  |

(\*) Including borrowing costs that were capitalized in respect of development cost of ₩ 16,951 million in 2015 (2014: ₩ 13,225 million).

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## 10. Investment Property

(a) Details of investment property as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|           | 2015             |  |                 | 2014             |  |                 |
|-----------|------------------|--|-----------------|------------------|--|-----------------|
|           | Acquisition cost | Accumulated depreciation and impairment loss | Carrying amount | Acquisition cost | Accumulated depreciation and impairment loss | Carrying amount |
| Land      | ₩ 23,490         | -  | 23,490          | 22,031           | -  | 22,031          |
| Buildings | 38,244           | (8,260)                                      | 29,984          | 35,868           | (6,650)                                      | 29,218          |
|           | ₩ 61,734         | (8,260)                                      | 53,474          | 57,899           | (6,650)                                      | 51,249          |

(b) Changes in investment property for the year ended December 31, 2015 are summarized as follows:

(In millions of won)

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

(c) Changes in investment property for the year ended December 31, 2014 are summarized as follows:

(In millions of won)

|           | Beginning balance | Depreciation | Other | Ending balance |
|-----------|-------------------|--------------|-------|----------------|
| Land      | ₩ 21,151          | -            | 880   | 22,031         |
| Buildings | 29,103            | (1,050)      | 1,165 | 29,218         |
|           | ₩ 50,254          | (1,050)      | 2,045 | 51,249         |

(d) The amount recognized in profit or loss from investment property for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                   | 2015    | 2014  |
|-------------------|---------|-------|
| Rental income     | ₩ 3,859 | 3,592 |
| Operating expense | 872     | 700   |

(e) Land and buildings held for the purpose of earning rentals are classified as investment property. In addition, the fair value of investment property doesn't differ from its book value significantly as of December 31, 2015

## 11. Goodwill

(a) Changes in goodwill for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                          | 2015 |        | 2014   |
|--------------------------|------|--------|--------|
| Balance at January 1     | ₩    | 37,231 | 36,290 |
| Other increase(decrease) |      | (196)  | 941    |
| Balance at December 31   | ₩    | 37,035 | 37,231 |

(b) Goodwill is allocated to each CGU (Cash Generating Unit) that is expected to benefit from each operating unit. The Company 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 CEO in five years. Cash flows expected to be generated after five years were estimated within the scope of not to exceed long term average growth rate of industry. No impairment loss was recognized as a result of the impairment tests in 2015 and 2014.

## 12. Intangible Assets

(a) Details of intangible assets except for goodwill as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                            | 2015             |  |                 | 2014             |  |                 |
|----------------------------|------------------|--|-----------------|------------------|--|-----------------|
|                            | Acquisition cost | Accumulated amortization and impairment losses | Carrying amount | Acquisition cost | Accumulated amortization and impairment losses | Carrying amount |
| Development costs          | ₩ 3,536,145      | (1,640,337)                                    | 1,895,808       | 2,870,484        | (1,220,961)                                    | 1,649,523       |
| Industrial property rights | 84,614           | (71,340)                                       | 13,274          | 76,554           | (62,646)                                       | 13,908          |
| Software                   | 271,122          | (187,553)                                      | 83,569          | 241,723          | (155,633)                                      | 86,090          |
| Membership (*)             | 74,449           | (11,131)                                       | 63,318          | 72,758           | (7,843)  | 64,915          |
| Other                      | 43,198           | (2,417)  | 40,781          | 38,525           | (1,364)  | 37,161          |
|                            | ₩ 4,009,528      | (1,912,778)                                    | 2,096,750       | 3,300,044        | (1,448,447)                                    | 1,851,597       |

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

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

(In millions of won)

|                            | Beginning balance | Acquisition | Disposal | Amortization | Reclassification | Impairment losses | Other   | Ending balance |
|----------------------------|-------------------|-------------|----------|--------------|------------------|-------------------|---------|----------------|
| Development costs          | ₩ 1,649,523       | 663,783     | -        | (418,230)    | -                | -                 | 732     | 1,895,808      |
| Industrial property rights | 13,908            | 4,550       | -        | (2,227)      | -                | -                 | (2,957) | 13,274         |
| Software                   | 86,090            | 28,524      | (17)     | (31,545)     | 418              | -                 | 99      | 83,569         |
| Membership                 | 64,915            | 2,687       | (848)    | (19)         | (68)             | (3,341)           | (8)     | 63,318         |
| Other                      | 37,161            | 5,039       | -        | (1,189)      | (350)            | -                 | 120     | 40,781         |
|                            | ₩ 1,851,597       | 704,583     | (865)    | (453,210)    | -                | (3,341)           | (2,014) | 2,096,750      |

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(c) Details of changes in intangible assets for the year ended December 31, 2014 are summarized as follows:

(In millions of won)

|                            | Beginning balance | Acquisition | Disposal | Amortization | Reclassification | Impairment losses | Other | Ending balance |
|----------------------------|-------------------|-------------|----------|--------------|------------------|-------------------|-------|----------------|
| Development costs          | ₩ 1,523,953       | 495,988     | -        | (370,759)    | -                | -                 | 341   | 1,649,523      |
| Industrial property rights | 21,417            | 3,665       | -        | (11,281)     | -                | -                 | 107   | 13,908         |
| Software                   | 61,237            | 51,695      | (15)     | (25,942)     | -                | -                 | (885) | 86,090         |
| Membership                 | 59,711            | 4,651       | (219)    | -            | (1,003)          | 1,703             | 72    | 64,915         |
| Other                      | 13,131            | 25,799      | (336)    | (1,262)      | -                | -                 | (171) | 37,161         |
|                            | ₩ 1,679,449       | 581,798     | (570)    | (409,244)    | (1,003)          | 1,703             | (536) | 1,851,597      |

(d) Details of research and development expenditures for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|   | 2015        | 2014      |
|---|-------------|-----------|
| Capitalized development costs                       | ₩ 663,783   | 495,988   |
| Test expenses (manufacturing costs)                 | 93,654      | 150,402   |
| Test expenses (selling and administrative expenses) | 766,101     | 623,603   |
|   | ₩ 1,523,538 | 1,269,993 |

## 13. Other Assets

Other assets as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | 2015      | 2014    |
|--|-----------|---------|
| <b>Other current assets:</b>                         |           |         |
| Financial asset at fair value through profit or loss | ₩ 200,261 | 200,056 |
| Accrued income                                       | 35,820    | 87,904  |
| Prepaid expenses                                     | 70,485    | 79,192  |
| Current derivatives asset                            | 2,122     | 1,448   |
| Deposits provided                                    | 2,159     | 2,162   |
| Other  | 8,539     | 10,294  |
|  | ₩ 319,386 | 381,056 |
| <b>Other non-current assets:</b>                     |           |         |
| Long-term accounts and notes receivable - other      | ₩ 100,605 | 98,816  |
| Long-term prepaid expenses                           | 89        | 500     |
| Long-term advanced payments                          | 10,632    | 9,406   |
| Finance lease receivables                            | 6,134     | 3,876   |
|  | ₩ 117,460 | 112,598 |

## 14. Non-current Assets Held for Sale

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

(In millions of won)

|                              | <b>2015</b> |
|------------------------------|-------------|
| Investment in associates (*) | ₩ 161,274   |

(\*) According to the Company's plans to dispose of its shares of Hyundai Steel Company amounted to ₩ 337,020 million in the future, the Company classified the shares as non-current assets held for sale from investments in associates during the year. Also, the Company recognized impairment loss on non-current assets held for sale of ₩ 175,746 million which is the difference between fair value less costs to sell and carrying amount.

## 15. Borrowings

### (a) Short-term borrowings

Short-term borrowings as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                 | <b>Lender</b>                     | <b>Annual interest rate</b> | <b>2015</b> | <b>2014</b> |
|-----------------|-----------------------------------|-----------------------------|-------------|-------------|
| Usance bills    | Woori Bank and others             | 0.36%~1.11%                 | ₩ 103,646   | 117,158     |
| Trade bills (*) | Korea Development Bank and others | 0.003%~2.45%                | 1,408,778   | 1,272,675   |
|                 |                                   |                             | ₩ 1,512,424 | 1,389,833   |

(\*) The Company did not derecognize outstanding trade accounts and notes receivable transferred to the financial institutions and recognized the transactions as borrowings from financial institutions.

### (b) Long-term debt

Long-term debt in local currency as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | <b>Lender</b>          | <b>Annual interest rate</b> | <b>2015</b> | <b>2014</b> |
|--|------------------------|-----------------------------|-------------|-------------|
| Facility loans                                 | Korea Development Bank | 2.47%~2.83%                 | ₩ 360,000   | 230,000     |
|  | Nong Hyup Bank         | 2.40%~3.50%                 | 250,000     | 180,000     |
|  | Woori Bank             | 2.48%                       | 200,000     | 200,000     |
| General loans                                  | Kookmin Bank           | -                           | -           | 150,000     |
|  |                        |                             | 810,000     | 760,000     |
| Less : current portion of long-term borrowings |                        |                             | (410,000)   | -           |
|  |                        |                             | ₩ 400,000   | 760,000     |

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Long-term debt in foreign currency as of December 31, 2015 and 2014 are summarized as follows,

(In millions of won)

|  | Lender                            | Annual interest rate | 2015        | 2014      |
|--|-----------------------------------|----------------------|-------------|-----------|
| General loans                                  | Citi Bank and others              | 1.09%~1.94%          | ₩ 975,310   | 763,259   |
| Facility loans and others                      | Deutsche Bank and others          | 0.22%~1.93%          | 988,266     | 348,359   |
| Overseas investment loans                      | Korea Development Bank and others | 1.83%~1.86%          | 338,708     | 317,669   |
|  |                                   |                      | 2,302,284   | 1,429,287 |
| Less : current portion of long-term borrowings |                                   |                      | (97,395)    | (119,387) |
|  |                                   |                      | ₩ 2,204,889 | 1,309,900 |

As of December 31, 2015, the Company has pledged its buildings as collateral with carrying amount of ₩ 45,553 million for the long-term debt in foreign currency.

## (c) Bonds

Bonds as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | Due                   | Annual interest rate | 2015      | 2014      |
|--|-----------------------|----------------------|-----------|-----------|
| Unsecured public debentures                    | 2017.11.24~ 2022.11.5 | 2.23%~4.18%          | ₩ 930,000 | 400,000   |
| Unsecured foreign debentures                   | 2016.2.25             | 2.29%                | 175,800   | 164,880   |
| Foreign public debentures                      | 2016.6.14             | 3.63%                | 586,000   | 549,600   |
|  |                       |                      | 1,691,800 | 1,114,480 |
| Less : discounts on debentures                 |                       |                      | (3,477)   | (2,407)   |
| Less : current portion of long-term borrowings |                       |                      | (761,271) | (299,710) |
|  |                       |                      | ₩ 927,052 | 812,363   |

## 16. Other Liabilities

Other liabilities as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | 2015     | 2014   |
|--|----------|--------|
| <b>Other current liabilities:</b>            |          |        |
| Unearned income                              | ₩ 20,372 | 7,789  |
| Dividends payable                            | 23       | 24     |
| Guarantee received                           | 840      | 2,335  |
| Finance lease liabilities – current          | 4,383    | 5,278  |
| Current derivatives liability                | 44       | 2,157  |
| Others                                       | 22,751   | 21,134 |
|  | ₩ 48,413 | 38,717 |
| <b>Other non-current liabilities:</b>        |          |        |
| Leasehold deposits received                  | ₩ 15,104 | 14,586 |
| Long-term unearned income                    | 346      | 374    |
| Long-term accounts and notes payable - other | 2,110    | 1,979  |
| Liability for payment guarantee              | 398      | 856    |
| Finance lease liabilities                    | -        | 4,575  |
| Long-term accrued expenses                   | 53,208   | 46,154 |
|  | ₩ 71,166 | 68,524 |

## 17. Employee Benefits

(a) Details of net defined benefit liabilities as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | 2015        | 2014        |
|--|-------------|-------------|
| <b>Defined benefit plan:</b>                 |             |             |
| Present value of defined benefit obligations | ₩ 1,901,868 | 1,603,218   |
| Fair value of plan assets                    | (1,645,527) | (1,271,212) |
| Net defined benefit liabilities              | ₩ 256,341   | 332,006     |

(b) The components of plan assets as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                          | 2015        | 2014      |
|--------------------------|-------------|-----------|
| Time deposits and others | ₩ 1,645,527 | 1,271,212 |

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(c) The components of retirement benefit costs for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                       | 2015      | 2014    |
|-----------------------|-----------|---------|
| Current service costs | ₩ 289,706 | 244,958 |
| Interest costs, net   | 11,687    | 7,717   |
|                       | ₩ 301,393 | 252,675 |

(d) The principal actuarial assumptions used related to plans in Korea as of December 31, 2015 and 2014 are summarized as follows:

|                              | 2015  | 2014  |
|------------------------------|-------|-------|
| Discount rate                | 3.04% | 3.53% |
| Rate of future salary growth | 4.00% | 5.00% |

(e) Changes in present value of defined benefit obligations for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|   | 2015        | 2014      |
|---|-------------|-----------|
| Balance at January 1  | ₩ 1,603,218 | 1,154,866 |
| Current service costs   | 289,706     | 244,958   |
| Interest costs  | 56,350      | 51,721    |
| Remeasurements of:  |             |           |
| Net actuarial gains(losses) of the effect of demographic assumptions change | 2,517       | 402       |
| Net actuarial gains(losses) of the effect of financial assumptions change   | (109,163)   | 192,814   |
| Other   | 100,434     | (11,719)  |
| Transfers between affiliates, net   | (171)       | 2,111     |
| Benefit paid by the plan  | (41,023)    | (31,935)  |
| Balance at December 31  | ₩ 1,901,868 | 1,603,218 |

(f) Changes in fair value of plan assets for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                                   | 2015        | 2014      |
|-----------------------------------|-------------|-----------|
| Balance at January 1              | ₩ 1,271,212 | 982,952   |
| Return on plan assets             | 44,663      | 44,004    |
| Remeasurements                    | (8,042)     | (14,424)  |
| Contribution paid into the plan   | 360,000     | 280,000   |
| Transfers between affiliates, net | 411         | 810       |
| Benefit paid by the plan          | (22,717)    | (22,130)  |
| Balance at December 31            | ₩ 1,645,527 | 1,271,212 |

- (g) Sensitivity analysis of defined obligations from changes of assumptions for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                       | 2015        |           | 2014      |           |
|-----------------------|-------------|-----------|-----------|-----------|
|                       | 1% Up       | 1% Down   | 1% Up     | 1% Down   |
| Discount rate         | ₩ (228,321) | 272,550   | (198,981) | 273,812   |
| Rate of salary growth | 271,240     | (231,499) | 139,455   | (123,965) |

## 18. Provisions

The Company provides general 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 Company accrues potential expenses, which may occur due to replacement of parts or voluntary recalls pending as of the end of the reporting period.

Other provision are comprised of provision related to loss on lawsuits.

Changes in provisions for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | 2015                           |                 |             | 2014                           |                 |           |
|--|--------------------------------|-----------------|-------------|--------------------------------|-----------------|-----------|
|  | Provision of warranty for sale | Other provision | Total       | Provision of warranty for sale | Other provision | Total     |
| Balance at January 1                         | ₩ 2,037,303                    | 16,067          | 2,053,370   | 2,011,256                      | 29,537          | 2,040,793 |
| Provisions made (reimbursed) during the year | 1,365,271                      | 18              | 1,365,289   | 997,232                        | (636)           | 996,596   |
| Provisions used during the year              | (1,025,118)                    | (2,958)         | (1,028,076) | (898,615)                      | (19,106)        | (917,721) |
| Other increase (decrease) (*)                | (10,794)                       | 10,373          | (421)       | (72,570)                       | 6,272           | (66,298)  |
| Balance at December 31                       | ₩ 2,366,662                    | 23,500          | 2,390,162   | 2,037,303                      | 16,067          | 2,053,370 |
| Thereof current                              | 677,559                        | 20,933          | 698,492     | 654,950                        | 12,704          | 667,654   |
| Thereof non-current                          | ₩ 1,689,103                    | 2,567           | 1,691,670   | 1,382,353                      | 3,363           | 1,385,716 |

(\*) Other increase (decrease) is mainly related to foreign currency translation impact

## 19. Commitments and Contingencies

- (a) The Company provides guarantees for certain customers' financing relating to long-term installment sales. The outstanding amount for which the Company has provided guarantees to the respective financial institutions is ₩ 1,552 million as of December 31, 2015. These guarantees are covered by insurance contracts in which the Company is the beneficiary of the claim amount if the customer defaults.
- (b) As of December 31, 2015, the Company has pledged one certificate deposit of ₩ 1,454 million and 1,500 units (carrying amount: ₩ 629 million) of equity investments in the Korea Defense Industry Association ("KDIA"), which are included in long-term available-for-sale financial assets, as collaterals to Korea Defense Industry Association ("KDIA").
- (c) The Company provides guarantees for employees relating to borrowings to acquire shares of the Parent Company. The outstanding amount for which the Company has provided collective guarantees to the Korea Securities Finance Corporation is ₩ 293,444 million as of December 31, 2015. Management is of the opinion that afore mentioned guarantees will not have a material adverse effect on the Company's credit risk since the Company has pledged its acquired shares as collateral for the borrowings.

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- (d) The Company is involved in several claims and litigations for alleged damages and product liabilities, which arose in the ordinary course of business, as of December 31, 2015. For pending litigations for which no provision is recognized, management is of the opinion that there is not a constructive or present obligation nor the amounts for potential loss can be reliably estimated, or does management expect they will have a material adverse effect on the Company's financial position and results of operations. In addition, as of December 31, 2015, the Company is involved in litigation in connection with Ordinary Wage and the potential loss cannot be reliably estimated.
- (e) In connection with long-term debt guaranteed, amounting to USD 66,667 thousand, by Hyundai Motor America, Inc. and Mobis America, Inc., Kia Motors Manufacturing Georgia, Inc. (KMMG) should pay guarantor fees calculated at a rate of 0.15% per annum on the outstanding debt balance of KMMG which should be paid biannually.
- (f) As of December 31, 2015, KMMG entered into an agreement with the West Point Development Authority and Troup County Development Authority to issue up to USD 2,700,000 thousand of taxable revenue bonds for a term through December 1, 2022, to fund the purchase of building, machinery and equipment.

## 20. Derivative financial instruments and hedge

Details of derivative financial instruments to avoid risk as of December 31, 2015 and 2014 are summarized as follows:

(In thousands of foreign currency, In millions of Won)

|                  | Purpose   | Derivatives     | Contract amount |             | Fair Value |         |
|------------------|---|-----------------|-----------------|-------------|------------|---------|
|                  |   |                 | 2015            | 2014        | 2015       | 2014    |
| Cash flow hedge  | To hedge the variability of exchange rate for expected export | Currency option | USD 300,000     | EUR 30,000  | 2,078      | 448     |
|                  |   |                 |                 | USD 130,000 |            | (2,157) |
| Fair value hedge | To hedge the variability of exchange rate for foreign deposit |                 | -               | EUR 120,000 | -          | 1,000   |

## 21. Equity

- (a) The number of shares to issue, the number of shares issued and the par value of a share of the Parent Company are 820,000,000 shares, 405,363,347 shares and ₩ 5,000 as of December 31, 2015, respectively.

The Parent Company retired 10 million and 12.5 million shares of treasury shares on July 2, 2003 and May 28, 2004, respectively. Due to these stock retirements, the aggregate par value of issued shares differs from the common stock amount.

- (b) Accumulated other comprehensive income and loss as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | 2015        | 2014      |
|--|-------------|-----------|
| Gain on valuation of available-for-sale financial assets   | ₩ 130,324   | 456,148   |
| Effective portion of changes in fair value of cash flow hedges   | 430         | -         |
| Change in capital adjustments - increase in gain of equity method accounted investments, net of tax of nil | 117,058     | 98,543    |
| Change in capital adjustments - increase in loss of equity method accounted investments, net of tax of nil | (326,155)   | (278,178) |
| Foreign currency translation difference, net of tax of nil   | (395,339)   | (394,814) |
|  | ₩ (473,682) | (118,301) |

(c) Other equity as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                                     | 2015       | 2014     |
|-------------------------------------|------------|----------|
| Gain on retirement of capital stock | ₩ 119,859  | 119,859  |
| Other capital surplus               | 55,613     | 55,613   |
| Treasury shares                     | (235,138)  | (88,927) |
|                                     | ₩ (59,666) | 86,545   |

(d) Other capital item expected to be held for disposal at December 31, 2015 are as follows:

(In millions of won)

|   | 2015      |
|---|-----------|
| Other capital item expected to be held for sale | ₩ (1,668) |

## 22. Retained Earnings

(a) Retained earnings as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                                  | 2015         | 2014       |
|----------------------------------|--------------|------------|
| Legal reserve                    | ₩ 193,000    | 152,400    |
| Voluntary reserve                | 14,253,185   | 12,439,140 |
| Unappropriated retained earnings | 6,592,895    | 6,224,114  |
|                                  | ₩ 21,039,080 | 18,815,654 |

(b) Changes in retained earnings for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | 2015         | 2014       |
|--|--------------|------------|
| Balance at January 1                         | ₩ 18,815,654 | 16,301,812 |
| Profit attributable to owners of the Company | 2,630,600    | 2,993,593  |
| Dividends                                    | (404,058)    | (283,489)  |
| Defined benefit plan remeasurements          | (60)         | (162,118)  |
| Change in remeasurements of associates       | (3,056)      | (34,144)   |
| Balance at December 31                       | ₩ 21,039,080 | 18,815,654 |

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## 23. Earnings per Share

Details of calculating earnings per share for the years ended December 31, 2015 and 2014 are as follows:

(a) Basic earnings per share

(In won, except number of shares)

|  | 2015                | 2014              |
|--|---------------------|-------------------|
| Profit attributable to owners of the Parent Company      | ₩ 2,630,599,823,248 | 2,993,593,266,805 |
| Weighted-average number of common shares outstanding (*) | 401,048,742         | 404,922,715       |
| Earnings per share                                       | ₩ 6,559             | 7,393             |

(\*) The weighted-average number of common shares is calculated by average outstanding period, and treasury shares are not included in the number of common shares.

(b) Diluted earnings per share is not calculated because there were no potential common shares outstanding for the current and comparative years.

## 24. Dividends

(a) Details of dividends for the years ended December 31, 2015 and 2014 are summarized as follows:

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

|  | 2015        | 2014        |
|--|-------------|-------------|
| Number of shares issued                | 405,363,347 | 405,363,347 |
| Number of treasury shares              | (4,431,749) | (1,305,122) |
| Number of dividend shares              | 400,931,598 | 404,058,225 |
| Par value per share                    | ₩ 5,000     | 5,000       |
| Dividends as a percentage of par value | 22%         | 20%         |
| Dividend amount                        | ₩ 441,025   | 404,058     |

(b) Dividends payout ratio for the years ended December 31, 2015 and 2014 are summarized as follows:

(n millions of won, except for ratio)

|  | 2015      | 2014      |
|--|-----------|-----------|
| Dividend amount                              | ₩ 441,025 | 404,058   |
| Profit attributable to owners of the Company | 2,630,600 | 2,993,593 |
| Dividend payout ratio                        | 16.77%    | 13.50%    |

(c) Dividend yield ratio for the years ended December 31, 2015 and 2014 are summarized as follows:

(In won, except for ratio)

|                             | 2015    | 2014   |
|-----------------------------|---------|--------|
| Dividend per share          | ₩ 1,100 | 1,000  |
| Market price as of year end | 52,600  | 52,300 |
| Dividend yield ratio        | 2.09%   | 1.91%  |

## 25. Selling, General and Administrative Expense

Details of selling, general and administrative expenses for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

|   | 2015               | 2014             |
|---|--------------------|------------------|
| <b>Selling expenses:</b>                      |                    |                  |
| Advertising                                   | ₩ 1,232,467        | 1,088,821        |
| Sales promotion                               | 886,071            | 737,126          |
| Warranty expenses                             | 1,365,271          | 997,232          |
| Freight                                       | 277,110            | 296,622          |
| Overseas marketing and export expenses        | 950,789            | 1,066,488        |
|   | <b>4,711,708</b>   | <b>4,186,289</b> |
| <b>General and administrative expenses:</b>   |                    |                  |
| Salaries                                      | 734,360            | 687,239          |
| Bonus   | 289,394            | 303,421          |
| Retirement and severance benefits cost        | 84,886             | 72,075           |
| Accrual for other long-term employee benefits | 8,198              | 8,087            |
| Other employee benefits                       | 168,749            | 159,542          |
| Travel  | 53,849             | 43,131           |
| Communications                                | 16,472             | 18,020           |
| Utilities                                     | 17,888             | 16,730           |
| Taxes and dues                                | 21,124             | 21,888           |
| Rent  | 59,147             | 59,633           |
| Depreciation                                  | 86,983             | 83,329           |
| Amortization                                  | 25,028             | 23,496           |
| Bad debt expenses                             | (646)              | (8,010)          |
| Repairs and maintenance                       | 23,363             | 22,339           |
| Insurance premium                             | 11,879             | 10,386           |
| Entertainment expense                         | 6,131              | 5,946            |
| Maintenance fee for vehicles                  | 28,978             | 27,214           |
| Supplies and stationery                       | 10,739             | 11,088           |
| Information fees                              | 2,661              | 2,384            |
| Education and training                        | 33,473             | 30,378           |
| Commissions and fees                          | 338,462            | 319,913          |
| Test expenses                                 | 766,101            | 623,603          |
| Others  | 14,478             | 42,264           |
|   | <b>2,801,697</b>   | <b>2,584,096</b> |
|   | <b>₩ 7,513,405</b> | <b>6,770,385</b> |

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## 26. Finance Income and Finance costs

Details of finance income and finance costs for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | 2015      | 2014    |
|--|-----------|---------|
| <b>Finance income</b>  |           |         |
| Interest income  | ₩ 173,965 | 206,582 |
| Gain on foreign currency transaction                         | 26,782    | 26,652  |
| Gain on foreign currency translation                         | 5,365     | 2,358   |
| Dividends income   | 5,775     | 13,713  |
| Gain on sale of available-for-sale financial assets          | 145,864   | 5       |
| Gain on derivatives  | 1,555     | 1,448   |
| Gain on financial asset at fair value through profit or loss | 261       | 56      |
|  | ₩ 359,567 | 250,814 |

(In millions of won)

|   | 2015      | 2014    |
|---|-----------|---------|
| <b>Finance costs</b>                                |           |         |
| Interest expense                                    | ₩ 89,060  | 57,240  |
| Loss on foreign currency transaction                | 61,223    | 62,223  |
| Loss on foreign currency translation                | 125,598   | 47,168  |
| Loss on sale of available-for-sale financial assets | -         | 557     |
| Loss on derivatives                                 | 44        | 2,157   |
|   | ₩ 275,925 | 169,345 |

## 27. Other Income and Expense

(a) Other income for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | 2015      | 2014    |
|--|-----------|---------|
| Rent   | ₩ 9,294   | 11,770  |
| Foreign exchange transaction gain                | 470,023   | 258,080 |
| Foreign exchange translation gain                | 65,619    | 31,839  |
| Gain on sale of property, plant and equipment    | 6,263     | 10,323  |
| Gain on sale of intangible assets                | 4         | 36      |
| Reversal of allowance for doubtful accounts      | 1,285     | 338     |
| Reversal of impairment loss on intangible assets | -         | 3,040   |
| Other income                                     | 104,635   | 144,258 |
|  | ₩ 657,123 | 459,684 |

(b) Other expense for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|   | 2015      | 2014    |
|---|-----------|---------|
| Foreign exchange transaction loss                         | ₩ 436,480 | 284,582 |
| Foreign exchange translation loss                         | 96,128    | 253,136 |
| Loss on disposal of accounts and notes receivable - trade | 518       | 686     |
| Donation  | 28,399    | 26,224  |
| Loss on sale of property, plant and equipment             | 31,220    | 41,995  |
| Loss on sale of intangible assets                         | 16        | 138     |
| Impairment loss of intangible assets                      | 3,341     | 1,337   |
| Impairment loss on non-current assets held for sale       | 175,746   | -       |
| Other expenses  | 117,797   | 83,440  |
|   | ₩ 889,645 | 691,538 |

## 28. Income Tax Expense

(a) The component of income tax expense for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

|   | 2015      | 2014    |
|---|-----------|---------|
| Current tax expense                                 | ₩ 709,076 | 725,166 |
| Origination and reversal of temporary differences   | (343,315) | 60,471  |
| Income tax recognized in other comprehensive income | 103,905   | 37,086  |
| Total income tax expense                            | ₩ 469,666 | 822,723 |

(b) Income tax benefit recognized directly in other equity and other comprehensive income for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

|   | 2015      | 2014     |
|---|-----------|----------|
| <b>Current tax:</b>   |           |          |
| Defined benefit plan remeasurements                             | ₩ 19      | 51,757   |
| <b>Deferred income tax:</b>                                     |           |          |
| Loss (gain) on valuation of available-for-sale financial assets | 104,023   | (14,671) |
| Effective portion of changes in fair value of cash flow hedges  | (137)     | -        |
|   | 103,886   | (14,671) |
| Income tax recognized directly in other comprehensive income    | ₩ 103,905 | 37,086   |

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

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(c) Reconciliation of effective tax rate for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

|  | 2015        | 2014      |
|--|-------------|-----------|
| Profit before income taxes   | ₩ 3,100,266 | 3,816,316 |
| Income tax using statutory tax rates (*)                                 | 866,776     | 1,036,084 |
| Adjustment for:  |             |           |
| Non-taxable income   | (61,823)    | (74,293)  |
| Non-deductible expense   | 77,546      | 115,636   |
| Tax credits  | (264,172)   | (324,700) |
| Tax effect for gains/losses on investment in subsidiaries and associates | (161,086)   | 151,040   |
| Others   | 12,425      | (81,044)  |
| Income tax expenses  | ₩ 469,666   | 822,723   |
| Effective tax rate   | 15.15%      | 21.56%    |

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

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

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

(In millions of won)

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

(f) Details of changes in deferred tax assets and liabilities for the year ended December 31, 2014 are as follows:

(In millions of won)

|  | Beginning balance | Profit or loss | Other comprehensive income | Ending balance |
|--|-------------------|----------------|----------------------------|----------------|
| Allowance for doubtful accounts                                  | ₩ 17,346          | (3,586)        | -                          | 13,760         |
| Bad debts write-off  | 59,880            | (2,041)        | -                          | 57,839         |
| Accrued expenses   | 220,481           | 29,846         | -                          | 250,327        |
| Provision of warranty for sale                                   | 368,985           | 102,185        | -                          | 471,170        |
| Provision of other long-term employee benefits                   | 51,368            | 7,979          | -                          | 59,347         |
| Annual leaves  | 25,957            | 1,858          | -                          | 27,815         |
| Revaluated land  | (359,331)         | 793            | -                          | (358,538)      |
| Depreciation   | (263,743)         | (37,740)       | -                          | (301,483)      |
| Investment in subsidiaries and associates                        | (1,400,352)       | (151,040)      | -                          | (1,551,392)    |
| Gains/Losses on sales of investment assets and others            | (57,172)          | (120)          | -                          | (57,292)       |
| Gains/Losses on valuation of available-for-sale financial assets | (130,959)         | -              | (14,671)                   | (145,630)      |
| Operating loss carryforward                                      | 252               | 18,398         | -                          | 18,650         |
| Others   | 154,106           | (12,332)       | -                          | 141,774        |
|  | ₩ (1,313,182)     | (45,800)       | (14,671)                   | (1,373,653)    |

(g) As of December 31, 2015, the amounts of total temporary differences related to investments of subsidiaries and associates which deferred tax assets and liabilities were not recognized, are ₩ 683,847 million and ₩ 2,941,500 million, respectively.

## 29. Classification of Expenses by Nature

Details of expenses by nature for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | 2015          | 2014        |
|--|---------------|-------------|
| Changes in inventories                 | ₩ (1,563,832) | (1,577,411) |
| Raw material and merchandise consumed  | 34,985,227    | 33,110,405  |
| Employee benefits                      | 4,135,948     | 4,066,105   |
| Other employee benefits                | 673,627       | 655,172     |
| Depreciation and amortization          | 1,422,497     | 1,337,265   |
| Overseas marketing and export expenses | 950,789       | 1,066,557   |
| Sales promotion                        | 886,796       | 737,859     |
| Warranty expenses                      | 1,365,271     | 997,232     |
| Commissions and fees                   | 1,032,296     | 1,013,666   |
| Test expenses                          | 859,755       | 774,005     |
| Advertising                            | 1,232,467     | 1,088,821   |
| Freight                                | 292,243       | 313,714     |
| Rent                                   | 60,808        | 61,296      |
| Utilities                              | 284,606       | 311,951     |
| Repairs and maintenance                | 125,181       | 128,098     |
| Others                                 | 423,495       | 439,765     |
|  | ₩ 47,167,174  | 44,524,500  |

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## 30. Cash Flows

(a) Details of cash flows from operating for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | 2015               | 2014               |
|--|--------------------|--------------------|
| <b>Profit for the year</b>                             | ₩ <b>2,630,600</b> | <b>2,993,593</b>   |
| <b>Adjustments for:</b>                                |                    |                    |
| Retirement and severance benefits                      | 301,393            | 252,675            |
| Depreciation   | 969,287            | 928,021            |
| Amortization   | 453,210            | 409,244            |
| Warranty expenses                                      | 1,365,271          | 997,232            |
| Income tax expense                                     | 469,666            | 822,723            |
| Gain on investment in associates, net                  | (894,873)          | (1,394,152)        |
| Interest expenses(income)                              | (84,905)           | (149,342)          |
| Dividends income                                       | (5,775)            | (13,713)           |
| Losses(gains) on foreign currency translations         | 150,742            | 266,107            |
| Losses(gains) on sale of property, plant and equipment | 24,957             | 31,672             |
| Others   | 23,536             | 89,252             |
|  | <b>2,772,509</b>   | <b>2,239,719</b>   |
| <b>Changes in assets and liabilities:</b>              |                    |                    |
| Accounts and notes receivable - trade                  | ₩ (4,931)          | (356,238)          |
| Accounts and notes receivable - other                  | (187,633)          | (28,772)           |
| Inventories  | (1,579,777)        | (1,814,936)        |
| Accounts and notes payable - trade                     | 10,269             | 479,929            |
| Advances received                                      | 469,439            | (58,353)           |
| Accounts and notes payable - other                     | 657,304            | 260,469            |
| Accrued expenses                                       | 135,038            | 239,186            |
| Payment of retirement benefits                         | (41,023)           | (31,935)           |
| Change of net defined benefit liability                | (337,865)          | (256,569)          |
| Payment of warranty expenses                           | (1,025,118)        | (898,615)          |
| Other  | 68,241             | (88,091)           |
|  | <b>(1,836,056)</b> | <b>(2,553,925)</b> |
| <b>Cash generated from operations</b>                  | <b>₩ 3,567,053</b> | <b>2,679,387</b>   |

(b) Significant non-cash investing and financing activities for the year ended December 31, 2015 and 2014 are as follows:

(In millions of won)

|  | 2015    | 2014     |
|--|---------|----------|
| Change in accounts and notes receivable - other in connection to disposal of property, plant and equipment | ₩ -     | (16,218) |
| Change in accounts and notes payable - other in connection to acquisition of property, plant and equipment | 6,377   | (45,808) |
| Change in accounts and notes payable - other in connection to acquisition of intangible assets             | 26,213  | (21,282) |
| Reclassification from investments in available-for-sale financial assets to associates                     | 205,656 | 319,830  |
| Transfer from investment in associates to non-current asset held for sale                                  | 337,020 | -        |

### 31. Finance Risk Management

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

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has transacted with customers before evaluating on their credit rating and have their collaterals to control customers on default.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Management believes the Company maintains adequate sources of liquidity to settle short-term financial liabilities. In addition, based on periodic analysis of expected cash outflows, the Company also considers other alternatives, including seeking additional external financing or disposition of financial instruments for investment purpose, to mitigate liquidity risk.

(c) Market risk

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

(i) Foreign exchange risk

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

(ii) Interest rate risk

The Company's asset and liability is exposed to interest rate risk on deposits and loans. In order to minimize actual interest cost, the Company continuously monitors current status of market interest rate, make a prediction on market data and reviews on method for borrowing and joining financial instruments on deposit. Also, the Company's management monitors the level of interest rates and maintains the balance of borrowings at variable rates and fixed rates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## (d) Management of capital risk

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

## 32. Risk Management of Financial Instruments

## (a) Credit and counterparty risk

## (i) Exposure to credit and counterparty risk

The carrying amount of financial assets means maximum exposure in respect of credit and counterparty risk. The maximum exposure as of December 31, 2015 and 2014 are as follows:

(In millions of won)

|   | 2015         | 2014       |
|---|--------------|------------|
| Cash and cash equivalents (*)                   | ₩ 1,104,622  | 2,478,171  |
| Short-term financial instruments                | 2,875,137    | 3,458,889  |
| Short-term available-for-sale financial assets  | 2,872,648    | 1,176,358  |
| Accounts and notes receivable – trade           | 2,388,911    | 2,419,265  |
| Accounts and notes receivable – other           | 696,593      | 514,366    |
| Other current assets                            | 248,901      | 301,864    |
| Long-term financial instruments                 | 93,352       | 84,349     |
| Long-term available-for-sale financial assets   | 225,049      | 260,324    |
| Long-term accounts and notes receivable - trade | 3,145        | 3,836      |
| Guarantee deposits                              | 171,553      | 168,929    |
| Other non-current assets                        | 106,739      | 102,692    |
|   | ₩ 10,786,650 | 10,969,043 |

(\*) Cash on hand is excluded.

## (ii) Loss on impairment

The carrying amount of trade account and notes receivable and other receivable based on by maturity as of December 31, 2015 and 2014 are as follows:

(In millions of won)

|                            | 2015                                 |                      | 2014                                 |                      |
|----------------------------|--------------------------------------|----------------------|--------------------------------------|----------------------|
|                            | Accounts and notes receivable- trade | Other receivable (*) | Accounts and notes receivable- trade | Other receivable (*) |
| Not overdue                | ₩ 1,877,388                          | 902,235              | 1,934,720                            | 786,748              |
| Past due less than 3 month | 439,863                              | 27,240               | 346,183                              | 20,028               |
| Past due 4~ 6 month        | 47,742                               | 62,800               | 139,418                              | 49,826               |
| Past due 7~ 12 month       | 26,305                               | 16,566               | 2,311                                | 1,222                |
| Past due over 12 month     | 97,714                               | 5,988                | 99,132                               | 29,089               |
|                            | ₩ 2,489,012                          | 1,014,829            | 2,521,764                            | 886,913              |

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

(iii) Loss on impairment, continued

Changes in allowance for doubtful trade accounts and notes receivable and other receivables for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                                  | 2015                                 |                  | 2014                                 |                  |
|----------------------------------|--------------------------------------|------------------|--------------------------------------|------------------|
|                                  | Accounts and notes receivable- trade | Other receivable | Accounts and notes receivable- trade | Other receivable |
| Balance at January 1             | ₩ 98,663                             | 14,737           | 101,033                              | 17,046           |
| Collection of written-off amount | 128                                  | -                | 8,534                                | -                |
| Write-off                        | (245)                                | (5,114)          | (930)                                | (2,760)          |
| Allowance for doubtful accounts  | (646)                                | (274)            | (8,010)                              | 592              |
| Others                           | (944)                                | (1,250)          | (1,964)                              | (141)            |
| Balance at December 31           | ₩ 96,956                             | 8,099            | 98,663                               | 14,737           |

(b) Liquidity risk

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

(In millions of won)

|                                    | Within 1 year | 1~5 years | Over 5 years | Total      |
|------------------------------------|---------------|-----------|--------------|------------|
| Accounts and notes payable - trade | ₩ 5,885,651   | -         | -            | 5,885,651  |
| Accounts and notes payable - other | 1,723,046     | -         | -            | 1,723,046  |
| Accrued expenses                   | 1,366,904     | -         | -            | 1,366,904  |
| Bonds                              | 796,084       | 629,045   | 394,893      | 1,820,022  |
| Borrowings                         | 2,083,890     | 2,265,436 | 431,695      | 4,781,021  |
| Financial lease liabilities        | 4,470         | -         | -            | 4,470      |
| Other current liabilities          | 907           | -         | -            | 907        |
| Other non-current liabilities      | -             | 70,820    | -            | 70,820     |
|                                    | ₩ 11,860,952  | 2,965,301 | 826,588      | 15,652,841 |

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(ii) Aggregate maturities of the Company's financial liabilities, including estimated interest, as of December 31, 2014 are summarized as follows:

(In millions of won)

|                                    |   | Within 1 year | 1~5 years | Over 5 years | Total      |
|------------------------------------|---|---------------|-----------|--------------|------------|
| Accounts and notes payable – trade | ₩ | 5,888,191     | -         | -            | 5,888,191  |
| Accounts and notes payable - other |   | 1,959,339     | -         | -            | 1,959,339  |
| Accrued expenses                   |   | 1,359,185     | -         | -            | 1,359,185  |
| Bonds                              |   | 337,880       | 832,017   | -            | 1,169,897  |
| Borrowings                         |   | 1,564,586     | 2,024,040 | 114,760      | 3,703,386  |
| Financial lease liabilities        |   | 5,598         | 4,665     | -            | 10,263     |
| Other current liabilities          |   | 4,516         | -         | -            | 4,516      |
| Other non-current liabilities      |   | -             | 63,575    | -            | 63,575     |
|                                    | ₩ | 11,119,295    | 2,924,297 | 114,760      | 14,158,352 |

(c) Foreign exchange risk

The Company's capital and income (loss) would have been increased or decreased, if the foreign exchange rate against USD and EUR were higher. The Company assumes that interest rate fluctuates 10% at year ended period. Also, the Company assumes that others variables such as interest rate are not changed by sensitive analysis. The Company analyzed by the same method as used for last period and details for the effect on income before taxes are summarized as follows:

(In millions of won)

|     | 2015        |          | 2014      |          |
|-----|-------------|----------|-----------|----------|
|     | 10% Up      | 10% Down | 10% Up    | 10% Down |
| USD | ₩ (236,585) | 236,585  | (186,042) | 186,042  |
| EUR | (17,671)    | 17,671   | (14,403)  | 14,403   |

(d) Interest rate risk

Sensitivity analysis of interest expenses and interests income from changes of interests rate for the years ended December 31, 2015 and 2014 are as summarized as follows:

(In millions of won)

|                  | 2015       |              | 2014       |              |
|------------------|------------|--------------|------------|--------------|
|                  | 100 bps Up | 100 bps Down | 100 bps Up | 100 bps Down |
| Interest income  | ₩ 13,049   | (13,049)     | 24,785     | (24,785)     |
| Interest expense | 23,206     | (23,206)     | 12,900     | (12,900)     |

(e) Fair value

(i) Fair value and carrying amount

Details of fair value and carrying amount of financial assets and liabilities by category as of December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | 2015            |            | 2014            |            |
|--|-----------------|------------|-----------------|------------|
|  | Carrying amount | Fair value | Carrying amount | Fair value |
| <b>Financial instruments at fair value through profit or loss:</b> |                 |            |                 |            |
| Financial instruments at fair value through profit or loss         | ₩ 200,261       | 200,261    | 200,056         | 200,056    |
| <b>Loans and receivables:</b>                                      |                 |            |                 |            |
| Cash and cash equivalents  | ₩ 1,104,928     | 1,104,928  | 2,478,470       | 2,478,470  |
| Short-term financial instruments                                   | 2,875,137       | 2,875,137  | 3,458,889       | 3,458,889  |
| Account and notes receivable – trade                               | 2,388,911       | 2,388,911  | 2,419,265       | 2,419,265  |
| Account and note receivable – other                                | 696,593         | 696,593    | 514,366         | 514,366    |
| Long-term account and notes receivable – trade                     | 3,145           | 3,145      | 3,836           | 3,836      |
| Other financial assets   | 418,162         | 418,162    | 456,330         | 456,330    |
|  | ₩ 7,486,876     | 7,486,876  | 9,331,156       | 9,331,156  |
| <b>Available-for-sale financial assets:</b>                        |                 |            |                 |            |
| Short-term available-for-sale financial assets                     | ₩ 2,872,653     | 2,872,653  | 1,176,362       | 1,176,362  |
| Long-term available-for-sale financial assets                      | 724,356         | 724,356    | 1,245,287       | 1,245,287  |
|  | ₩ 3,597,009     | 3,597,009  | 2,421,649       | 2,421,649  |
| <b>Financial derivatives assets:</b>                               |                 |            |                 |            |
| Currency option (risk hedge)                                       | ₩ 2,122         | 2,122      | 1,448           | 1,448      |
| <b>Liabilities recognized by amortized cost:</b>                   |                 |            |                 |            |
| Accounts and notes payable - trade                                 | ₩ 5,885,651     | 5,885,651  | 5,888,191       | 5,888,191  |
| Accounts and notes payable - other                                 | 1,723,046       | 1,723,046  | 1,959,339       | 1,959,339  |
| Bonds  | 1,688,323       | 1,714,458  | 1,112,073       | 1,133,989  |
| Borrowings   | 4,624,708       | 4,594,641  | 3,579,120       | 3,547,348  |
| Financial lease liabilities  | 4,383           | 4,383      | 9,853           | 9,853      |
| Other financial liabilities  | 1,438,190       | 1,438,190  | 1,424,263       | 1,424,263  |
|  | ₩ 15,364,301    | 15,360,369 | 13,972,839      | 13,962,983 |
| <b>Financial derivatives liabilities:</b>                          |                 |            |                 |            |
| Currency option (risk hedge)                                       | ₩ 44            | 44         | 2,157           | 2,157      |

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The Company 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, 2015, there isn't any 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, 2015 are summarized as follows:

(In millions of won)

|  | Level 1 | Level 2 | Level 3 | Total   |
|--|---------|---------|---------|---------|
| <b>Financial asset at fair value through profit or loss:</b> |         |         |         |         |
| Financial asset at fair value through profit or loss         | ₩ -     | 200,261 | -       | 200,261 |
| <b>Available-for-sale financial assets:</b>                  |         |         |         |         |
| Marketable securities  | 423,681 | -       | -       | 423,681 |
| <b>Financial derivatives assets:</b>                         |         |         |         |         |
| Currency option (risk hedge)                                 | -       | 2,122   | -       | 2,122   |
| <b>Financial derivatives liabilities:</b>                    |         |         |         |         |
| Currency option (risk hedge)                                 | -       | 44      | -       | 44      |

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

When measuring the fair value of an asset or a liability, the Company 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, 2015 are summarized as follows:

(In millions of won)

|   | Fair value | Valuation methods | Inputs            |
|---|------------|-------------------|-------------------|
| Financial assets at fair value through profit or loss | ₩ 200,261  |                   |                   |
| Hedging derivative financial assets                   | 2,122      | DCF model         | Discount rate (*) |
| Hedging derivative financial liabilities              | 44         |                   |                   |

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

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

Financial instruments recognized by amortized cost, but presented as fair value classified by fair value hierarchy as of December 31, 2015 are summarized as follows:

(In millions of won)

|                      | Level 1 | Level 2 | Level 3   | Total     |
|----------------------|---------|---------|-----------|-----------|
| Bonds and borrowings | ₩ -     | -       | 6,309,099 | 6,309,099 |

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

The valuation techniques and the significant unobservable inputs used in measuring Level 3 fair values as of December 31, 2015 are summarized as follows:

(In millions of won)

|                      | Fair value  | Valuation methods | Inputs                                | Significant unobservable input        |
|----------------------|-------------|-------------------|---------------------------------------|---------------------------------------|
| Bonds and borrowings | ₩ 6,309,099 | DCF model         | Discount rate considering credit risk | Discount rate considering credit risk |

(f) Income and expense by financial instruments category for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | 2015           |               |                            | 2014           |               |                            |
|--|----------------|---------------|----------------------------|----------------|---------------|----------------------------|
|  | Finance income | Finance costs | Other comprehensive income | Finance income | Finance costs | Other comprehensive income |
| Loans and receivables                                | ₩ 195,504      | 85,364        | -                          | 231,121        | 52,843        | -                          |
| Financial asset at fair value through profit or loss | 261            | -             | -                          | 56             | -             | -                          |
| Available-for-sale financial assets                  | 156,882        | -             | (325,824)                  | 15,831         | 557           | 45,954                     |
| Liabilities recognized by amortized cost             | 5,365          | 190,517       | -                          | 2,358          | 113,788       | -                          |
| Derivative financial instruments                     | 1,555          | 44            | 430                        | 1,448          | 2,157         | -                          |
|  | ₩ 359,567      | 275,925       | (325,394)                  | 250,814        | 169,345       | 45,954                     |

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## (g) Offsetting financial assets and financial liabilities

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

(In millions of won)

|   | <b>Gross amounts of recognized financial assets</b> | <b>Gross amounts of recognized financial liabilities set off</b> | <b>Net amounts of financial assets</b> | <b>Related amounts not set off</b> | <b>Net amount</b> |
|---|---|--|--|------------------------------------|-------------------|
| Accounts and notes receivables - trade, and other | ₩ 534,903   | (412,798)  | 122,105                                | (6,568)                            | 115,537           |

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

(In millions of won)

|  | <b>Gross amounts of recognized financial liabilities</b> | <b>Gross amounts of recognized financial assets set off</b> | <b>Net amounts of financial liabilities</b> | <b>Related amounts not set off</b> | <b>Net amount</b> |
|--|--|---|---|------------------------------------|-------------------|
| Short-term borrowings                          | ₩ 1,408,778  | -   | 1,408,778                                   | (1,408,778)                        | -                 |
| Accounts and notes payables - trade, and other | 2,570,505  | (412,798)   | 2,157,707                                   | (6,568)                            | 2,151,139         |
|  | ₩ 3,979,283  | (412,798)   | 3,566,485                                   | (1,415,346)                        | 2,151,139         |

(iii) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2014 are as follows:

(In millions of won)

|   | <b>Gross amounts of recognized financial assets</b> | <b>Gross amounts of recognized financial liabilities set off</b> | <b>Net amounts of financial assets</b> | <b>Related amounts not set off</b> | <b>Net amount</b> |
|---|---|--|--|------------------------------------|-------------------|
| Accounts and notes receivables - trade, and other | ₩ 533,994   | (399,370)  | 134,624                                | (913)                              | 133,711           |

(iv) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2014 are as follows:

(In millions of won)

|  | <b>Gross amounts of recognized financial liabilities</b> | <b>Gross amounts of recognized financial assets set off</b> | <b>Net amounts of financial liabilities</b> | <b>Related amounts not set off</b> | <b>Net amount</b> |
|--|--|---|---|------------------------------------|-------------------|
| Short-term borrowings                          | ₩ 1,271,765  | -   | 1,271,765                                   | (1,271,765)                        | -                 |
| Accounts and notes payables - trade, and other | 2,394,745  | (399,370)   | 1,995,375                                   | (913)                              | 1,994,462         |
|  | ₩ 3,666,510  | (399,370)   | 3,267,140                                   | (1,272,678)                        | 1,994,462         |

### 33. Transactions and Balances with Related Companies

(a) Significant transactions

(i) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2015 are summarized as follows:

(In millions of won)

| Relation                       | Company                                  | Revenues    |         |           | Expenses   |           |            |
|--------------------------------|--|-------------|---------|-----------|------------|-----------|------------|
|                                |  | Sales       | Other   | Total     | Purchases  | Other     | Total      |
| <b>Significant influence</b>   | Hyundai Motors Company                   | ₩ 127,276   | 30,121  | 157,397   | 516,318    | 643,142   | 1,159,460  |
| <b>Associates</b>              | Hyundai Mobis Co., Ltd.                  | 58,047      | 2,787   | 60,834    | 4,402,722  | 2,199     | 4,404,921  |
| "                              | Hyundai Powertech Co., Ltd.              | 11,999      | 148     | 12,147    | 451,269    | 1,280     | 452,549    |
| "                              | EUKOR Car Carriers Inc.                  | -           | 577     | 577       | -          | 408,013   | 408,013    |
| "                              | Hyundai Dymos Inc.                       | 2,615       | 336     | 2,951     | 432,818    | 363       | 433,181    |
| "                              | Donghee Auto Co., Ltd.                   | 75          | -       | 75        | 185,466    | 68        | 185,534    |
| "                              | Hyundai Engineering Co., Ltd.            | -           | 164     | 164       | -          | 147,667   | 147,667    |
| "                              | Hyundai Steel Company                    | -           | 108     | 108       | 118,352    | -         | 118,352    |
| "                              | Mobis Alabama, LLC                       | 47          | 17,361  | 17,408    | 2,076,224  | 17,812    | 2,094,036  |
| "                              | Mobis Slovakia s.r.o.                    | 34,633      | 6,799   | 41,432    | 1,374,012  | 20,352    | 1,394,364  |
| "                              | Hyundai Motor Manufacturing Russia LLC   | 8,082       | 16,782  | 24,864    | 791,751    | -         | 791,751    |
| "                              | Hyundai Motor Group China Ltd.           | 599,360     | -       | 599,360   | 2          | 11,223    | 11,225     |
| "                              | Powertech America, Inc.                  | 18          | 2,767   | 2,785     | 471,578    | -         | 471,578    |
| "                              | Mobis Parts America, LLC                 | 521         | -       | 521       | 462,079    | -         | 462,079    |
| "                              | Dongfeng Yueda Kia Motors Co., Ltd.      | 377,568     | 14,411  | 391,979   | 962        | 198       | 1,160      |
| "                              | Sewon America, Inc.                      | -           | 3       | 3         | 299,437    | 11,509    | 310,946    |
| "                              | Other                                    | 31,061      | 2,189   | 33,250    | 866,060    | 312,479   | 1,178,539  |
| <b>Other related companies</b> | Hyundai WIA Corporation                  | 2,823       | 4,896   | 7,719     | 2,911,716  | 9,633     | 2,921,349  |
| "                              | Hyundai Glovis Co., Ltd.                 | 153,266     | 28,200  | 181,466   | 2,193,745  | 463,198   | 2,656,943  |
| "                              | Hyundai Capital Services Inc.            | 325,149     | 367     | 325,516   | 576        | 34,808    | 35,384     |
| "                              | Hyundai Motor America                    | 2,001,894   | 363     | 2,002,257 | -          | 46,213    | 46,213     |
| "                              | Hyundai Motor Manufacturing Czech s.r.o. | 722,877     | 6,270   | 729,147   | 117,949    | 1,243     | 119,192    |
| "                              | Hyundai Auto Canada Corp.                | 681,998     | -       | 681,998   | -          | 22,096    | 22,096     |
| "                              | Hyundai Motor Manufacturing Alabama, LLC | -           | 6,380   | 6,380     | 659,503    | 1,447     | 660,950    |
| "                              | Other                                    | 46,316      | 2,606   | 48,922    | 1,403,791  | 528,709   | 1,932,500  |
|                                |  | ₩ 5,185,625 | 143,635 | 5,329,260 | 19,736,330 | 2,683,652 | 22,419,982 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

(ii) Significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2014 are summarized as follows:

(In millions of won)

| Relation                       | Company                                  | Revenues   |         |           | Expenses   |           |            |
|--------------------------------|--|------------|---------|-----------|------------|-----------|------------|
|                                |  | Sales      | Other   | Total     | Purchases  | Other     | Total      |
| <b>Significant influence</b>   | Hyundai Motors Company                   | ₩ 159,630  | 9,074   | 168,704   | 504,078    | 509,591   | 1,013,669  |
| <b>Associates</b>              | Hyundai Mobis Co., Ltd.                  | 53,210     | 3,301   | 56,511    | 4,125,224  | 2,219     | 4,127,443  |
| "                              | Hyundai Powertech Co., Ltd.              | 3,524      | 371     | 3,895     | 402,703    | 1,558     | 404,261    |
| "                              | Hyundai Dymos Inc.                       | 3          | 315     | 318       | 457,983    | 401       | 458,384    |
| "                              | Hyundai Engineering Co., Ltd.            | 80         | 114     | 194       | -          | 123,870   | 123,870    |
| "                              | Hyundai AMCO Co., Ltd.                   | -          | 152     | 152       | -          | 39,229    | 39,229     |
| "                              | EUKOR Car Carriers Inc.                  | -          | 529     | 529       | -          | 441,861   | 441,861    |
| "                              | Donghee Auto Co., Ltd.                   | 3          | -       | 3         | 203,806    | 36        | 203,842    |
| "                              | Hyundai Motor Group China Ltd.           | 729,735    | -       | 729,735   | 4          | 11,428    | 11,432     |
| "                              | Dongfeng Yueda Kia Motors Co., Ltd.      | 303,734    | 23,790  | 327,524   | 976        | 32        | 1,008      |
| "                              | Hyundai Motor Manufacturing Russia LLC   | 7,786      | 1,726   | 9,512     | 885,448    | -         | 885,448    |
| "                              | Mobis Alabama, LLC                       | 3,422      | 14,315  | 17,737    | 1,865,634  | 19,990    | 1,885,624  |
| "                              | Mobis Parts America, LLC                 | 468        | -       | 468       | 390,306    | -         | 390,306    |
| "                              | Mobis Slovakia s.r.o.                    | 40,725     | 6,387   | 47,112    | 1,409,170  | 2,023     | 1,411,193  |
| "                              | Powertech America, Inc.                  | 65         | 2,816   | 2,881     | 432,638    | -         | 432,638    |
| "                              | Sewon America, Inc.                      | -          | 4       | 4         | 295,452    | 10,487    | 305,939    |
| "                              | Other                                    | 4,212      | 3,449   | 7,661     | 573,172    | 380,468   | 953,640    |
| <b>Other related companies</b> | Hyundai Glovis Co., Ltd.                 | 93,344     | 17,142  | 110,486   | 1,925,170  | 491,553   | 2,416,723  |
| "                              | Hyundai WIA Corporation                  | 1,947      | 4,859   | 6,806     | 2,770,975  | 15,563    | 2,786,538  |
| "                              | Hyundai Capital Services Inc.            | 210,023    | 636     | 210,659   | 395        | 17,852    | 18,247     |
| "                              | Hyundai Motor America                    | 1,787,631  | -       | 1,787,631 | 1          | 41,163    | 41,164     |
| "                              | Hyundai Motor Manufacturing Czech s.r.o. | 573,105    | 6,901   | 580,006   | 119,732    | 572       | 120,304    |
| "                              | Hyundai Motor Manufacturing Alabama, LLC | -          | 527     | 527       | 622,798    | 1,311     | 624,109    |
| "                              | Hyundai Auto Canada Corp.                | 631,475    | -       | 631,475   | 2          | 19,084    | 19,086     |
| "                              | Other                                    | 16,227     | 7,726   | 23,953    | 1,574,281  | 534,943   | 2,109,224  |
|                                |  | ₩4,620,349 | 104,134 | 4,724,483 | 18,559,948 | 2,665,234 | 21,225,182 |

## (b) Account balances

(i) Account balances with related companies as of December 31, 2015 are summarized as follows:

(In millions of won)

| Relation                       | Company                                  | Receivables |        |         | Payables  |         |           |
|--------------------------------|--|-------------|--------|---------|-----------|---------|-----------|
|                                |  | Trade       | Other  | Total   | Trade     | Other   | Total     |
| <b>Significant influence</b>   | Hyundai Motors Company                   | ₩ 46,068    | 33,391 | 79,459  | 146,999   | 330,781 | 477,780   |
| <b>Associates</b>              | Hyundai Mobis Co., Ltd.                  | 3,614       | 451    | 4,065   | 926,580   | 1,540   | 928,120   |
| "                              | Hyundai Powertech Co., Ltd.              | -           | 11,410 | 11,410  | 75,553    | 880     | 76,433    |
| "                              | EUKOR Car Carriers Inc.                  | -           | 25     | 25      | -         | 23,332  | 23,332    |
| "                              | Hyundai Dymos Inc.                       | -           | 3,206  | 3,206   | 84,029    | 1,528   | 85,557    |
| "                              | Donghee Auto Co., Ltd.                   | 1           | -      | 1       | 22,010    | 4       | 22,014    |
| "                              | Hyundai Engineering Co., Ltd.            | -           | 18     | 18      | -         | 52,776  | 52,776    |
| "                              | Hyundai Steel Company                    | 10          | 108    | 118     | 23,277    | -       | 23,277    |
| "                              | Mobis Alabama, LLC                       | -           | 1,061  | 1,061   | 152,487   | -       | 152,487   |
| "                              | Mobis Slovakia s.r.o.                    | -           | -      | -       | 168,901   | -       | 168,901   |
| "                              | Hyundai Motor Manufacturing Russia LLC   | 253         | 4,032  | 4,285   | 84,761    | -       | 84,761    |
| "                              | Hyundai Motor Group China Ltd.           | 382,288     | -      | 382,288 | -         | 588     | 588       |
| "                              | Powertech America, Inc.                  | -           | 182    | 182     | 33,722    | -       | 33,722    |
| "                              | Mobis Parts America, LLC                 | 167         | -      | 167     | 42,617    | -       | 42,617    |
| "                              | Dongfeng Yueda Kia Motors Co., Ltd.      | 30,054      | 2,154  | 32,208  | -         | 638     | 638       |
| "                              | Sewon America, Inc.                      | -           | -      | -       | 21,997    | -       | 21,997    |
| "                              | Other                                    | 8,906       | 6,221  | 15,127  | 235,838   | 101,592 | 337,430   |
| <b>Other related companies</b> | Hyundai WIA Corporation                  | -           | 6,166  | 6,166   | 534,859   | 17,055  | 551,914   |
| "                              | Hyundai Glovis Co., Ltd.                 | 15,621      | 2,693  | 18,314  | 487,663   | 36,788  | 524,451   |
| "                              | Hyundai Capital Services Inc.            | 38,412      | 27     | 38,439  | -         | 3,840   | 3,840     |
| "                              | Hyundai Motor America                    | 170,253     | -      | 170,253 | -         | 5,197   | 5,197     |
| "                              | Hyundai Motor Manufacturing Czech s.r.o. | 54,231      | 1,580  | 55,811  | -         | 4,457   | 4,457     |
| "                              | Hyundai Auto Canada Corp.                | 35,608      | -      | 35,608  | -         | 1,458   | 1,458     |
| "                              | Hyundai Motor Manufacturing Alabama, LLC | -           | 280    | 280     | 47,721    | 299     | 48,020    |
| "                              | Other                                    | 14,770      | 258    | 15,028  | 134,579   | 120,394 | 254,973   |
|                                |  | ₩ 800,256   | 73,263 | 873,519 | 3,223,593 | 703,147 | 3,926,740 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

(ii) Account balances with related companies as of December 31, 2014 are summarized as follows

(In millions of won)

| Relation                       | Company                                  | Receivables |        |         | Payables  |         |           |
|--------------------------------|--|-------------|--------|---------|-----------|---------|-----------|
|                                |  | Trade       | Other  | Total   | Trade     | Other   | Total     |
| <b>Significant influence</b>   | Hyundai Motors Company                   | ₩ 10,692    | 32,765 | 43,457  | 130,463   | 252,596 | 383,059   |
| <b>Associates</b>              | Hyundai Mobis Co., Ltd.                  | 5,629       | 3,410  | 9,039   | 854,079   | 507     | 854,586   |
| "                              | Hyundai Powertech Co., Ltd.              | -           | 690    | 690     | 61,307    | 1,562   | 62,869    |
| "                              | Hyundai Dymos Inc.                       | -           | 296    | 296     | 65,917    | 2,467   | 68,384    |
| "                              | Hyundai Engineering Co., Ltd.            | -           | 31     | 31      | 16,241    | 23,028  | 39,269    |
| "                              | EUKOR Car Carriers Inc.                  | -           | 8      | 8       | -         | 47,785  | 47,785    |
| "                              | Donghee Auto Co., Ltd.                   | -           | -      | -       | 26,367    | 763     | 27,130    |
| "                              | Hyundai Motor Group China Ltd.           | 148,208     | -      | 148,208 | -         | 834     | 834       |
| "                              | Dongfeng Yueda Kia Motors Co., Ltd.      | 20,934      | 460    | 21,394  | 39        | 598     | 637       |
| "                              | Hyundai Motor Manufacturing Russia LLC   | 662         | 5,150  | 5,812   | 68,241    | -       | 68,241    |
| "                              | Mobis Alabama, LLC                       | 14          | 1,260  | 1,274   | 140,308   | -       | 140,308   |
| "                              | Mobis Parts America, LLC                 | 18          | -      | 18      | 31,810    | -       | 31,810    |
| "                              | Mobis Slovakia s.r.o.                    | 79          | -      | 79      | 96,531    | -       | 96,531    |
| "                              | Powertech America, Inc.                  | 5           | 151    | 156     | 30,710    | -       | 30,710    |
| "                              | Sewon America, Inc.                      | -           | -      | -       | 21,417    | -       | 21,417    |
| "                              | Other                                    | 10,124      | 6,793  | 16,917  | 107,267   | 172,443 | 279,710   |
| <b>Other related companies</b> | Hyundai Glovis Co., Ltd.                 | 5,394       | 1,975  | 7,369   | 387,650   | 47,810  | 435,460   |
| "                              | Hyundai WIA Corporation                  | 788         | 13,477 | 14,265  | 503,419   | 18,387  | 521,806   |
| "                              | Hyundai Capital Services Inc.            | 7,602       | 40     | 7,642   | -         | 410     | 410       |
| "                              | Hyundai Motor America                    | 183,070     | -      | 183,070 | -         | 2,831   | 2,831     |
| "                              | Hyundai Motor Manufacturing Czech s.r.o. | 37,598      | 9,973  | 47,571  | -         | 9,852   | 9,852     |
| "                              | Hyundai Motor Manufacturing Alabama, LLC | -           | 101    | 101     | 39,377    | 370     | 39,747    |
| "                              | Hyundai Auto Canada Corp.                | 56,077      | -      | 56,077  | -         | 2,433   | 2,433     |
| "                              | Other                                    | 2,244       | 7,171  | 9,415   | 116,621   | 100,070 | 216,691   |
|                                |  | ₩ 489,138   | 83,751 | 572,889 | 2,697,764 | 684,746 | 3,382,510 |

The Company holds financial instruments of ₩ 650,000 million in HMC Investment Securities Co., Ltd, its related party, and makes contributions to Hyundai Life Insurance Co., Ltd for employee benefit plan in connection with severance and retirement benefits which totaled ₩ 121,137 million as of December 31, 2015.

HMC Investment Securities Co., Ltd, a related party of the Company, acquired bonds issued by the Company for ₩ 200,000 million during the year.

(c) Significant transactions which occurred in funding with related companies for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|  | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|
| Involvement in paid-in capital increase of associates              | ₩ 26,991    | 156,098     |
| Involvement in paid-in capital increase of other related companies | 7,155       | 3,636       |

(d) Executive compensation of the Company for each of the following categories for the years ended December 31, 2015 and 2014 are summarized as follows:

(In millions of won)

|                                   | <b>2015</b>     | <b>2014</b>   |
|-----------------------------------|-----------------|---------------|
| <b>Compensation</b>               |                 |               |
| Salaries                          | ₩ 56,709        | 59,182        |
| Retirement and severance benefits | 13,375          | 11,715        |
| <b>Total</b>                      | <b>₩ 70,084</b> | <b>70,897</b> |

### 34. Date of Authorization for Issue

The consolidated financial statements were authorized for issue on January 27, 2016, at the Board of Directors meeting, and it is expected to be submitted for approval on March 18, 2016, at the general meeting of stockholders.

### 35. Subsequent Event

On January 5, 2016, the Company acquired 19,960,795 common shares (20.1%) of Hyundai Capital services INC from IGE USA Investment for ₩ 607,088 million.

# PRODUCT LINE-UP



1



2



3



4



5



6



7

## 1. K900/Quoris (K9)

This luxury, full-size sedan creates harmony between state-of-the-art technologies, a high-class design that embodies craftsmanship, and innovative safety functions.

## 2. Cadenza (K7)

This large sedan features specifications usually found in full-size sedans such as a charismatic design, a classy and spacious interior, a sophisticated and smooth ride.

## 3. Sorento

Sporting a refined design, this high-class SUV features optimal driving performance as well as practicality and superb convenience.

## 4. Cerato/Forte (K3)

This compact sedan features a youthful style that embodies passion, and offers top-end specifications, a smooth drive, and outstanding fuel efficiency.

## 5. Soul

With its refined style, this CUV offers true driving pleasure. It was ranked in first place in J.D. Power & Associates' 2015 Initial Quality Study in the compact multi-purpose vehicle segment.

## 6. Rio (Pride)

With an urban style, this compact car features a comfortable interior and outstanding safety. It has been a success in Europe, the home of the automobile.

## 7. Rondo (Carens)

With a stylish look, the Rondo (Carens) is a family-oriented urban car that offers a spacious interior and substantial storage space for all-round practicality.



8



9



10



11



12



13



14

**8. Sportage**

Showcasing a strong, forward-looking style, the Sportage features a sporty interior, outstanding driving performance, and cutting-edge convenience functions.

**9. Sedona/Grand Carnival (Carnival)**

This premium family-oriented minivan sports a stylish design, offers economy and safety, and features a comfortable and spacious interior to deliver a pleasant driving experience.

**10. Ray**

Striking harmony between vivid colors and a modern design, this family-oriented mini CUV maximizes convenience, safety, and customer-focused specifications

**11. Mohave**

This luxury large SUV sports a style that enhances the lifestyle of drivers, and features a roomy interior, powerful performance, and a high level of safety.

**12. Optima (K5)**

This sporty mid-sized sedan features a dynamic design and excellent space for passengers. It offers a powerful driving experience and comes with state-of-the-art smart systems.

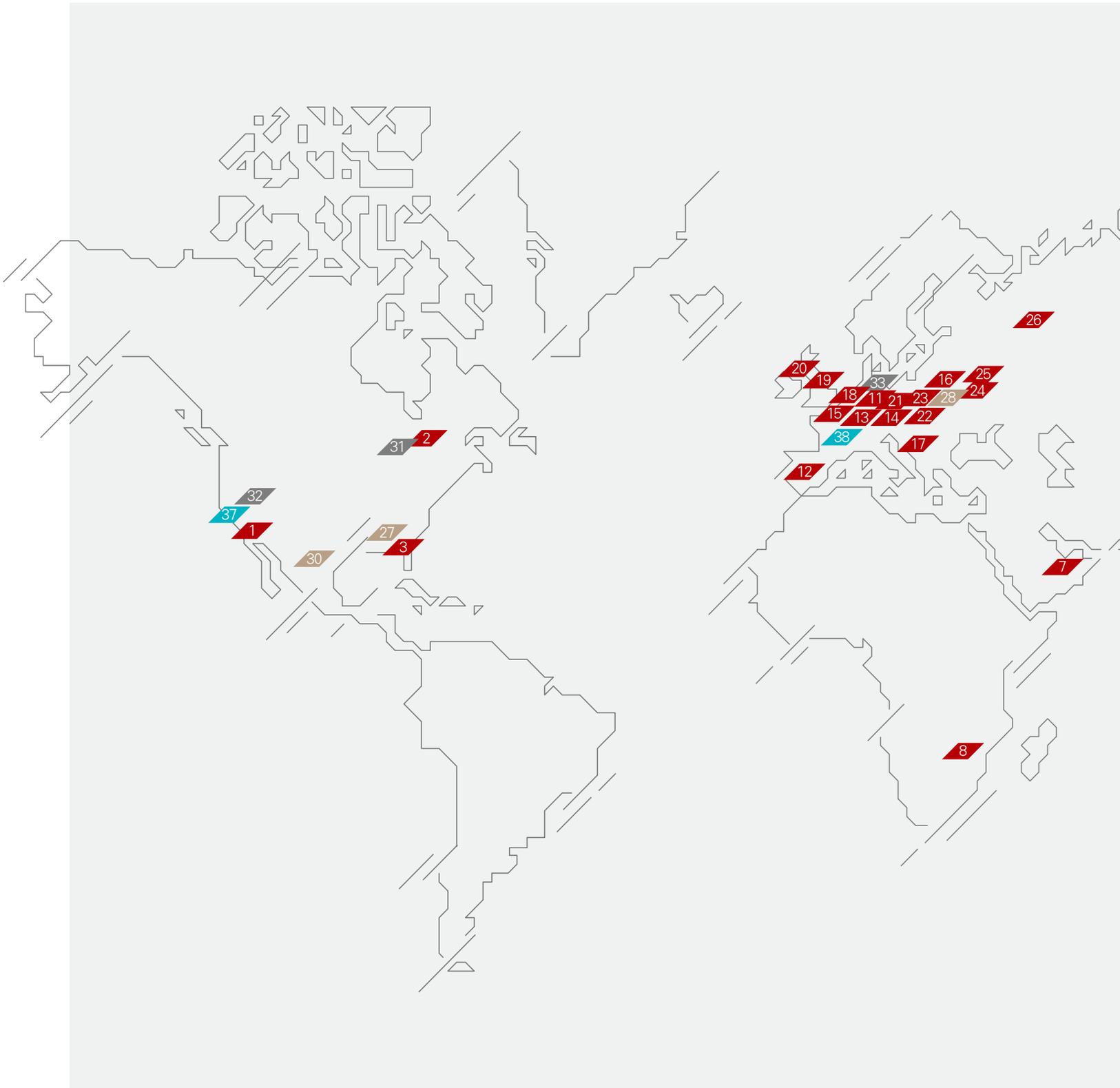
**13. Picanto (Morning)**

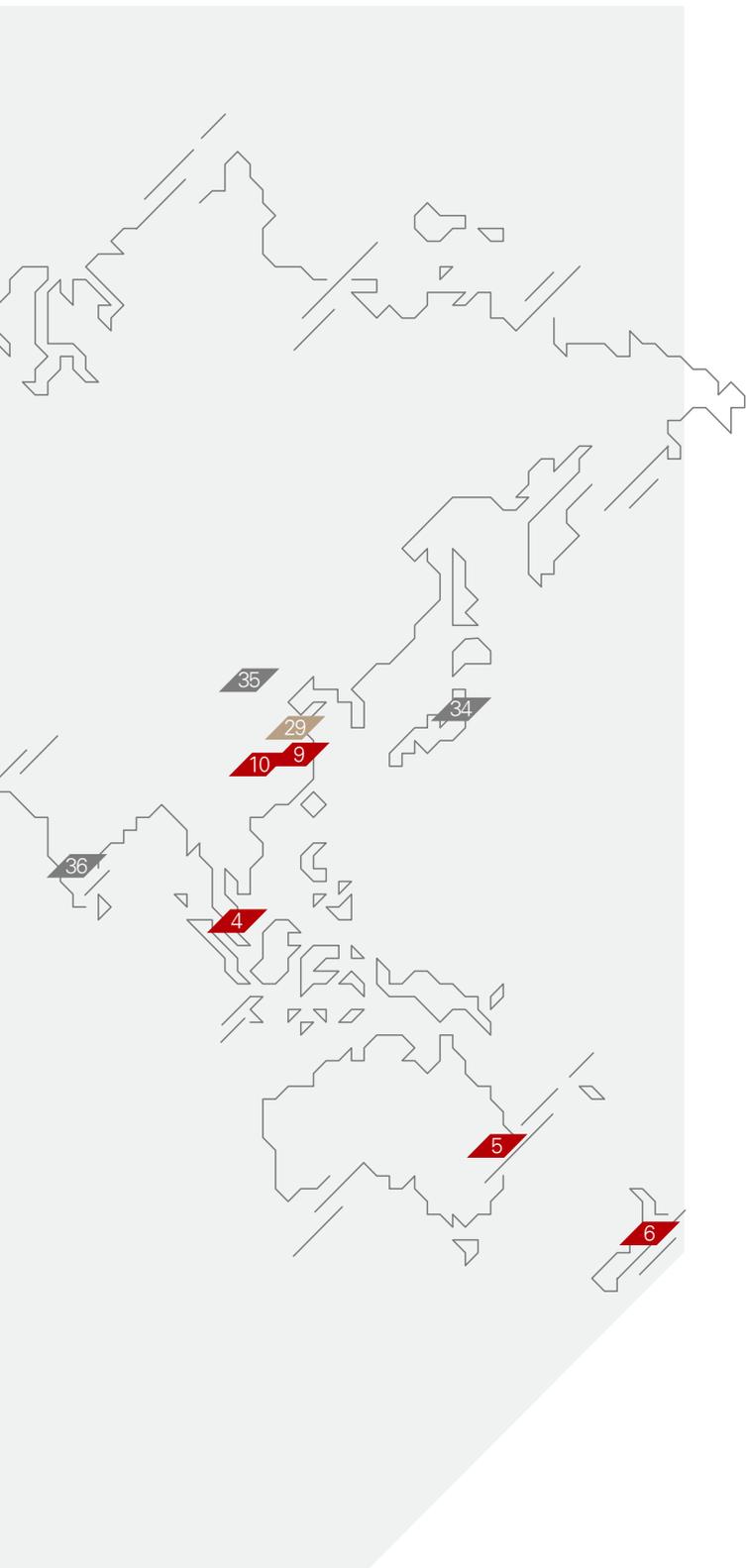
The Picanto (Morning) is Kia's flagship city car. With its unique design, it offers excellent value, high fuel efficiency, and outstanding safety.

**14. Niro**

This is the first small SUV from Kia Motors. With a strong, dynamic design, the Niro features a hybrid powertrain that delivers outstanding, eco-friendly efficiency.

# GLOBAL NETWORK





## Overseas Sales Subsidiaries & Regional HQs

### North America

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

### Central & South America

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

### Asia/Pacific

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

### Middle East & Africa

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

### China

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

### Europe

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

## Overseas Plants

### North America

- 27 Kia Motors Manufacturing Georgia

### Europe

- 28 Kia Motors Slovakia

### China

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

### Central & South America

- 30 Kia Motors Mexico

## 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

# BOARD OF DIRECTORS

- 
- Hyoung-Keun Lee**
- Currently, CEO & Vice Chairman of Kia Motors Corp.
  - (Former) President of Kia Motors Corp.

- 
- Han-Woo Park**
- Currently, CEO & President of Kia Motors Corp.
  - (Former) Executive Vice President of Hyundai Motor Company

- 
- Chun-Soo Han**
- Currently, CFO & Executive Vice President of Kia Motors Corp.
  - (Former) Senior Vice President of Kia Motors Corp.

- 
- Euisun Chung**
- Currently, Vice Chairman of Hyundai Motor Company
  - (Former) President of Kia Motors Corp.

- 
- Sang-Gu Nam**
- Currently, Chair-Professor of Business Administration at Gachon University
  - (Former) Private Sector Chairperson of the Financial Services Commission

- 
- Hyun-Kook Hong**
- Currently, Chairman of Gaduk Tax Consulting Associates
  - (Former) Auditor of NTS (National Tax Service)

- 
- Kwi-Nam Lee**
- Currently, LKN Law Institute Lawyer
  - (Former) Minister of Justice

- 
- Won-Joon Kim**
- Currently, Advisor at Kim & Chang Law Firm
  - (Former) Executive Director of Market Oversight at the Fair Trade Commission

- 
- Doo-Hee Lee**
- Currently, Dean of Business School at Korea University
  - (Former) President of APAIE (Asia-Pacific Association for International Education)
-

#### **MORE INFORMATION**

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More information on Kia Motors  
is available at our websites.

[kia.com](http://kia.com) | [pr.kia.com](http://pr.kia.com)



**Kia Motors Corporation**

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