

HYUNDAI MOBIS CO., LTD.

Separate Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
HYUNDAI MOBIS Co., Ltd.:

We have audited the accompanying separate financial statements of HYUNDAI MOBIS Co., Ltd. (the "Company"), which comprise the separate statements of financial position as of December 31, 2017 and 2016, the separate 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 Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2017 and 2016 and its separate financial performance and its separate 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 separate financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.
Seoul, Korea
February 28, 2018

This report is effective as of February 28, 2018, 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 separate 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.

HYUNDAI MOBIS CO., LTD.
 Separate Statements of Financial Position

As of December 31, 2017 and 2016

(In millions of won)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Assets			
Cash and cash equivalents	4,39	₩ 1,712,214	960,017
Financial assets at fair value through profit or loss	6,39	2,377,524	2,217,403
Short-term financial instruments	5,39	2,878,200	2,772,073
Trade and other receivables	7,35,39	3,412,483	3,914,517
Inventories, net	8	1,019,362	1,012,934
Other current assets	9,22,39	60,882	52,154
Total current assets		<u>11,460,665</u>	<u>10,929,098</u>
Property, plant and equipment, net	10	5,526,484	5,508,583
Intangible assets, net	11	781,418	771,565
Investment property, net	12	73,600	75,537
Investment in associates, joint ventures and subsidiaries	13	7,365,614	7,381,967
Available-for-sale financial assets	14,39	52,628	39,429
Other non-current assets	5,7,15,22,39	101,964	56,837
Total non-current assets		<u>13,901,708</u>	<u>13,833,918</u>
Total assets		<u>₩ 25,362,373</u>	<u>24,763,016</u>

See accompanying notes to the separate financial statements.

HYUNDAI MOBIS CO., LTD.
 Separate Statements of Financial Position, Continued

As of December 31, 2017 and 2016

(In millions of won)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Liabilities			
Trade and other payables	16,35,39	₩ 2,412,462	2,807,691
Short-term borrowings	17,38,39	510,326	678,636
Income taxes payable	33	194,565	327,116
Current provisions for warranties	20	312,522	259,470
Other current liabilities	18,22,39	283,444	156,218
Total current liabilities		<u>3,713,319</u>	<u>4,229,131</u>
Defined benefit obligations	15,21	-	27,506
Non-current provision for warranties	20	78,524	76,239
Deferred tax liabilities	33	273,603	269,562
Other non-current liabilities	19,22,39	64,032	65,283
Total non-current liabilities		<u>416,159</u>	<u>438,590</u>
Total liabilities		<u>4,129,478</u>	<u>4,667,721</u>
Equity			
Capital stock	23	491,096	491,096
Capital surplus	23	1,397,225	1,398,045
Treasury stock	24	(338,831)	(338,831)
Other equity	25	(56,696)	(77,843)
Retained earnings	26,27	19,740,101	18,622,828
Total equity		<u>21,232,895</u>	<u>20,095,295</u>
Total liabilities and equity	₩	<u>25,362,373</u>	<u>24,763,016</u>

See accompanying notes to the separate financial statements

HYUNDAI MOBIS CO., LTD.
Separate Statements of Income

For the years ended December 31, 2017 and 2016

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

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Revenue	28,35	₩ 19,417,685	19,860,589
Cost of sales	29,35	(16,313,086)	(16,232,614)
Gross profit		<u>3,104,599</u>	<u>3,627,975</u>
Selling, general and administrative expenses	29,30,35	(1,642,099)	(1,589,872)
Operating profit		<u>1,462,500</u>	<u>2,038,103</u>
Other income	31,32	126,623	185,753
Other expenses	31,32	(159,572)	(247,320)
Finance income	32	623,561	736,390
Finance costs	32	(110,347)	(121,998)
Gain (loss) on disposal of investments in associates and subsidiaries	13	(43,641)	4
Profit before income taxes		<u>1,899,124</u>	<u>2,590,932</u>
Income tax expense	33	471,675	555,648
Profit for the year		<u>₩ 1,427,449</u>	<u>2,035,284</u>
Earnings per share			
Basic earnings per share in won	34	<u>₩ 15,073</u>	<u>21,500</u>

See accompanying notes to the separate financial statements.

HYUNDAI MOBIS CO., LTD.
 Separate Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(In millions of won)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Profit for the year	₩	1,427,449	2,035,284
Other comprehensive income		41,617	27,947
Items that will never be reclassified to profit or loss:			
Remeasurements of defined benefit liabilities, net of tax	21,26,33	39,491	(183)
Other change in equity		(19,021)	-
		<u>20,470</u>	<u>(183)</u>
Items that are or may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax	14,25,32,33	1,495	2,028
Effective portion of changes in fair value of cash flow hedges, net of tax	22,25,32,33	19,652	26,102
		<u>21,147</u>	<u>28,130</u>
Total comprehensive income for the year	₩	<u>1,469,066</u>	<u>2,063,231</u>

See accompanying notes to the separate financial statements.

HYUNDAI MOBIS CO., LTD.
Separate Statements of Change in Equity

For the years ended December 31, 2017 and 2016

<i>(In millions of won)</i>		Capital stock	Capital surplus	Treasury stock	Other equity	Retained earnings	Total equity
Balance at January 1, 2016	₩	491,096	1,385,743	(356,375)	(105,973)	16,918,714	18,333,205
Comprehensive income:							
Profit for the year		-	-	-	-	2,035,284	2,035,284
Change in fair value of available-for-sale financial assets		-	-	-	2,028	-	2,028
Effective portion of changes in fair value of cash flow hedges		-	-	-	26,102	-	26,102
Remeasurements of defined benefit liabilities		-	-	-	-	(183)	(183)
Total comprehensive income for the year		-	-	-	28,130	2,035,101	2,063,231
Transactions with owners of the Company, recognized directly in equity:							
Disposal of treasury stock		-	12,302	17,544	-	-	29,846
Dividends		-	-	-	-	(330,987)	(330,987)
Total transactions with owners of the Company		-	12,302	17,544	-	(330,987)	(301,141)
Balance at December 31, 2016	₩	491,096	1,398,045	(338,831)	(77,843)	18,622,828	20,095,295
Balance at January 1, 2017	₩	491,096	1,398,045	(338,831)	(77,843)	18,622,828	20,095,295
Comprehensive income:							
Profit for the year		-	-	-	-	1,427,449	1,427,449
Change in fair value of available-for-sale financial assets		-	-	-	1,495	-	1,495
Effective portion of changes in fair value of cash flow hedges		-	-	-	19,652	-	19,652
Remeasurements of defined benefit liabilities		-	-	-	-	39,491	39,491
Other change in equity		-	(820)	-	-	(18,201)	(19,021)
Total comprehensive income for the year		-	(820)	-	21,147	1,448,739	1,469,066
Transactions with owners of the Company, recognized directly in equity:							
Dividends		-	-	-	-	(331,466)	(331,466)
Total transactions with owners of the Company		-	-	-	-	(331,466)	(331,466)
Balance at December 31, 2017	₩	491,096	1,397,225	(338,831)	(56,696)	19,740,101	21,232,895

See accompanying notes to the separate financial statements.

HYUNDAI MOBIS CO., LTD.
Separate Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(In millions of won)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities			
Cash generated from operations	37 ₩	1,892,823	1,785,431
Interest received		101,603	90,730
Interest paid		(8,306)	(6,903)
Dividends received		418,633	497,259
Income tax paid		(628,671)	(637,173)
Net cash provided by operating activities		<u>1,776,082</u>	<u>1,729,344</u>
Cash flows from investing activities			
Decrease(increase) in short-term financial instruments, net		(106,127)	(808,281)
Decrease in long-term financial instruments, net		1	5
Disposal of available-for-sale financial assets		354	466
Acquisition of available-for-sale financial assets		(13,918)	(884)
Disposal of investments in associates and subsidiaries		-	4
Acquisition of investments in associates and subsidiaries		(27,289)	(162,617)
Disposal of property, plant and equipment		6,682	5,364
Acquisition of property, plant and equipment		(365,567)	(544,483)
Disposal of intangible assets		2,388	-
Acquisition of intangible assets		(28,842)	(13,828)
Increase in deposits provided		(3,201)	(7,387)
Net cash used in investing activities		<u>(535,519)</u>	<u>(1,531,641)</u>
Cash flows from financing activities			
Proceeds(repaysment) from(of) short-term borrowings	38	(156,896)	98,427
Dividends paid		(331,466)	(330,987)
Net cash used in financing activities		<u>(488,362)</u>	<u>(232,560)</u>
Effect of currency exchange rate fluctuation on cash and cash equivalents			
		(4)	1
Net increase(decrease) in cash and cash equivalents		752,197	(34,856)
Cash and cash equivalents at the beginning of year	4	<u>960,017</u>	<u>994,873</u>
Cash and cash equivalents at the end of year	4 ₩	<u><u>1,712,214</u></u>	<u><u>960,017</u></u>

See accompanying notes to the separate financial statements.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

1. General Description of the Company

HYUNDAI MOBIS Co., Ltd. (the "Company") engages in the auto parts business, mainly manufacturing parts and modules, for car production, after-sales services, and others. The shares of the Company have been listed on the Korea Stock Exchange since September 5th, 1989.

The main office is located in Yeok-Sam, Gangnam-gu, Seoul, and its module factories are located in Ul-San, Kyoung-In and Chung-Cheong, Republic of Korea. The Company also has a R&D lab located in Yong-In, Republic of Korea.

The Company's common stockholders as of December 31, 2017 and 2016 are as follows:

Stockholders	2017		2016	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
KIA Motors Corporation	16,427,074	16.88%	16,427,074	16.88%
Mong-Ku Chung	6,778,966	6.96%	6,778,966	6.96%
Hyundai Steel Company	5,504,846	5.66%	5,504,846	5.66%
Hyundai Glovis Co., Ltd.	656,293	0.67%	656,293	0.67%
Treasury stock	2,643,195	2.72%	2,643,195	2.72%
Others	65,333,489	67.11%	65,333,489	67.11%
	<u>97,343,863</u>	<u>100.00%</u>	<u>97,343,863</u>	<u>100.00%</u>

2. Basis of Preparation

(1) Statement of compliance

The separate 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*.

These financial statements are separate financial statements prepared in accordance with K-IFRS No.1027, 'Separate Financial Statements' presented by a parent, an investor in an associate or a venture in a joint venture, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

(2) Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except as described in notes herein.

(3) Functional and presentation currency

The Company presents each accounts in functional currency(currency of economic environment) with which the Company carries out its operating activities. These separate financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

(4) Use of estimates and judgments

The preparation of the separate 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. Information about critical assumptions and estimates is included in note 3(20).

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

2. Basis of Preparation, Continued

(5) Changes in accounting policies

① Changes in accounting policies

- Amendments to K-IFRS No. 1007, 'Statement of Cash Flows'

For the year beginning on January 1, 2017, the Company has applied the amendments to K-IFRS No. 1007, 'Statement of Cash Flows'. K-IFRS No. 1007 requires liabilities related to the cash flows that were classified as a financing activity in the statement of cash flows or will be classified as a financing activity in the future should be disclosed as follows:

- Fluctuations in financing cash flows
- Changes in the acquisition or loss of control of a subsidiary or other business
- Exchange rate effect
- Fair value changes
- Other changes

- Amendments to K-IFRS No. 1012, 'Income Taxes'

For the year beginning on January 1, 2017, the Company has applied the amendments to K-IFRS No. 1012, 'Income Taxes'. This amendment assesses temporary differences of financial instruments by measuring differences between net book value and tax based amounts that are originally measured by its fair value. And it also clarified estimates of future taxable income and reviewing units that will be used to adjust temporary difference for evaluation of the recoverability of deferred tax asset.

- Amendments to K-IFRS No. 1112, 'Disclosures of Interests in Other Entities'

For the year beginning on January 1, 2017, the Company applies the amended K-IFRS No. 1112 'Disclosures of Interests in Other Entities' to its consolidated financial statements, which requires interests held for sale or held for distribution to be disclosed.

② Impact of changes in accounting policy

The management believes that the impact of the amendments to K-IFRS No. 1007, 'Statement of Cash Flows', K-IFRS No. 1012, 'Income Taxes', and K-IFRS No. 1112, 'Disclosures of Interests in Other Entities' on its separate financial statements is not significant.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies

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

(1) Investments in subsidiaries and associates

The separate financial statements are prepared and presented in accordance with K-IFRS No. 1027 'Separate Financial Statements'. The Company applied the cost method to investment in associates, joint ventures and subsidiaries in accordance with K-IFRS No. 1027. Dividends from a subsidiary or associate are recognized in profit or loss when the right to receive the dividend is established.

(2) Operating segment

In order to make decision on the distribution of resources on each segment and to evaluate the performance of each segment, the Company divides segment according to the internal report that are periodically reviewed by chief operating decision maker. The Company discloses information related to operating segment in accordance with K-IFRS No. 1108 'Operating Segment' in its consolidated financial statements.

(3) Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or that of valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the separate statement of income.

Foreign exchange gains and losses related to borrowings and cash and cash equivalents are presented in the separate statement of income within financial income or expenses. All other foreign exchange gains and losses are presented in the separate statement of income within other operating income or expenses.

(4) Cash and cash equivalents

Cash and cash equivalents comprise 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, and are used by the Company in management of its short-term commitments.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(5) Non-derivative financial instruments

① Classification

The Company classifies its financial instruments in the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity investments, and other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired and the nature of the instruments. Management determines the classification of its financial instruments at initial recognition.

- Financial assets at fair value through profit or loss

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

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in non-current assets, except for those with maturities less than 12 months after the end of the reporting period, which are classified as current assets.

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

- Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

- 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.

- Financial liabilities measured at amortized cost

The Company classifies non-derivative financial liabilities as financial liabilities measured at amortized cost except for financial liabilities at fair value through profit or loss. Financial liabilities measured at amortized cost are included in non-current liabilities, except for maturities less than 12 months after the end of the reporting period, which are classified as current liabilities.

② Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(5) Non-derivative financial instruments, continued

② Recognition and measurement, continued

Financial assets carried at fair value through profit or loss is initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows from the investments have been expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Unless the transferred financial assets meet criteria for recognition, the Company continues to recognize the transferred financial assets and recognizes financial liabilities for consideration received.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the separate statement of income within 'financial income/costs' in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognized in equity. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognized in equity are presented in the separate statement of income within 'finance income/costs'.

Dividends on available-for-sale equity instruments are presented in the separate statement of income as part of 'finance income' when the Company's right to receive payments is established.

③ Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets 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. These events include the case where the issuer of financial assets goes bankrupt or has solvency problem, not able to pay for interest and principal, the terms and conditions of borrowings is eased due to financial difficulty of the borrower, active market ceases to exist, and others.

As for particular financial assets such as account receivables, assets which are not considered to be individually impaired, the Company subsequently go through collective assessment of impairment. For the financial assets measured at acquisition cost, 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. An impairment loss in respect of a financial assets 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. 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.

In case of equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the separate statement of income. Impairment losses recognized in the separate statement of income on equity instruments are not reversed through the separate statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale financial assets 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 through the separate statement of income.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(6) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Recognition of related gain and loss depends on whether derivative instruments are designated to hedge, and if designated to hedge, it depends on characteristics of hedged items.

① Hedge accounting

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 a quarterly 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. 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.

② Separable embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

③ 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.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(7) Inventories

The cost of inventories is determined by the monthly weighted-average method for merchandise, finished goods, work-in-progress, raw material and supplies, and by the moving-average method for auto parts for after-sales service, and by the specific identification method for materials in transit. Inventories are measured at the lower of cost and net realizable value. The Company periodically reviews signs of impairment of inventories, and if impairment is identified due to excess, obsolescence, and inutility, the losses on valuation of inventories are recognized reduction to inventories in separate statement of financial position, and are charged to cost of sales. 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. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(8) 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, property, plant and equipment, except for land, are carried at its cost less any accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when 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 carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the separate statement of income during the financial period in which they are 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.

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

	<u>Useful lives (years)</u>
Buildings and structures	30
Machinery and equipment	5 ~ 15
Tools	5
Furniture and fixtures	5
Vehicles	5 ~ 15

Useful lives, depreciation method and residual values are reviewed at the end of each reporting period and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's estimated recoverable amount is smaller than its carrying amount. Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income or expenses' in the separate statement of income.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(9) 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.

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset.

The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

(10) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the statement of income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are presented as a deduction to related assets and are credited to depreciation over the estimated useful lives of the related assets.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(11) 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 use. The residual value of intangible assets is zero. As there are no foreseeable limits to the periods over which certain intangible assets are expected to be available for use, those intangible assets are determined as having indefinite useful lives and not amortized.

	<u>Useful lives (years)</u>
Development costs	5
Software	5
Industrial property rights	5 ~ 10

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.

① Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets acquired. When the excess is negative, bargain purchase gain is recognized immediately in profit or loss. Goodwill is not amortized and stated at book value less accumulated impairment loss.

② Development costs

Costs that are identifiable, controllable and directly attributable to development projects are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the development project so that it will be available for use;
- Management intends to complete the development project and use or sell it;
- There is an ability to use or sell the development project;
- It can be demonstrated how the development project will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the development project are available; and
- The expenditure attributable to the development project during its development can be reliably measured.

Capitalized development costs that are recognized as intangible assets are amortized using the straight-line method over their estimated useful lives from the date that they are available for use or sale.

Other development expenditures that do not meet these criteria are recognized in profit or loss as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

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3. Significant Accounting Policies, Continued

(11) Intangible assets, continued

③ Membership rights

Membership rights are regarded as intangible assets with indefinite useful lives and not amortized as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. All membership rights are tested annually for impairment and stated at cost less accumulated impairment losses.

(12) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation or for both is classified as investment property. If some portion of property is held for the purpose of owner-occupation and cannot be separated by portions to dispose and the owner-occupied portion is immaterial, it 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 cost less accumulated depreciation and accumulated impairment losses.

Land is not depreciated. Depreciation on the investment property except for land is calculated using the straight-line method to allocate their cost less residual values over 20 ~ 30 years.

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

(13) Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortization and are tested for impairment annually. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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"). 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. Non-financial assets other than goodwill for which impairment is recognized are reviewed for possible reversal of the impairment at each reporting date.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(14) Employee benefits

① 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 benefits in the separate statement of income.

② Retirement benefits: defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method. The discount rate is the yield at the reporting date on the 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. The Company recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

③ Other long-term employee benefits

Other long-term employee benefits include employee benefits that are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. The amounts of future benefit that employees have earned in return for their service in the current and prior periods are recognized as liabilities.

(15) Provisions and contingent liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is presented as a separate asset.

Contingent liabilities are:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or
- A present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or
- The amount of the obligation cannot be measured with sufficient reliability.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(16) 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 is related to a business combination, or items recognized directly in equity or in other comprehensive income.

① 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.

② 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 be reversed 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, the amount is reduced if 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 rates (and 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.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(17) Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable, net of returns, discounts and rebates for the sale of goods in the ordinary course of the Company's activities. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below.

① Sale of goods

In the case of finished goods and merchandises, revenue is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenue from the sale of finished goods is recognized when the products are delivered and the inspection is complete. Revenue from the sale of merchandises is recognized at time of delivery.

② Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount by using the original effective interest rate.

③ Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

④ Dividend income

Dividend income is recognized when the right to receive payment is established.

⑤ Rental income

Rental income from investment property is recognized in profit on a straight-line basis.

(18) Dividend

Dividend liability is recognized in the separate statement of financial position when the dividends are approved by the Company's shareholders.

(19) Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

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3. Significant Accounting Policies, Continued

(20) Significant accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, differ from actual results. The significant estimates and assumptions and those which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities after the end of the reporting period are addressed below.

① Fair value of derivative and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

② Recoverable amount of trade receivables

The Company measures recoverable amount of trade receivables individually when evidence of impairment has been found and an impairment loss is the difference between the recoverable amount and its carrying amount. Collateral and guaranteed values are taken into consideration when estimating the recoverable amount. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

③ Recoverable amount of non-current assets

The carrying amounts of the Company's non-current 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.

④ The residual value and the useful life of property, plant and equipment, intangible asset and investment property

The residual value and the useful life of an asset shall be reviewed at least at the end of each reporting period. Considering physical/technical obsolescence, and usability, prospective usable years and estimated recoverable value at the date of disposal are reviewed. If expectations differ from previous estimates, the change shall be accounted for as a change in an accounting estimate.

⑤ Defined benefit obligations

The Company has a defined benefit plan for post-employment benefit. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The Company determines the appropriate discount rate and future salary growth and other assumptions to apply an actuarial valuation method. The estimation of post-employment benefit plan contains material uncertainties because of the long-term nature of the liability.

⑥ Impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

⑦ Provision for warranties

The Company recognizes provision for expected expenditures based on the warranty period (1~5 years) and past experience rate by warranty, exchange, refund, defect repair and after-service for merchandises and finished goods.

⑧ Income taxes

The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be levied. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences are adjusted in the current and deferred income tax assets and liabilities in the period in which such determination is made.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

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3. Significant Accounting Policies, Continued

(21) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and effective for the Company for annual periods beginning after January 1, 2017. The Company has not early adopted them.

① Amendments to K-IFRS No. 1109, 'Financial Instruments'

K-IFRS No. 1109 'Financial Instruments' sets out requirements for the recognition and measurement of financial assets, financial liabilities and certain contracts for the sale of non-financial items. This standard replaces the existing K-IFRS No. 1039 'Financial Instruments: Recognition and Measurement.

The financial statements will be prepared in accordance with K-IFRS No. 1109 'Financial Instruments' from fiscal year beginning on or after January 1, 2018. The Company will apply an exception rule that does not require restatement of comparative information resulting from change in accounting policy.

The major effects on the financial statements are as follows :

(i) Classification and measurement of financial assets

Under K-IFRS 1109, financial assets are classified into three principal categories; measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), as detailed in the below table.

Under K-IFRS 1109, derivatives embedded in hybrid contracts where the host is a financial asset are not bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model	Characteristics of contractual cash flows	
	Contractual cash flows are solely payments of principal and interests	All other cases
To collect contractual cash flows	At amortized cost(*)	
Both to collect contractual cash flows and sell financial assets	At FVOCI(*)	FVTPL(**)
For trading, and others	At FVOCI	

(*) The Company may designate as at FVTPL to eliminate or significantly reduce an accounting mismatch.

(**) The Company may designate equity investments that is not held for trading as at FVOCI.

As of December 31, 2017, the Company has loans and receivables amounting to W7,900,297 million, available-for-sale financial assets amounting to W52,628 million, and financial assets at fair value through profit or loss amounting to W2,507,358 million.

The Company believes that the new classification requirements will not have a material impact on accounting for trade receivables, loans, debt securities and equity securities that are managed at fair value.

HYUNDAI MOBIS CO., LTD.
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3. Significant Accounting Policies, Continued

(21) New standards and interpretations not yet adopted, continued

① Amendments to K-IFRS No. 1109, 'Financial Instruments', continued

(ii) Impairment: Financial assets and contract assets

K-IFRS 1109 replaces the 'incurred loss' model in the existing standard with a forward-looking 'expected credit loss' (ECL) model for debt instruments, lease receivables, contractual assets, loan commitments, financial guarantee contracts.

Under K-IFRS 1109, impairment losses are likely to be recognized earlier than using the incurred loss model under the existing guidance in K-IFRS 1039 as loss allowances will be measured on either of the 12-month or lifetime ECL based on the extent of increase in credit risk since inception.

In accordance with K-IFRS No. 1109, 'Financial Instruments', the allowance for losses is measured according to one of the following criteria.

- 12-month ECL: ECLs that resulted from possible default events within the 12 months after the reporting date
- Lifetime ECL: ECL that resulted from all possible default events over the expected life of a financial instrument

According to K-IFRS No. 1109 'Financial Instruments', an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. But, an entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. An entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions that do not contain a significant financing component. The Company chose to apply this policy to trade receivables or contract assets that contains a significant financing component.

As of December 31, 2017, the Company has debt instruments measured at amortized cost amounting to ₩7,903,399 million (loans and receivables ₩7,903,399 million), and has recognized loss allowances for ₩3,102 million.

The Company believes that the impairment model for new financial instruments will not have a material impact on the accounting treatment.

(iii) Classification and measurement of financial liabilities

Under K-IFRS 1109, the amount of change in the fair value attributable to the changes in the credit risk of the financial liabilities is presented in OCI, not recognized in profit or loss, and the OCI amount will not be reclassified (recycled) to profit or loss. However, if recognizing the amount of change in the fair value attributable to the changes in the credit risk of the financial liabilities in OCI creates or increases an accounting mismatch, the amount of change in the fair value is recognized in profit or loss.

The Company has not designated any financial liabilities as financial liabilities at fair value through profit or loss, and the impact of K-IFRS No. 1109 'Financial Instruments', on classification of financial liabilities is expected to be not significant.

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(21) New standards and interpretations not yet adopted, continued

① Amendments to K-IFRS No. 1109, 'Financial Instruments', continued

(iv) Hedge accounting

K-IFRS 1109 retains the mechanics of hedge accounting (fair value hedge, cash flow hedge, hedging on net investment in a foreign operation) which was defined in the existing guidance in K-IFRS 1039, but provides principle-based and less complex guidance in hedging which focuses on the risk management activities. Due to these changes, more hedged items and hedging instruments would qualify for hedge accounting, more qualitative and forward-looking approach will be taken to assessing hedge effectiveness, and qualitative threshold (80~125%) is removed under K-IFRS 1109.

Since, upon applying hedge accounting provision of K-IFRS 1109, hedge accounting can be applied to certain contracts which would satisfy the requirements of K-IFRS 1039, the fluctuation of profit and loss can be reduced.

According to the provision of hedge accounting when initially applying K-IFRS 1109, the Company may choose as its accounting policy to continue to apply the hedge accounting requirements of K-IFRS 1039.

The Company has applied hedge accounting and recognized ₩166 million of unrealized gains on valuation of the financial derivatives as profit or loss for the year ended December 31, 2017. The Company also recognized ₩3,676 million (before tax) of unrealized gains and ₩77 million (before tax) of unrealized loss as other comprehensive income as of December 31, 2017.

Since the Company's current risk management activities meet the requirements for hedge accounting under K-IFRS No. 1109 'Financial Instruments', the impact of adoption of the standard is not expected to be significant.

② Amendments to K-IFRS No. 1115, 'Revenue from Contracts with Customers'

K-IFRS No. 1115 sets out a comprehensive framework for determining and recognizing revenue. This standard replaces K-IFRS No. 1018 Revenue, K-IFRS No. 1011 Construction Contracts, K-IFRS No. 2031 Revenue- Barter transactions involving advertising services, K-IFRS No. 2113 Customer Loyalty Programs, K-IFRS No. 2115 Agreements for the Construction of Real Estate, K-IFRS No. 2118 Transfers of Assets from Customers.

The Company plans to adopt K-IFRS No. 1115, 'Revenue from Contracts with Customers' starting from the fiscal year beginning on January 1, 2018. On the first day of application, January 1, 2018, the group will apply cumulative effect method and will apply K-IFRS No. 1115 to contracts that are not yet completed. As of December 31, 2017, the group has analyzed the financial impact of the adoption of K-IFRS No. 1115 on the consolidated financial statements for the year ended December 31, 2017. For the adoption of the amendment, the Group has separately identified and analyzed the financial impact on provision for additional performance obligation/ variable consideration/ performance obligation satisfied over time. As of January 1, 2018, all contracts before the adoption of the new standard have been completed, and therefore, the Company expects no impact on the consolidated financial statements upon adoption of K-IFRS No. 1115. The results of the preliminary evaluation as of December 31, 2017, are subject to change based on additional information available in future.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

3. Significant Accounting Policies, Continued

(21) New standards and interpretations not yet adopted, continued

③ Amendments to K-IFRS No. 1116 : Leases

K-IFRS 1116 replaces existing lease guidance, including K-IFRS 1017 Leases and K-IFRS interpretation 2104 Determining whether an arrangement contains a lease. The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply K-IFRS 1115 at or before the date of initial application of K-IFRS 1116.

K-IFRS 1116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemption for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, lessors continue to classify leases as finance or operation leases.

As a lessee, the Company can choose between retrospective application method and modified retrospective application method. The Company will perform a detailed assessment of the impact resulting from the application of K-IFRS 1116, and expects to disclose additional quantitative information in the notes to the financial statements for the period ending December 31, 2018 after completion of its assessment during 2018.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

4. Cash and Cash Equivalents

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

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Cash on hand	₩ 21	62
Bank deposits and others	<u>1,712,193</u>	<u>959,955</u>
	<u>₩ 1,712,214</u>	<u>960,017</u>

5. Restricted Financial Instruments

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

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>	<u>Description</u>
Short-term financial instruments	₩ 118,200	90,500	Mutual cooperation deposits
Long-term financial instruments	<u>18</u>	<u>19</u>	Bank account deposits
	<u>₩ 118,218</u>	<u>90,519</u>	

6. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss as of December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Financial assets held for trading:		
Debt securities(*)	₩ <u>2,377,524</u>	<u>2,217,403</u>
	<u>₩ 2,377,524</u>	<u>2,217,403</u>

(*) Debt securities are measured at acquisition cost because the difference between fair value and acquisition cost is immaterial.

HYUNDAI MOBIS CO., LTD.
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7. Trade and Other Receivables

(1) Trade and other receivables as of December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

	2017		2016	
	Current	Non-current	Current	Non-current
Accounts and notes receivable - trade	₩ 3,340,602	4,394	3,863,329	3,976
Allowance for doubtful accounts	-	(3,051)	(147)	(3,061)
	<u>3,340,602</u>	<u>1,343</u>	<u>3,863,182</u>	<u>915</u>
Accounts and notes receivable - other	71,882	50	51,389	-
Allowance for doubtful accounts	(1)	(50)	(54)	-
	<u>71,881</u>	<u>-</u>	<u>51,335</u>	<u>-</u>
	<u>₩ 3,412,483</u>	<u>1,343</u>	<u>3,914,517</u>	<u>915</u>

Trade and other receivables from related parties as of December 31, 2017 and 2016 are ₩2,588,501 million and ₩3,138,574 million, respectively. (note 35)

(2) The Company transferred certain accounts and notes receivable amounted to ₩510,326 million and ₩678,636 million to several financial institutions with recourse and treated them as borrowings as of December 31, 2017 and 2016, respectively (note 17).

The Company derecognizes accounts and notes receivables which are transferred without recourse.

The amounts of accounts and notes receivable which are not due as of December 31, 2017 and 2016 are ₩507,473 million and ₩549,282 million and the losses on sale of accounts and notes receivable for the years then ended are ₩1,508 million and ₩1,561 million, respectively (note 31).

(3) The Company recognized an allowance for doubtful accounts amounting to ₩3,101 million based on individual analysis for receivables impaired as of December 31, 2017. In addition, the Company recognized an allowance for doubtful accounts amounting to ₩1 million based on collective assessment of impairment based on past experience for group of assets with similar credit risk.

Changes in allowance for doubtful accounts for the years ended December 31, 2017 and 2016 are as follows:

(In millions of won)

	2017	2016
Beginning balance	₩ 3,262	2,201
Bad debts expense(Reversal)	(160)	1,018
Collection	-	43
Ending balance	<u>₩ 3,102</u>	<u>3,262</u>

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

8. Inventories

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

(In millions of won)

	2017			2016		
	Acquisition cost	Provision for loss on valuation	Carrying amount	Acquisition cost	Provision for loss on valuation	Carrying amount
Merchandises	₩ 651,347	(9,358)	641,989	664,140	(18,170)	645,970
Finished goods	30,214	(968)	29,246	28,052	(1,481)	26,571
Work-in-process	106,333	(1,025)	105,308	98,851	(1,307)	97,544
Raw materials	179,496	(3,383)	176,113	169,540	(674)	168,866
Supplies	22,598	-	22,598	21,108	-	21,108
Materials-in-transit	25,961	-	25,961	31,727	-	31,727
Outsourcing	18,147	-	18,147	21,148	-	21,148
	₩ <u>1,034,096</u>	<u>(14,734)</u>	<u>1,019,362</u>	<u>1,034,566</u>	<u>(21,632)</u>	<u>1,012,934</u>

The amounts of losses on and reversal of valuation of inventories charged to or deducted from cost of sales for the years ended December 31, 2017 and 2016 are W(6,898) million and W3,753 million, respectively.

9. Other Current Assets

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

(In millions of won)

	2017	2016
Accrued income	₩ 16,701	6,319
Advance payments	475	475
Prepaid expenses	13,963	21,724
Derivative financial assets	2,376	1,910
Prepaid value added tax	27,367	21,726
	₩ <u>60,882</u>	<u>52,154</u>

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

10. Property, Plant and Equipment

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

① As of December 31, 2017

<i>(In millions of won)</i>	Land	Buildings	Structures	Machinery	Tools	Furniture and fixture	Vehicles	Construction -in-progress	Total
Acquisition costs	₩ 3,468,821	1,104,759	174,160	1,665,837	409,221	262,118	87,411	104,332	7,276,659
Accumulated depreciation	-	(296,510)	(23,372)	(928,477)	(265,179)	(183,559)	(52,220)	-	(1,749,317)
Government grant	-	(260)	-	(242)	(110)	(212)	(34)	-	(858)
Carrying amount	₩ <u>3,468,821</u>	<u>807,989</u>	<u>150,788</u>	<u>737,118</u>	<u>143,932</u>	<u>78,347</u>	<u>35,157</u>	<u>104,332</u>	<u>5,526,484</u>

② As of December 31, 2016

<i>(In millions of won)</i>	Land	Buildings	Structures	Machinery	Tools	Furniture and fixture	Vehicles	Construction -in-progress	Total
Acquisition costs	₩ 3,445,645	1,005,497	167,865	1,524,062	354,840	239,550	87,442	167,322	6,992,223
Accumulated depreciation	-	(258,682)	(14,727)	(786,262)	(221,340)	(155,651)	(45,847)	-	(1,482,509)
Government grant	-	(270)	-	(320)	(208)	(277)	(56)	-	(1,131)
Carrying amount	₩ <u>3,445,645</u>	<u>746,545</u>	<u>153,138</u>	<u>737,480</u>	<u>133,292</u>	<u>83,622</u>	<u>41,539</u>	<u>167,322</u>	<u>5,508,583</u>

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

① For the year ended December 31, 2017

<i>(In millions of won)</i>	Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
Land	₩ 3,445,645	-	(273)	-	23,449	3,468,821
Buildings	746,545	-	(2,091)	(39,252)	102,787	807,989
Structures	153,138	758	(459)	(9,018)	6,369	150,788
Machinery	737,480	8,866	(1,464)	(154,320)	146,556	737,118
Tools	133,292	43,094	(8,042)	(48,364)	23,952	143,932
Furniture and fixture	83,622	20,745	(13)	(31,555)	5,548	78,347
Vehicles	41,539	1,955	(171)	(8,250)	84	35,157
Construction-in-progress	167,322	265,691	-	-	(328,681)	104,332
	₩ <u>5,508,583</u>	<u>341,109</u>	<u>(12,513)</u>	<u>(290,759)</u>	<u>(19,936)</u>	<u>5,526,484</u>

(*) Others include reclassification of construction-in-progress and reclassification between accounts.

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

10. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2017 and 2016 are summarized as follows, continued:

② For the year ended December 31, 2016

<i>(In millions of won)</i>		Beginning balance	Acquisition	Disposal	Depreciation	Others(*)	Ending balance
Land	₩	3,439,011	8,105	(1,822)	-	351	3,445,645
Buildings		684,224	901	(40,442)	(48,257)	150,119	746,545
Structures		40,267	930	(364)	(2,297)	114,602	153,138
Machinery		621,418	12,250	(517)	(140,320)	244,649	737,480
Tools		121,327	41,461	(2,783)	(45,320)	18,607	133,292
Furniture and fixture		83,662	25,831	(215)	(31,007)	5,351	83,622
Vehicles		45,943	4,290	(439)	(8,335)	80	41,539
Construction- in-progress		295,328	436,408	-	-	(564,414)	167,322
	₩	<u>5,331,180</u>	<u>530,176</u>	<u>(46,582)</u>	<u>(275,536)</u>	<u>(30,655)</u>	<u>5,508,583</u>

(*) Others include reclassification of construction-in-progress and reclassification between accounts.

11. Intangible Assets

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

① As of December 31, 2017

<i>(In millions of won)</i>		Goodwill	Industrial property rights	Development costs	Software	Membership	Total
Acquisition costs	₩	588,395	23,702	126,041	277,098	73,575	1,088,811
Accumulated amortization		-	(6,219)	(120,306)	(180,350)	(217)	(307,092)
Government grant		-	-	-	(301)	-	(301)
Carrying amount	₩	<u>588,395</u>	<u>17,483</u>	<u>5,735</u>	<u>96,447</u>	<u>73,358</u>	<u>781,418</u>

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

11. Intangible Assets, Continued

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

② As of December 31, 2016

<i>(In millions of won)</i>		Goodwill	Industrial property rights	Development costs	Software	Membership	Total
Acquisition costs	₩	588,395	21,609	129,106	245,746	71,292	1,056,148
Accumulated amortization		-	(6,554)	(116,308)	(161,300)	-	(284,162)
Government grant		-	-	-	(421)	-	(421)
Carrying amount	₩	<u>588,395</u>	<u>15,055</u>	<u>12,798</u>	<u>84,025</u>	<u>71,292</u>	<u>771,565</u>

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

① For the year ended December 31, 2017

<i>(In millions of won)</i>		Beginning balance	Acquisition	Disposals	Amortization	Impairment losses	Others(*)	Ending balance
Goodwill	₩	588,395	-	-	-	-	-	588,395
Industrial property rights		15,055	3,946	-	(1,338)	(222)	42	17,483
Development costs		12,798	-	-	(7,063)	-	-	5,735
Software		84,025	22,612	(1,788)	(30,643)	-	22,241	96,447
Membership		71,292	2,283	-	-	(217)	-	73,358
	₩	<u>771,565</u>	<u>28,841</u>	<u>(1,788)</u>	<u>(39,044)</u>	<u>(439)</u>	<u>22,283</u>	<u>781,418</u>

(*) Others include reclassification from construction-in-progress.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

11. Intangible Assets, Continued

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

② For the year ended December 31, 2016

<i>(In millions of won)</i>	Beginning balance	Acquisition	Disposals	Amortization	(Impairment losses) / Reversal of impairment losses	Others(*)	Ending balance
Goodwill	₩ 588,395	-	-	-	-	-	588,395
Industrial property rights	3,687	2,580	-	(870)	(171)	9,829	15,055
Development costs	22,645	-	-	(7,885)	-	(1,962)	12,798
Software	75,388	14,253	(4)	(26,437)	-	20,825	84,025
Membership	70,677	7	-	-	608	-	71,292
	<u>₩ 760,792</u>	<u>16,840</u>	<u>(4)</u>	<u>(35,192)</u>	<u>437</u>	<u>28,692</u>	<u>771,565</u>

(*) Others include reclassification from construction-in-progress.

(3) Research and development costs recorded in profit or loss for the years ended December 31, 2017 and 2016 are ₩742,417, million and ₩674,661 million, respectively (note 30).

(4) Goodwill Impairment

Goodwill was acquired in a business combination with Hyundai Autonet Co., Ltd. This amount was allocated to module and part manufacturing division, one of the CGUs. The Company reviews annually whether any impairment is identified.

The recoverable amounts of CGUs are determined based on value in use using pre-tax cash flow projections based on financial budgets covering a five-year period. Pre-tax discount rate used for value in use calculations is 11.24%. The principal assumptions used in the estimation of cash flows are as follows and cash flows beyond the five-year period are estimated by using 0% of expected growth rate. As a result of the impairment test, no impairments are recognized for the year ended December 31, 2017.

Principal assumptions	Criteria used to determine principal assumptions
Gross profit ratio on sales	Applying gross profit ratio on sales of the most recent year
Growth rate of sales	Considering same industry's sales growth rate of last five years

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

12. Investment Property

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

(In millions of won)

	2017		2016	
	Land	Buildings	Land	Buildings
Acquisition costs	₩ 48,850	43,114	48,850	43,114
Accumulated depreciation	-	(18,364)	-	(16,427)
Carrying amount	₩ <u>48,850</u>	<u>24,750</u>	<u>48,850</u>	<u>26,687</u>

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

① For the year ended December 31, 2017

(In millions of won)

	Beginning balance	Depreciation	Ending balance
Land	₩ 48,850	-	48,850
Buildings	<u>26,687</u>	<u>(1,937)</u>	<u>24,750</u>
	₩ <u>75,537</u>	<u>(1,937)</u>	<u>73,600</u>

② For the year ended December 31, 2016

(In millions of won)

	Beginning balance	Depreciation	Ending balance
Land	₩ 48,850	-	48,850
Buildings	<u>28,625</u>	<u>(1,938)</u>	<u>26,687</u>
	₩ <u>77,475</u>	<u>(1,938)</u>	<u>75,537</u>

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

12. Investment Property, Continued

(3) The fair value of investment property as of December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Land	₩ 48,187	48,187
Buildings	38,470	38,470
	<u>₩ 86,657</u>	<u>86,657</u>

The fair value of land was determined by external, independent property valuers at the date of transition to K-IFRS. The property has not been re-measured since the Company believes that the changes in the fair value are not significant after the aforementioned date.

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

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Rental income	₩ 4,500	5,307
Operating expense	(3,237)	(3,219)
	<u>₩ 1,263</u>	<u>2,088</u>

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

13. Investment in Associates, Joint Ventures and Subsidiaries

(1) Investment in subsidiaries as of December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

Company	Location	Business	2017		2016	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Hyundai IHL Co., Ltd.(*1)	Korea	Manufacturing the auto lighting and electric apparatus	90.00%	₩ -	90.00%	₩ 33,213
Global Information Technology Co., Ltd.(*2)	Korea	Manufacturing and sales of auto-parts	45.87%	48,450	45.87%	48,450
Hyundai Motor (Shanghai) Co., Ltd.	China	Sales of auto-parts	100.00%	18,228	100.00%	18,228
Shanghai Hyundai Mobis Automotive Parts Co., Ltd.	China	Manufacturing and sales of auto-parts	100.00%	163,741	100.00%	163,741
Jiangsu Mobis Automotive Parts Co., Ltd.	China	Manufacturing and sales of auto-parts	100.00%	96,915	100.00%	96,915
Beijing Hyundai Mobis Automotive Parts Co., Ltd.	China	Manufacturing and sales of auto-parts	100.00%	223,061	100.00%	223,061
Wuxi Mobis Automotive Parts Co., Ltd.(*3)	China	Manufacturing and sales of auto-parts	33.75%	24,814	33.75%	24,814
Tianjin Mobis Automotive Parts Co., Ltd.	China	Manufacturing and sales of auto-parts	100.00%	20,600	100.00%	20,600
Cangzhou Hyundai Mobis Automotive Parts Co., Ltd.(*4)	China	Manufacturing and sales of auto-parts	90.00%	57,650	100.00%	56,061
Chongqing Hyundai Mobis Automotive Parts Co. Ltd.(*4)	China	Manufacturing and sales of auto-parts	90.00%	84,385	100.00%	82,517
Mobis Parts Middle East FZE	UAE	Sales of auto-parts	100.00%	-	100.00%	-
Mobis America, Inc.	USA	Manufacturing and sales of auto-parts	100.00%	195,332	100.00%	195,332
American Autoparts, Inc.	USA	Manufacturing and sales of auto-parts	100.00%	19,637	100.00%	19,637
Mobis Parts Europe N.V.	Belgium	Sales of auto-parts	100.00%	59,107	100.00%	59,107
Mobis Parts Australia PTY., Ltd.	Australia	Sales of auto-parts	100.00%	25,159	100.00%	25,159
Mobis Slovakia s.r.o.	Slovakia	Manufacturing and sales of auto-parts	100.00%	33,213	100.00%	33,213
Mobis Automotive and Module Industry Trade Co. - Joint Stock Company	Turkey	Manufacturing and sales of auto-parts	100.00%	33,803	100.00%	33,803
Mobis India, Ltd.	India	Manufacturing and sales of auto-parts	100.00%	89,389	100.00%	89,389
Mobis India Module Private Limited(*5)	India	Manufacturing and sales of auto-parts	100.00%	1,299	-	-
Mobis Automotive Czech s.r.o.	Czech	Manufacturing and sales of auto-parts	100.00%	20,503	100.00%	20,503
Mobis Automotive System Czech s.r.o.	Czech	Manufacturing and sales of auto-parts	100.00%	49,868	100.00%	49,868
Mobis Module CIS, LLC(*6)	Russia	Manufacturing and sales of auto-parts	99.00%	17,138	99.00%	17,138
Mobis Brasil Fabricacao De Auto Pecas Ltda	Brazil	Manufacturing and sales of auto-parts	100.00%	17,033	100.00%	17,033
Mobis Parts Canada Corporation	Canada	Sales of auto-parts	100.00%	6,511	100.00%	6,511
Hyundai Mobis Mexico, S. De R.L. De C.V.(*7)	Mexico	Manufacturing and sales of auto-parts	98.37%	<u>170,687</u>	98.37%	<u>170,687</u>
				₩ <u>1,476,523</u>		₩ <u>1,504,980</u>

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

13. Investment in Associates, Joint Ventures and Subsidiaries, Continued

(1) Investment in subsidiaries as of December 31, 2017 and 2016 are summarized as follows, continued:

(*1) The impairment loss amount is ~~₩~~33,213 million for the year ended December 31, 2017, based on the value in use (discount rate 9.6% applied).

(*2) The entity was included in the scope of consolidation even though the Company holds less than 50% of the ownership interest as the Company has power and de facto control. The remaining ownership interests of Global Information Technology Co., Ltd. are widely dispersed and the Company's ownership interests are sufficient to give it power.

(*3) The Company and Shanghai Hyundai Mobis Automotive Parts Co., Ltd. hold 33.75% and 66.25% of the ownership, respectively.

(*4) The Company contributes ~~₩~~1,589 million to Cangzhou Hyundai Mobis Automotive Parts Co., Ltd. and W1,868 million to Chongqing Hyundai Mobis Automotive Parts Co., Ltd. The Company's ownership was changed from 100% to 90%, respectively.

(*5) Mobis India Module Private Limited. was established in December, 2017 and The group contributed ~~₩~~1,299 million to Mobis India Module Private Limited.

(*6) The Company and Mobis Parts CIS, LLC hold 99.00% and 1.00% of the ownership, respectively.

(*7) The Company and Mobis America, Inc. own 98.37% and 1.63% of shares, respectively.

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December 31, 2017 and 2016

13. Investment in Associates, Joint Ventures and Subsidiaries, Continued

(2) Investment in associates and joint ventures as of December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

Company	Location	Business	2017		2016	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Hyundai Motor Company	Korea	Automobile manufacture and sales	20.78% ₩	3,880,191	20.78% ₩	3,880,191
Hyundai Engineering & Construction Co., Ltd.(*1,2)	Korea	Engineering and construction	8.73%	1,233,295	8.73%	1,243,724
Hyundai Engineering Co., Ltd.(*1)	Korea	Engineering and construction	9.35%	286,556	9.35%	286,556
Hyundai Autoever Systems Corporation(*3)	Korea	ERP system design and management	19.37%	21,425	19.37%	21,425
Hyundai Powertech Co., Ltd.	Korea	Manufacture and sales of auto-parts	24.85%	132,002	24.85%	132,002
Hyundai Auto Electronics Company Ltd.	Korea	Electrical and electronic research and development	20.00%	20,116	20.00%	20,116
ZF Lemfoerder Chassis Technology Korea Co., Ltd.	Korea	Manufacture and sales of auto-parts	27.34%	4,492	27.34%	4,492
Hyundai M&Soft	Korea	Development and supply of software	25.67%	10,621	25.67%	10,621
HMC Investment Securities Co., Ltd.(*1)	Korea	Securities brokerage	16.99%	54,029	16.99%	54,029
HL Green Power Inc.(*4)	Korea	Manufacture and sales of auto-parts	51.00%	14,790	51.00%	14,790
Hyundai Life Insurance Co., Ltd.	Korea	Life Insurance	30.28%	137,040	30.28%	137,040
Hyundai Motor Group (China) Ltd.(*5)	China	Investment	20.00%	57,253	20.00%	34,720
Beijing Hyundai Mobis Parts Co., Ltd.(*4)	China	Sales of auto-parts	50.00%	20,983	50.00%	20,983
Mobis Parts Jiangsu Yueda Trading Co., Ltd.(*4)	China	Sales of auto-parts	50.00%	9,849	50.00%	9,849
Jingsu Yueda New Energy Battery Co., Ltd.(*4, 6)	China	Manufacture and sales of auto-parts	50.00%	6,449	50.00%	6,449
			₩	<u>5,889,091</u>	₩	<u>5,876,987</u>

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

13. Investment in Associates, Joint Ventures and Subsidiaries, Continued

(2) Investment in associates and joint ventures as of December 31, 2017 and 2016 are summarized as follows, continued:

(*1) Though the Company has less than 20% of the ownership, the Company has significant influence through its ability to appoint members of board of directors according to agreement among the stockholders.

(*2) The impairment loss amount is W10,429 million for the year ended December 31, 2017, based on the value in use (discount rate 8.0% applied).

(*3) Though the Company has less than 20% of the ownership, the Company has significant influence due to exchange of management personnel between the Company and Hyundai Autoever Systems Corporation.

(*4) The Company has classified HL Green Power Inc., Beijing Hyundai Mobis Parts Co., Ltd., Mobis Parts Jiangsu Yueda Trading Co., Ltd. and Jiangsu Yueda Mobis New Energy Battery Co., Ltd., which were established under joint ventures agreement, as joint ventures since the Company has rights only to the net assets, and their legal structures of arrangements are separate vehicles.

(*5) The Company contributes ~~W~~22,533 million to Hyundai Motor Group (China) Ltd..

(*6) Jiangsu Yueda Mobis New Energy Battery Co., Ltd. has changed its name to Jiangsu Yueda New Energy Battery Co., Ltd.

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

(In millions of won)

	<u>2017</u>	<u>2016</u>
Hyundai Motor Company	₩ 7,141,996	6,684,175
Hyundai Engineering & Construction Co., Ltd.	352,827	416,005
HMC Investment Securities Co., Ltd.	54,317	47,340
	<u>₩ 7,549,140</u>	<u>7,147,520</u>

(4) The Company recognized gain on disposal of investment in associates of ~~W~~4 million for the years ended December 31, 2016.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

14. Available-for-sale Financial Assets

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

(In millions of won)

	Number of shares	Ownership (%)	2017		2016	
			Acquisition cost	Carrying amount	Acquisition cost	Carrying amount
Non-marketable securities						
China Millennium Corporation I, Ltd.	-	10.10%	2,099	2,099	2,099	2,099
China Millennium Corporation II, Ltd.	-	10.10%	2,089	2,089	2,089	2,089
China Millennium Corporation III, Ltd.	-	10.10%	4,873	4,873	4,873	4,873
Haevichi Hotel and Resort Co., Ltd.	310,000	5.81%	2,132	-	2,132	-
MTComm Co., Ltd.	26,668	17.58%	200	-	200	-
The Sign Co., Ltd.(*)	-	-	-	-	2,085	-
GTWeb Korea, Inc.(*)	-	-	-	-	835	-
Korea Automobile Manufacturers Association	83	1.28%	15	15	15	15
Mirae Asset Social Enterprise Ventures Investment	53	2.52%	53	53	53	53
The Korea Economic Daily	531,090	2.84%	2,656	2,656	2,656	2,656
Hyundai Partec Company., Ltd.	1,040,000	13.00%	5,200	5,200	5,200	5,200
ZF Sachs Korea Co., Ltd.	908,960	8.55%	635	635	635	635
Haevichi Country Club Ltd.	450,000	15.00%	2,274	-	2,274	-
Easy Move Co., Ltd.	32,026	6.64%	321	321	321	321
SB Telcom Co., Ltd.	100,965	0.79%	-	-	-	-
Hyundai Venture Investment Hydrogen Fund	132	13.66%	1,320	1,320	880	880
L&S New Growth Engine Global Star Investment Association	1,320	4.19%	1,320	1,320	880	880
C&C Automotive	423,246	7.29%	2,116	-	2,116	-
DR Axion Co.,Ltd	17,030	2.99%	2,990	2,990	-	-
Myunghwa Co.,Ltd	35,382	2.23%	5,725	5,725	-	-
			<u>36,018</u>	<u>29,296</u>	<u>29,343</u>	<u>19,701</u>
Marketable securities						
Hyundai Development Co., Ltd.	437,500	0.58%	8,775	16,866	8,775	19,666
Hyundai Merchant Marine Co., Ltd.	8,806	0.00%	1,402	44	1,402	60
Enova Systems, Inc.	80,000	0.12%	90	-	90	-
Mediazen Co., Ltd.	209,339	5.80%	2	1,968	2	2
Hwaseung R&A Co.,Ltd.	1,700,000	2.63%	3,963	4,454	-	-
			<u>14,232</u>	<u>23,332</u>	<u>10,269</u>	<u>19,728</u>
			<u>₩ 50,250</u>	<u>52,628</u>	<u>39,612</u>	<u>39,429</u>

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 acquisition cost.

(*)The liquidation procedure has been completed during the year ended December 31, 2017.

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15. Other Non-current Assets

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

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Derivative financial assets	₩ 1,777	2,343
Net defined benefit assets	42,064	-
Long-term financial instruments	18	19
Deposits provided	56,762	53,560
Long-term accounts and notes receivable - trade	1,343	915
	<u>₩ 101,964</u>	<u>56,837</u>

16. Trade and Other Payables

Trade and other payables as of December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Accounts and notes payable - trade	₩ 1,963,344	2,231,207
Accounts and notes payable - other	449,118	576,484
	<u>₩ 2,412,462</u>	<u>2,807,691</u>

Trade and other payables to related parties as of December 31, 2017 and 2016 are ₩755,248 million and ₩873,624 million, respectively.

17. Short-term Borrowings

Short-term borrowings as of December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won)</i>	<u>Lender</u>	<u>Annual interest rate (%)</u>	<u>2017</u>	<u>2016</u>
Accounts receivable-collateralized borrowings	Shinhanbank Korea Co., Ltd. and other	3M LIBOR + 0.28 and other	₩ 510,326	678,636

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18. Other Current Liabilities

Other current liabilities as of December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

	<u>2017</u>	<u>2016</u>
Accrued expenses	₩ 219,279	56,562
Advance from customers	42,512	60,194
Withholdings	14,450	10,032
Liability for payment guarantee	1,372	1,341
Derivative financial liabilities	48	20,360
Others	5,783	7,729
	<u>₩ 283,444</u>	<u>156,218</u>

19. Other Non-current Liabilities

Other non-current liabilities as of December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

	<u>2017</u>	<u>2016</u>
Other long-term employee benefits	₩ 56,528	56,528
Derivative financial liabilities	7,504	8,755
	<u>₩ 64,032</u>	<u>65,283</u>

20. Provision for Warranties

Changes in provision for warranties for the years ended December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

	<u>2017</u>	<u>2016</u>
Beginning balance	₩ 335,709	233,506
Increase	197,834	269,626
Utilization	(142,497)	(167,423)
Ending balance	391,046	335,709
Less: current provision for warranties	(312,522)	(259,470)
Non-current provision for warranties	<u>₩ 78,524</u>	<u>76,239</u>

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21. Defined Benefit Obligations

(1) Defined benefit liabilities as of December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Present value of defined benefit obligations	₩ 538,746	527,404
Transfer to National Pension Fund	(238)	(263)
Fair value of plan assets	<u>(580,572)</u>	<u>(499,635)</u>
Amount recognized in financial statements(*)	₩ <u>(42,064)</u>	<u>27,506</u>

(*) Net defined benefit liabilities is included.

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

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Beginning balance	₩ 527,404	476,085
Current service costs	66,234	62,641
Interest costs	15,685	13,770
Remeasurements:	(46,588)	(3,617)
Gain from changes in demographic assumptions	-	(950)
Gain from changes in financial assumptions	(16,486)	(3,527)
Loss (gain) from experience adjustments	(30,102)	860
Benefit paid	<u>(23,989)</u>	<u>(21,475)</u>
Ending balance	₩ <u>538,746</u>	<u>527,404</u>

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

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Beginning balance	₩ 499,635	451,494
Interest income	14,938	13,235
Remeasurements of plan assets	(5,534)	(3,859)
Contribution paid into the plan	86,900	52,900
Benefit paid by the plan	<u>(15,367)</u>	<u>(14,135)</u>
Ending balance	₩ <u>580,572</u>	<u>499,635</u>

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21. Defined Benefit Obligations, Continued

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

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Time deposits	₩ 4,313	8,197
Insurance contracts of guaranteed interest	<u>576,259</u>	<u>491,438</u>
	<u>₩ 580,572</u>	<u>499,635</u>

The plan assets are invested that do not have a quoted market price in an active market.

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

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Current service costs	₩ 66,234	62,641
Interest costs	<u>747</u>	<u>535</u>
	<u>₩ 66,981</u>	<u>63,176</u>

Total expenses for retirement benefit costs for the year ended December 31, 2017 consist of ₩12,111 million recognized as cost of sales, ₩28,286 million as selling, general and administrative expenses (excluding research and development expense), ₩26,527 million as research and development expenses, and ₩57 million as construction-in-progress. The actual return on plan assets is ₩9,404 million for the year 2017. The Company expects to pay contribution into the plan amounting to approximately ₩ 19,713 million in 2018.

(6) Principal actuarial assumptions used as of December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	3.28%	3.01%
Future salary growth	4.00%	4.00%

The discount rate is the market yield at the end of the reporting period on high quality corporate bonds (AA+) that have maturity 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. The discount rate for the calculation of the present value of defined benefit obligations is also used as expected return on plan assets.

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21. Defined Benefit Obligations, Continued

(7) The sensitivity of the defined benefit obligations to key assumptions as of December 31, 2017 is as follows:

<i>(In millions of won)</i>		<u>1% increase</u>	<u>1% decrease</u>
Discount rate	₩	(54,475)	65,331
Future salary growth		65,461	(55,317)

(8) The information about the maturity profile of the defined benefit obligations as of December 31, 2017 is as follows:

<i>(In millions of won)</i>	<u>Weighted average duration</u>	<u>Less than 1 year</u>	<u>1~5 years</u>	<u>5~10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Benefit payments	12.06 years ₩	22,642	121,308	98,685	296,111	538,746

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22. Hedging Derivatives Financial Instruments

The Company entered into financial derivative contracts to manage the exposure to changes in currency exchange rates for foreign currency receivables. The Company transfers contracted amounts of foreign currency to a counter party (financial institutions) at the maturity date, and receives in Korean won translated using the contracted exchange rate.

① Financial derivative contracts as of December 31, 2017 are summarized as follows:

(In millions of foreign currency)

Currency	Amount	Strike price in won	Maturity
USD	58	1,049 ~ 1,120	January 31, 2018 ~ December 29, 2022
EUR	13	1,528	January 31, 2018 ~ December 29, 2022

The Company recognized unrealized gains on valuation of the financial derivatives in profit amounting to ₩166 million, for the year ended December 31, 2017, and recorded unrealized gains and losses on valuation of the financial derivatives (before income tax effect) amounting to ₩3,676 million and ₩77 million, respectively, as other equity as of December 31, 2017.

② Financial derivative contracts as of December 31, 2016 are summarized as follows:

(In millions of foreign currency)

Currency	Amount	Strike price in won	Maturity
USD	257	1,049 ~ 1,180	January 31, 2017 ~ December 29, 2022
EUR	20	1,283 ~ 1,528	January 31, 2017 ~ December 29, 2022
JPY	1,296	11.37 ~ 14.58	January 31, 2017 ~ December 29, 2017

The Company recognized unrealized gains and losses on valuation of the financial derivatives in profit or loss amounting to ₩641 million and ₩1,284 million, respectively, for the year ended December 31, 2016, and recorded unrealized gains and losses on valuation of the financial derivatives (before income tax effect) amounting to ₩3,383 million and ₩25,867 million, respectively, as other equity as of December 31, 2016.

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23. Stockholders' Equity

(1) The Company's capital stock as of December 31, 2017 and 2016 are summarized as follows:

	2017		2016	
	Common stock	Preferred stock	Common stock	Preferred stock
Authorized number of shares	275,000,000	25,000,000	275,000,000	25,000,000
Par value per share in won	₩ 5,000	5,000	5,000	5,000
Issued number of shares	97,343,863	3,974	97,343,863	3,974
Capital stock in millions of won	₩ 490,969	127	490,969	127

Pursuant to Articles of Incorporation, the Company is authorized to issue shares of non-voting preferred stock up to 25 million shares. In case the Company is not able to pay the agreed additional dividends (dividend rate for common stock + 1%) for preferred stock, the preferred shareholders are given the voting rights from the date of the general shareholders' meeting which approves the suspension of dividends to preferred stock, to the date of the general shareholders' meeting which approves the resumption of the dividends to preferred stock.

As approved by the Board of Directors on March 15, 2003 and January 24, 2014, the Company retired 850,000 treasury shares of common stock and 21,484 treasury shares of preferred stock, respectively. Accordingly, the number of shares issued has been decreased but the total amount of paid-in capital has not been affected.

(2) Capital surplus as of December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won)</i>	2017	2016
Additional paid-in capital	₩ 1,283,312	1,283,312
Revaluation reserve	26,844	27,664
Other capital surplus	87,069	87,069
	₩ 1,397,225	1,398,045

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24. Treasury Stock

The Company acquires treasury stocks for price stabilization, stock dividends, and exercise of appraisal rights of dissenting shareholders at the time of merge. The Company plans to retire the shares depending on the market conditions. Changes in treasury stock for the years ended December 31, 2017 and 2016 are summarized as follows:

(In millions of won, except share information)

	2017		2016	
	Number of shares	Carrying amount	Number of shares	Carrying amount
Beginning balance	2,643,195	₩ 338,831	2,780,055	₩ 356,375
Disposal (*)	-	-	(136,860)	(17,544)
Ending balance	<u>2,643,195</u>	<u>₩ 338,831</u>	<u>2,643,195</u>	<u>₩ 338,831</u>

(*) As approved by the Board of Directors on January 27, 2016 and October 28, 2016, the Company disposes 101,760 shares of common stock amounting to ₩13,044 million and 35,100 shares of common stock amounting to ₩4,500 million, respectively.

25. Other Equity

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

(In millions of won)

	2017	2016
Unrealized gain on valuation of available-for-sale financial assets	₩ 7,647	8,255
Unrealized loss on valuation of available-for-sale financial assets	(46,210)	(48,313)
Unrealized gain on valuation of derivative financial assets	2,665	2,564
Unrealized loss on valuation of derivative financial assets	(56)	(19,607)
Other capital adjustments	(20,742)	(20,742)
	<u>₩ (56,696)</u>	<u>(77,843)</u>

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26. Retained Earnings

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

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Legal reserve	₩ 245,548	245,548
Voluntary reserve	18,045,510	16,342,075
Unappropriated retained earnings	<u>1,449,043</u>	<u>2,035,205</u>
	<u>₩ 19,740,101</u>	<u>18,622,828</u>

(2) Legal reserve

The Korean Commercial Code requires the Company to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve may be used to reduce a deficit or may be transferred to common stock in connection with a free issue of shares.

(3) Voluntary reserve

Under the Special Tax Treatment Control Law, the Company appropriates a certain portion of retained earnings, pursuant to a shareholder resolution, as a voluntary reserve. This reserve may be reversed and transferred to unappropriated retained earnings by the resolution of shareholders, and be distributed as dividends after its reversal.

(4) Statements of appropriation of retained earnings for the years ended December 31, 2017 and 2016 are as follows:

Date of Appropriation for 2017: March 9, 2018

Date of Appropriation for 2016: March 17, 2017

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Unappropriated retained earnings		
Balance at beginning of year	₩ 304	104
Remeasurements of defined benefit liabilities	39,491	(183)
Other change in equity	(18,201)	-
Profit for the year	<u>1,427,449</u>	<u>2,035,284</u>
	<u>1,449,043</u>	<u>2,035,205</u>
Transfers from voluntary reserves		
Reserve for research and human resource development	<u>227,567</u>	<u>297,565</u>
	<u>227,567</u>	<u>297,565</u>
Appropriation of retained earnings		
Voluntary reserve	1,345,000	2,001,000
Dividends	<u>331,466</u>	<u>331,466</u>
	<u>1,676,466</u>	<u>2,332,466</u>
Unappropriated retained earnings to be carried over to subsequent year	<u>₩ 144</u>	<u>304</u>

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27. Dividends

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

*(In millions of won,
except share information and ratio)*

	2017			2016		
	Common stock	Preferred stock	Total	Common stock	Preferred stock	Total
Number of shares	94,700,668	3,974	94,704,642	94,700,668	3,974	94,704,642
Par value per share in won	₩ 5,000	5,000	-	5,000	5,000	-
Dividends as a percentage of par value	70.00%	71.00%	-	70.0%	71.0%	-
Dividends	₩ 331,452	14	331,466	331,452	14	331,466

(2) Dividends as a percentage of net income for the years ended December 31, 2017 and 2016 are as follows:

(In millions of won, except for ratio)

	2017	2016
Dividends	₩ 331,466	331,466
Profit for the year	1,427,449	2,035,284
Dividend as a percentage of net income	23.2%	16.3%

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

(In won, except for ratio)

	2017		2016	
	Common stock	Preferred stock	Common stock	Preferred stock
Dividend per share	₩ 3,500	3,550	3,500	3,550
Market price at the end of year	263,000	-	264,000	-
Dividend yield ratio	1.33%	-	1.33%	-

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28. Revenue

Revenue for the years ended December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Sales (domestic)	₩ 7,038,321	6,917,085
Sales (overseas)	<u>12,379,364</u>	<u>12,943,504</u>
	<u>₩ 19,417,685</u>	<u>19,860,589</u>

29. Nature of Expenses

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

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Changes in finished goods, work-in-process and merchandises	₩ (6,458)	(78,815)
Raw material consumed and purchase of merchandise	14,456,715	14,351,006
Employee benefits expense	929,277	911,928
Depreciation and amortization	331,740	312,666
Freight	259,574	289,225
Advertising	59,466	55,735
Fees and commission paid	633,913	588,711
Others	<u>1,290,958</u>	<u>1,392,030</u>
	<u>₩ 17,955,185</u>	<u>17,822,486</u>

Total amount is the sum of cost of sales and selling, general, and administrative expenses in separate statements of income.

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30. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

	<u>2017</u>	<u>2016</u>
Salaries	₩ 337,024	343,536
Retirement benefits	28,286	30,891
Other employee benefits	69,751	70,237
Service fees	131,552	117,871
Research and development costs	742,417	674,661
Depreciation and amortization	72,789	82,236
Advertising	59,466	55,735
Transportation	76,914	75,572
Rent	19,929	19,708
Supplies expense	6,883	8,435
Office and IT maintenance	45,658	50,965
Others	51,430	60,025
	<u>₩ 1,642,099</u>	<u>1,589,872</u>

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31. Other Income and Expense

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

(In millions of won)

	2017	2016
Other income:		
Foreign exchange transaction gain	₩ 98,256	122,396
Foreign exchange translation gain	4,336	23,050
Gain on sale of property, plant and equipment	1,045	885
Gain on sale of intangible assets	600	-
Reversal of impairment loss on intangible assets	-	608
Reversal of allowance for doubtful accounts - other	3	-
Realized gain of hedging financial derivatives	2,626	16,793
Unrealized gain of hedging financial derivatives	166	641
Miscellaneous gain	19,591	21,380
	<u>126,623</u>	<u>185,753</u>
Other expense:		
Foreign exchange transaction loss	101,924	163,242
Foreign exchange translation loss	14,011	5,996
Bad debts expense - other	-	554
Donation	14,453	17,245
Loss on sale of accounts and notes receivable - trade	1,508	1,561
Loss on sale of property, plant and equipment	6,572	41,882
Loss on sale of intangible assets	-	4
Impairment loss on intangible assets	439	171
Realized loss of hedging financial derivatives	2,059	14,326
Unrealized loss of hedging financial derivatives	-	1,284
Miscellaneous loss	18,606	1,055
	<u>159,572</u>	<u>247,320</u>
	<u>₩ (32,949)</u>	<u>(61,567)</u>

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32. Financial Instruments Related Income and Expense

(1) Financial instruments related income and expense classified as selling, general and administrative expenses for the years ended December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

	<u>2017</u>	<u>2016</u>
Selling, general and administrative expenses:		
Bad debts expense	₩ -	464
Reversal of bad debts expense	(157)	-
	<u>₩ 157</u>	<u>(464)</u>

(2) Financial instruments related income and expense classified as other income and other expense for the years ended December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

	<u>2017</u>	<u>2016</u>
Other income:		
Foreign exchange transaction gain	₩ 98,256	122,396
Foreign exchange translation gain	4,336	23,050
Reversal of allowance for doubtful accounts - other	3	-
Realized gain of hedging financial derivatives	2,626	16,793
Unrealized gain of hedging financial derivatives	166	641
	<u>105,387</u>	<u>162,880</u>
Other expense:		
Foreign exchange transaction loss	101,924	163,242
Foreign exchange translation loss	14,011	5,996
Bad debts expense - other	-	554
Loss on sale of accounts and notes receivable - trade	1,508	1,561
Realized loss of hedging financial derivatives	2,059	14,326
Unrealized loss of hedging financial derivatives	-	1,284
	<u>119,502</u>	<u>186,963</u>
	<u>₩ (14,115)</u>	<u>(24,083)</u>

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32. Financial Instruments Related Income and Expense, Continued

(3) Financial instruments related income and expense classified as finance income and finance costs for the years ended December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

	<u>2017</u>	<u>2016</u>
Finance income:		
Interest income	₩ 111,984	90,942
Dividend income	418,633	497,259
Foreign exchange transaction gain	73,594	134,892
Foreign exchange translation gain	11,449	77
Gain on sale of available-for-sale financial assets	-	15
Gain on sale of financial assets held for trading	7,520	2,200
Gain on valuation of financial assets held for trading	381	48
Gain on sale of financial assets designated at fair value through profit or loss	-	110
Gain on valuation of financial derivatives - other	-	10,847
	<u>623,561</u>	<u>736,390</u>
Finance costs:		
Interest expense	9,773	8,653
Foreign exchange transaction loss	81,472	90,092
Foreign exchange translation loss	38	18,284
Loss on sale of available-for-sale financial assets	6	4
Impairment loss on available-for-sale financial assets	15	195
Loss on sale of financial assets held for trading	1,075	789
Loss on valuation of financial assets held for trading	13,567	3,981
Loss on valuation of financial derivatives - other	4,401	-
	<u>110,347</u>	<u>121,998</u>
	<u>₩ 513,214</u>	<u>614,392</u>

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32. Financial Instruments Related Income and Expense, Continued

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

① For the year ended December 31, 2017

<i>(In millions of won)</i>	<u>Financial assets held for trading</u>	<u>Loans and receivables</u>	<u>Available- for-sale financial assets</u>	<u>Investment in associates and subsidiaries</u>	<u>Financial liabilities measured at amortized cost</u>	<u>Derivatives financial instruments</u>	<u>Total</u>
Interest income	₩ 497	111,487	-	-	-	-	111,984
Dividends income	-	-	987	417,646	-	-	418,633
Foreign exchange transaction gain	-	84,975	-	-	86,875	-	171,850
Foreign exchange translation gain	-	85	-	-	15,700	-	15,785
Realized gain of hedging financial derivatives	-	-	-	-	-	2,626	2,626
Unrealized gain of hedging financial derivatives	-	-	-	-	-	166	166
Gain on sale of financial assets held for trading	7,520	-	-	-	-	-	7,520
Gain on valuation of financial assets held for trading	381	-	-	-	-	-	381
Reversal of bad debts expense	-	157	-	-	-	-	157
Reversal of allowance for doubtful accounts - other	-	3	-	-	-	-	3
Interest expense	-	-	-	-	(9,773)	-	(9,773)
Foreign exchange transaction loss	-	(109,699)	-	-	(73,697)	-	(183,396)
Foreign exchange translation loss	-	(13,995)	-	-	(54)	-	(14,049)
Loss on sale of accounts and notes receivable - trade	-	(1,508)	-	-	-	-	(1,508)
Loss on sale of available-for- sale financial assets	-	-	(6)	-	-	-	(6)
Impairment loss on available-for-sale financial assets	-	-	(15)	-	-	-	(15)
Realized loss of hedging financial derivatives	-	-	-	-	-	(2,059)	(2,059)
Loss on valuation of financial derivatives - other	-	-	-	-	-	(4,401)	(4,401)
Loss on sale of financial assets held for trading	(1,075)	-	-	-	-	-	(1,075)
Loss on valuation of financial assets held for trading	(13,567)	-	-	-	-	-	(13,567)
	<u>₩ (6,244)</u>	<u>71,505</u>	<u>966</u>	<u>417,646</u>	<u>19,051</u>	<u>(3,668)</u>	<u>499,256</u>
Finance income	8,398	196,707	987	417,646	102,575	2,792	729,105
Finance costs	<u>₩ (14,642)</u>	<u>(125,202)</u>	<u>(21)</u>	<u>-</u>	<u>(83,524)</u>	<u>(6,460)</u>	<u>(229,849)</u>
Unrealized gain on valuation	<u>₩ -</u>	<u>-</u>	<u>1,495</u>	<u>-</u>	<u>-</u>	<u>19,652</u>	<u>21,147</u>
	<u>-</u>	<u>-</u>	<u>1,495</u>	<u>-</u>	<u>-</u>	<u>19,652</u>	<u>21,147</u>
	<u>₩ (6,244)</u>	<u>71,505</u>	<u>2,461</u>	<u>417,646</u>	<u>19,051</u>	<u>15,984</u>	<u>520,403</u>

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32. Financial Instruments Related Income and Expense, Continued

(4) Categories of finance income and costs for the years ended December 31, 2017 and 2016 are summarized as follows, continued:

② For the year ended December 31, 2016

<i>(In millions of won)</i>	Financial assets held for trading	Financial assets at fair value through profit or loss	Loans and receivables	Available- for-sale financial assets	Investment in associates and subsidiaries	Financial liabilities measured at amortized cost	Derivatives financial instruments	Total
Recognized in profit or loss:								
Interest income	₩ 573	-	90,369	-	-	-	-	90,942
Dividends income	-	-	-	470	496,789	-	-	497,259
Foreign exchange transaction gain	-	-	127,413	-	-	129,875	-	257,288
Foreign exchange translation gain	-	-	22,384	-	-	743	-	23,127
Gain on sale of available-for- sale financial assets	-	-	-	15	-	-	-	15
Realized gain of hedging financial derivatives	-	-	-	-	-	-	16,793	16,793
Unrealized gain of hedging financial derivatives	-	-	-	-	-	-	641	641
Gain on valuation of financial derivatives - other	-	-	-	-	-	-	10,847	10,847
Gain on sale of financial assets held for trading	2,200	-	-	-	-	-	-	2,200
Gain on valuation of financial assets held for trading	48	-	-	-	-	-	-	48
Gain on sale of financial assets designated at fair value through profit or loss	-	110	-	-	-	-	-	110
Interest expense	-	-	-	-	-	(8,653)	-	(8,653)
Foreign exchange transaction loss	-	-	(170,370)	-	-	(82,964)	-	(253,334)
Foreign exchange translation loss	-	-	(210)	-	-	(24,070)	-	(24,280)
Loss on sale of accounts and notes receivable - trade	-	-	(1,561)	-	-	-	-	(1,561)
Loss on sale of available-for- sale financial assets	-	-	-	(4)	-	-	-	(4)
Impairment loss on available-for-sale financial assets	-	-	-	(195)	-	-	-	(195)
Realized loss of hedging financial derivatives	-	-	-	-	-	-	(14,326)	(14,326)
Unrealized loss of hedging financial derivatives	-	-	-	-	-	-	(1,284)	(1,284)
Loss on sale of financial assets held for trading	(789)	-	-	-	-	-	-	(789)
Loss on valuation of financial assets held for trading	(3,981)	-	-	-	-	-	-	(3,981)
Bad debts expense - other	-	-	(554)	-	-	-	-	(554)
Bad debts expense	-	-	(464)	-	-	-	-	(464)
	₩ (1,949)	110	67,007	286	496,789	14,931	12,671	589,845
Finance income	2,821	110	240,166	485	496,789	130,618	28,281	899,270
Finance costs	₩ (4,770)	-	(173,159)	(199)	-	(115,687)	(15,610)	(309,425)
Recognized in other comprehensive income (loss):								
Unrealized gain on valuation	₩ -	-	-	2,028	-	-	26,102	28,130
	-	-	-	2,028	-	-	26,102	28,130
	₩ (1,949)	110	67,007	2,314	496,789	14,931	38,773	617,975

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

32. Financial Instruments Related Income and Expense, Continued

(5) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2017 and 2016 are summarized as follows:

① As of December 31, 2017

<i>(In millions of won)</i>		Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off	Net amounts of financial assets presented in the separate statement of financial position	Related amounts not set off in the separate statement of financial position		Net amount
					Financial instruments	Cash collateral received	
Derivatives financial instruments(*)	₩	4,153	-	4,153	41	-	4,112
Other financial instruments		205,690	163,392	42,298	-	101	42,197
	₩	<u>209,843</u>	<u>163,392</u>	<u>46,451</u>	<u>41</u>	<u>101</u>	<u>46,309</u>

(*) Derivative financial instruments trading follows master netting arrangement of the contract for over the counter derivative financial instruments. According to the arrangement, all transactions of derivative financial instruments are cancelled if a credit event such as bankruptcy of a trade opponent occurs and the relevant party should pay the net amount of receivables and payables at that point to the counter party of the transaction.

② As of December 31, 2016

<i>(In millions of won)</i>		Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off	Net amounts of financial assets presented in the separate statement of financial position	Related amounts not set off in the separate statement of financial position		Net amount
					Financial instruments	Cash collateral received	
Derivatives financial instruments	₩	4,253	-	4,253	4,253	-	-
Other financial instruments		224,614	200,995	23,619	52	136	23,431
	₩	<u>228,867</u>	<u>200,995</u>	<u>27,872</u>	<u>4,305</u>	<u>136</u>	<u>23,431</u>

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

32. Financial Instruments Related Income and Expense, Continued

(6) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2017 and 2016 are summarized as follows:

① As of December 31, 2017

<i>(In millions of won)</i>		Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off	Net amounts of financial liabilities presented in the separate statement of financial position	Related amounts not set off in the separate statement of financial position		Net amount
					Financial instruments	Cash collateral provided	
Derivatives financial instruments	₩	78	-	78	41	-	37
Repurchase, securities lending and similar agreements		510,326	-	510,326	510,326	-	-
Other financial instruments		313,060	163,392	149,668	101	-	149,567
	₩	<u>823,464</u>	<u>163,392</u>	<u>660,072</u>	<u>510,468</u>	<u>-</u>	<u>149,604</u>

② As of December 31, 2016

<i>(In millions of won)</i>		Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off	Net amounts of financial liabilities presented in The separate statement of financial position	Related amounts not set off in the separate statement of financial position		Net amount
					Financial instruments	Cash collateral provided	
Derivatives financial instruments	₩	26,042	-	26,042	4,253	-	21,789
Repurchase, securities lending and similar agreements		672,166	-	672,166	672,166	-	-
Other financial instruments		417,219	200,995	216,224	136	52	216,036
	₩	<u>1,115,427</u>	<u>200,995</u>	<u>914,432</u>	<u>676,555</u>	<u>52</u>	<u>237,825</u>

33. Income Taxes

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

<i>(In millions of won)</i>		<u>2017</u>	<u>2016</u>
Current tax expense	₩	450,868	644,234
Adjustment for prior periods		41,942	(305)
Origination and reversal of temporary differences		4,041	(75,431)
Income tax recognized in other comprehensive income		(25,176)	(12,850)
	₩	<u>471,675</u>	<u>555,648</u>

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

33. Income Taxes, Continued

(2) Deferred income tax recognized in other comprehensive income for the years ended December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won)</i>	2017	2016
Loss (gain) on valuation of available-for-sale financial assets	₩ 1,838	(647)
Gain on valuation of financial derivative instruments	(6,431)	(8,334)
Remeasurements of defined benefit liabilities	(1,562)	58
Gain on sale of treasury stock	-	(3,927)
Other	(19,021)	-
	₩ (25,176)	(12,850)

Income tax related to remeasurements of defined benefit liabilities, loss (gain) on valuation of available-for-sale financial assets and loss (gain) on valuation of financial derivative instruments are recognized in other comprehensive income.

(3) Reconciliation of effective tax rate for the years ended December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won, except for ratio)</i>	2017	2016
Profit before income taxes	₩ 1,899,124	2,590,932
Statutory tax rate	24.2%	24.2%
Income tax using statutory tax rate	459,588	627,006
Adjustment for:		
Non-taxable income and non-tax deductible expense	(11,523)	10,465
Tax credits	(118,442)	(175,358)
Current adjustments for prior periods	41,942	(305)
Others	100,110	93,840
	12,087	(71,358)
Income tax expenses	₩ 471,675	555,648
Average effective tax rate	24.8%	21.4%

(4) Deferred tax expenses by origination and reversal of deferred tax assets and liabilities for the years ended December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won)</i>	2017	2016
Deferred tax liabilities at the end of the period	₩ 273,603	269,562
Deferred tax liabilities at the beginning of the period	269,562	344,993
	₩ 4,041	(75,431)

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

33. Income Taxes, Continued

(5) As of December 31, 2017, the tax effects of temporary differences were calculated by using the expected future tax rate for the fiscal years when the temporary differences are expected to be reversed, and therefore tax rate of 27.5% were applied for the temporary differences expected to be reversed after 2019.

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

① For the year ended December 31, 2017

<i>(In millions of won)</i>	Beginning balance	Profit (loss)	Other comprehensive income (loss)	Ending balance
Land	₩ (94,955)	6,355	(19,021)	(107,621)
Investment in subsidiaries, associates and joint ventures	(268,034)	(48,743)	-	(316,777)
Defined benefit liabilities	(2,405)	(13,373)	(1,562)	(17,340)
Depreciation	(3,860)	(788)	-	(4,648)
Valuation of derivative instruments	6,016	1,349	(6,431)	934
Reserve for research and development	(89,088)	50,432	-	(38,656)
Valuation of available-for-sale financial assets	12,790	-	1,838	14,628
Impairment losses on available-for-sale financial assets	9,426	487	-	9,913
Allowance for valuation of inventories	5,235	(1,183)	-	4,052
Provision for warranties	81,242	26,296	-	107,538
Others	74,071	303	-	74,374
	<u>₩ (269,562)</u>	<u>21,135</u>	<u>(25,176)</u>	<u>(273,603)</u>

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

33. Income Taxes, Continued

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

② For the year ended December 31, 2016

<i>(In millions of won)</i>	Beginning balance	Profit (loss)	Other comprehensive income (loss)	Ending balance
Land	₩ (94,973)	18	-	(94,955)
Investment in subsidiaries, associates and joint ventures	(266,228)	(1,806)	-	(268,034)
Defined benefit liabilities	6,500	(8,963)	58	(2,405)
Depreciation	(3,631)	(229)	-	(3,860)
Valuation of derivative instruments	15,936	(1,586)	(8,334)	6,016
Reserve for research and development	(161,099)	72,011	-	(89,088)
Valuation of available-for-sale financial assets	13,437	-	(647)	12,790
Impairment losses on available-for-sale financial assets	9,379	47	-	9,426
Allowance for valuation of inventories	4,327	908	-	5,235
Provision for warranties	56,509	24,733	-	81,242
Others	74,848	3,150	(3,927)	74,071
	<u>₩ (344,995)</u>	<u>88,283</u>	<u>(12,850)</u>	<u>(269,562)</u>

(7) Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income tax assets and liabilities relate to income taxes levied by same taxation authority.

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

34. Earnings per Share

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

(In millions of won, except share information)

	<u>2017</u>	<u>2016</u>
Profit for the year	₩ 1,427,449	2,035,284
Dividends on preferred stock	(14)	(14)
Additional income available for dividends allocated to preferred stock	(46)	(72)
Net income attributable to common stocks	<u>1,427,389</u>	<u>2,035,198</u>
Weighted average number of common shares outstanding(*)	94,700,668	94,658,906
Earnings per share in won	₩ 15,073	21,500

(*) Weighted average number of common shares outstanding:

(In shares)

	<u>2017</u>	<u>2016</u>
Weighted average number of common shares issued	97,343,863	97,343,863
Weighted average number of treasury stock	<u>(2,643,195)</u>	<u>(2,684,957)</u>
Weighted average number of common shares outstanding	<u>94,700,668</u>	<u>94,658,906</u>

(2) Diluted earnings per share

Diluted earnings per share are not calculated for the years ended December 31, 2017 and 2016, because there are no dilutive shares as of December 31, 2017 and 2016.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

35. Transactions and Balances with Related Parties

(1) Subsidiaries as of December 31, 2017 are summarized as follows:

Location	Company
Korea	Hyundai IHL Co., Ltd.
Korea	Global Information Technology Co., Ltd.
China	Beijing Hyundai Mobis Automotive Parts Co., Ltd.
China	Jiangsu Mobis Automotive Parts Co., Ltd.
China	Wuxi Mobis Automotive Parts Co., Ltd.
China	Shanghai Hyundai Mobis Automotive Parts Co., Ltd.
China	Hyundai Motor (Shanghai) Co., Ltd.
China	Tianjin Mobis Automotive Parts Co., Ltd.
China	Cangzhou Hyundai Mobis Automotive Parts Co., Ltd.
China	Chongqing Hyundai Mobis Automotive Parts Co. Ltd.
China	GIT Beijing Automotive Technology Inc.
USA	Mobis America, Inc.
USA	Mobis Alabama, LLC
USA	Mobis Parts America, LLC
USA	American Autoparts, Inc.
USA	Mobis North America, LLC
USA	Mobis Parts Miami, LLC
USA	GIT America. Inc.
Mexico	Hyundai Mobis Mexico, S. De R.L. De C.V.
Canada	Mobis Parts Canada Corporation
Brazil	Mobis Brasil Fabricacao De Auto Pecas Ltda
Belgium	Mobis Parts Europe N.V.
Germany	GIT Europe GmbH
Russia	Mobis Parts CIS, LLC
Russia	Mobis Module CIS, LLC
Slovakia	Mobis Slovakia s.r.o.
Czech	Mobis Automotive Czech s.r.o.
Czech	Mobis Automotive System Czech s.r.o.
Turkey	Mobis Automotive and Module Industry Trade Co. - Joint Stock Company
UAE	Mobis Parts Middle East FZE
Egypt	Mobis Auto Parts Middle East Egypt
India	Mobis India, Ltd.
India	Mobis India Module Private Limited
Australia	Mobis Parts Australia PTY., Ltd.

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December 31, 2017 and 2016

35. Transactions and Balances with Related Parties, Continued

(2) Revenue transactions which occurred in the normal course of business of the Company with related parties for the years ended December 31, 2017 and 2016 are summarized as follows:

① For the year ended December 31, 2017

<i>(In millions of won)</i>	Company		Sales	Other	Total
Significant influence Subsidiaries	KIA Motors Corporation	₩	4,797,924	1,810	4,799,734
	Mobis Alabama, LLC		923,412	247	923,659
	Mobis Slovakia s.r.o.		672,875	162	673,037
	Mobis Automotive Czech s.r.o.		612,030	60	612,090
	Mobis Parts America, LLC		602,557	474	603,031
	Mobis Parts Middle East FZE		414,432	15	414,447
	Mobis Parts Europe N.V.		337,396	185	337,581
	Others		2,288,423	3,973	2,292,396
Associates and joint ventures	Hyundai Motor Company		4,743,490	2,098	4,745,588
	Others		85,400	4,065	89,465
Other related parties	Others		511,216	266	511,482
		₩	<u>15,989,155</u>	<u>13,355</u>	<u>16,002,510</u>

② For the year ended December 31, 2016

<i>(In millions of won)</i>	Company		Sales	Other	Total
Significant influence Subsidiaries	KIA Motors Corporation	₩	4,514,064	2,970	4,517,034
	Mobis Alabama, LLC		1,256,940	628	1,257,568
	Mobis Slovakia s.r.o.		732,995	11	733,006
	Mobis Automotive Czech s.r.o.		657,889	20	657,909
	Beijing Hyundai Mobis Automotive Parts Co., Ltd.		625,826	27	625,853
	Mobis Parts America, LLC		612,378	402	612,780
	Jiangsu Mobis Automotive Parts Co., Ltd.		593,038	27	593,065
	Others		2,467,349	1,874	2,469,223
Associates and joint ventures	Hyundai Motor Company		4,543,437	1,517	4,544,954
	Others		99,685	6,402	106,087
Other related parties	Others		468,359	987	469,346
		₩	<u>16,571,960</u>	<u>14,865</u>	<u>16,586,825</u>

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December 31, 2017 and 2016

35. Transactions and Balances with Related Parties, Continued

(3) Expense transactions which occurred in the normal course of business of the Company with related parties for the years ended December 31, 2017 and 2016 are summarized as follows:

① For the year ended December 31, 2017

<i>(In millions of won)</i>	Company		Purchases	Other	Total
Significant influence Subsidiaries	KIA Motors Corporation	₩	103,665	3,347	107,012
	Hyundai IHL Co., Ltd.		515,239	5,184	520,423
	Others		50,575	85,225	135,800
Associates and joint ventures	HL Green Power Inc.		436,618	4,744	441,362
	Hyundai Auto Electronics Company Ltd.		419,579	13,353	432,932
	Hyundai Motor Company		296,732	24,859	321,591
	Hyundai Powertech Co., Ltd.		224,921	131	225,052
	Others		120,409	177,271	297,680
Other related parties	Hyundai Wia		264,051	473	264,524
	Hyundai Glovis Co., Ltd.		15,223	213,837	229,060
	Hyundai Dymos Inc.		205,011	219	205,230
	Others		150,647	19,679	170,326
		₩	<u>2,802,670</u>	<u>548,322</u>	<u>3,350,992</u>

② For the year ended December 31, 2016

<i>(In millions of won)</i>	Company		Purchases	Other	Total
Significant influence Subsidiaries	KIA Motors Corporation	₩	108,286	2,873	111,159
	Hyundai IHL Co., Ltd.		544,654	6,554	551,208
	Others		28,856	75,405	104,261
Associates and joint ventures	Hyundai Auto Electronics Company Ltd.		486,306	18,114	504,420
	Hyundai Motor Company		326,434	18,218	344,652
	Hyundai Powertech Co., Ltd.		254,578	351	254,929
	HL Green Power Inc.		212,261	1,448	213,709
	Others		119,382	244,625	364,007
Other related parties	Hyundai Wia		274,760	731	275,491
	Hyundai Dymos Inc.		273,160	204	273,364
	Hyundai Glovis Co., Ltd.		11,186	246,925	258,111
	Others		119,945	36,503	156,448
		₩	<u>2,759,808</u>	<u>651,951</u>	<u>3,411,759</u>

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December 31, 2017 and 2016

35. Transactions and Balances with Related Parties, Continued

(4) Trade and other receivables of the Company with related parties as of December 31, 2017 and 2016 are summarized as follows:

① As of December 31, 2017

<i>(In millions of won)</i>	Company		Accounts and notes receivable - trade	Other receivables	Total
Significant influence	KIA Motors Corporation	₩	930,392	4,607	934,999
Subsidiaries	Mobis Slovakia s.r.o.		88,998	-	88,998
	Mobis Automotive Czech s.r.o.		83,803	-	83,803
	Mobis Parts Middle East FZE		82,831	-	82,831
	Mobis Parts Europe N.V.		73,913	101	74,014
	Others		410,822	719	411,541
Associates and joint ventures	Hyundai Motor Company		834,507	3,077	837,584
	Others		6,903	4	6,907
Other related parties	Others		67,701	123	67,824
		₩	<u>2,579,870</u>	<u>8,631</u>	<u>2,588,501</u>

② As of December 31, 2016

<i>(In millions of won)</i>	Company		Accounts and notes receivable - trade	Other receivables	Total
Significant influence	KIA Motors Corporation	₩	1,114,213	2,084	1,116,297
Subsidiaries	Mobis Parts Europe N.V.		154,158	384	154,542
	Mobis Automotive Czech s.r.o.		113,888	91	113,979
	Mobis Slovakia s.r.o.		95,542	203	95,745
	Mobis Parts Middle East FZE		95,636	76	95,712
	Others		457,773	2,082	459,855
Associates and joint ventures	Hyundai Motor Company		1,025,796	2,563	1,028,359
	Others		5,344	4	5,348
Other related parties	Others		68,728	9	68,737
		₩	<u>3,131,078</u>	<u>7,496</u>	<u>3,138,574</u>

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35. Transactions and Balances with Related Parties, Continued

(5) Trade and other payables of the Company with related parties as of December 31, 2017 and 2016 are summarized as follows:

① As of December 31, 2017

<i>(In millions of won)</i>	Company	Accounts and notes payable - trade	Other payables	Total	
Significant influence Subsidiaries	KIA Motors Corporation	₩ 28,165	4,930	33,095	
	Hyundai IHL Co., Ltd.	97,022	2,278	99,300	
	Others	5,889	25,088	30,977	
Associates and joint ventures	HL Green Power Inc.	90,006	4,681	94,687	
	Hyundai Auto Electronics Company Ltd.	75,245	4,257	79,502	
	Hyundai Powertech Co., Ltd.	67,251	-	67,251	
	Hyundai Motor Company	50,472	9,722	60,194	
	Hyundai Autoever Corporation	-	52,671	52,671	
	Hyundai Engineering Co., Ltd.	-	29,959	29,959	
	Others	28,601	3,210	31,811	
	Other related parties	Hyundai Wia	47,471	196	47,667
		Hyundai Dymos Inc.	45,459	95	45,554
Others		40,094	42,486	82,580	
		<u>₩ 575,675</u>	<u>179,573</u>	<u>755,248</u>	

② As of December 31, 2016

<i>(In millions of won)</i>	Company	Accounts and notes payable - trade	Other payables	Total	
Significant influence Subsidiaries	KIA Motors Corporation	₩ 46,525	4,001	50,526	
	Hyundai IHL Co., Ltd.	105,178	4,837	110,015	
	Others	5,765	66,315	72,080	
Associates and joint ventures	Hyundai Motor Company	89,127	4,565	93,692	
	Hyundai Auto Electronics Company Ltd.	76,728	8,754	85,482	
	Hyundai Engineering Co., Ltd.	-	67,257	67,257	
	Hyundai Powertech Co., Ltd.	64,670	386	65,056	
	HL Green Power Inc.	70,174	1,420	71,594	
	Hyundai Autoever Systems Corporation	-	41,796	41,796	
	Others	27,835	8,433	36,268	
	Other related parties	Hyundai Wia	48,620	4,526	53,146
		Hyundai Dymos Inc.	48,275	202	48,477
Hyundai Glovis Co., Ltd.		-	22,926	22,926	
Others		29,454	25,855	55,309	
		<u>₩ 612,351</u>	<u>261,273</u>	<u>873,624</u>	

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35. Transactions and Balances with Related Parties, Continued

(6) Financing transactions which occurred in the normal course of business of the Company with related parties as of December 31, 2017 and 2016 are summarized as follows:

① For the year ended December 31, 2017

<i>(In millions of won)</i>	<u>Company</u>	<u>Investments</u>
Subsidiaries	Chongqing Hyundai Mobis Automotive Parts Co. Ltd ₩	1,868
	Cangzhou Hyundai Mobis Automotive Parts Co., Ltd	1,589
	Mobis India Module Private Limited	1,299
Associates	Hyundai Motor Group (China) Ltd.	<u>22,533</u>
	₩	<u>27,289</u>

② For the year ended December 31, 2016

<i>(In millions of won)</i>	<u>Company</u>	<u>Investments</u>
Subsidiaries	Mobis Automotive System Czech s.r.o. ₩	48,615
	Chongqing Hyundai Mobis Automotive Parts Co., Ltd.	44,020
	Cangzhou Hyundai Mobis Automotive Parts Co., Ltd.	29,362
	Mobis Module CIS, LLC	17,138
	Mobis Brasil Fabricacao De Auto Pecas Ltda	17,033
Associates	Jiangsu Yueda Mobis New Energy Battery Co., Ltd.	<u>6,449</u>
	₩	<u>162,617</u>

(7) As of December 31, 2017 and 2016, the Company's financial instrument investment at HMC investment securities Co., Ltd. are ₩300,000 million and ₩280,000 million, respectively. The Company deposits plan assets relating to retirement benefits amounting to ₩294,892 million and ₩274,522 million at Hyundai Life Insurance Co., Ltd. as of December 31, 2017 and 2016, respectively.

(8) The Company receives dividends from related parties amounting to ₩417,646 million and ₩496,789 million as of December 31, 2017 and 2016, respectively. The Company pays dividends to related parties amounting to ₩102,843 million and ₩102,841 million as of December 31, 2017 and 2016, respectively.

(9) The Company has provided payment guarantees for related parties as of December 31, 2017 and 2016 (note 36).

(10) Executive compensation of the Company for the years ended December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Short-term employee benefits	₩ 27,058	30,962
Retirement benefits	4,172	4,931
Long-term employee benefits	<u>12</u>	<u>100</u>
	₩	<u>35,993</u>
	<u>31,242</u>	<u>35,993</u>

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36. Commitments and Contingencies

(1) Guarantees which the Company was provided as of December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

Guarantor	Guarantee contents	2017	2016
KEB Hana Bank	Guaranteed payment	\$ 20,000	25,000
		₩ 1,000	1,000
Seoul guarantee insurance company	Guaranteed payment	₩ 2,479	27,571
		\$ 20,000	25,000
		₩ 3,479	28,571

(2) Guarantees which the Company has provided as of December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

Guarantee	Guarantee contents	2017	2016
Hyundai Mobis Mexico, S. De R.L. De C.V.	Local Finance and other	\$ 340,000	340,000
Mobis India, Ltd.	Local Finance	-	10,000
Mobis North America, LLC	Local Finance	35,000	35,000
Mobis Automotive and Module Industry Trade Co. - Joint stock Company	Local Finance and other	35,820	31,467
Mobis Module CIS, LLC	Local Finance	149,700	150,195
Mobis Parts Europe N.V.	Local Finance and other	53,730	63,983
Mobis Auto Parts Middle East Egypt	Local Finance	27,000	27,000
Mobis Parts CIS, LLC	Local Finance	66,492	63,880
Mobis Parts America, LLC	Local Finance	270,000	270,000
Mobis Parts Canada Corporation	Local Finance and other	77,998	72,559
Mobis Parts Miami, LLC	Local Finance	20,000	20,000
Mobis Parts Australia PTY., Ltd.	Local Finance	17,149	15,875
Mobis Brasil Fabricacao De Auto Pecas Ltda	Local Finance	159,476	151,641
Changzhou Hyundai Mobis Automotive Parts Co., Ltd.	Local Finance and other	76,058	40,000
Chongqing Hyundai Mobis Automotive Parts Co., Ltd.	Local Finance and other	133,131	50,000
Mobis Automotive System Czech, s.r.o	Local Finance and other	119,400	62,934
DAESUNG ELTEC CO., LTD. and 16 other companies	Borrowing	14,278	19,690
	Guarantee Solidarity	₩ 20,000	20,000
HANJIN SANGSA and 1,201 other distributors	Guarantee		
		\$ 1,580,954	1,404,534
		₩ 34,278	39,690

HYUNDAI MOBIS CO., LTD.
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36. Commitments and Contingencies, continued

- (3) As of December 31, 2017, the Company has been named as a defendant in 12 pending litigations and arbitrations. The aggregate amount of claims is approximately ~~₩~~81,846 million. The ultimate effect of these cases cannot be reliably determined..
- (4) As of December 31, 2017, the Company has entered into contracts for the development of new technology related to airbags, audio and others with 27 companies including Thompson Ramo Wooldridge Inc. and Microsoft. In connection with these contracts, the Company recognized royalty expense amounting to ~~₩~~23,749 million and ~~₩~~34,059 million for the years ended December 31, 2017 and 2016, respectively.
- (5) As of December 31, 2017, the Company entered into bank overdraft agreements for borrowings up to ~~₩~~543,000 million with KEB Hana Bank and others. The Company has agreements with Citibank Korea Inc. and others to open documents against acceptance and documents against payment up to USD 2,659,766 thousand, and has agreement to open letters of usance credit up to USD 33,832 thousand and ~~₩~~8,000 million. Further, the Company has agreements with Kookmin Bank and others for accounts receivable- collateralized borrowings without recourse for up to ~~₩~~470,000 million.
- (6) The Company has provided guarantee for fulfilment of a contract of Mobis North America, LLC with Fiat Chrysler Automobiles for long-term auto parts supply and land-rent, as approved by the Board of Directors on April 28, 2005. Mobis North America, LLC is the entity invested by the Company, with the purpose of production and supply of auto parts to the factory of Fiat Chrysler Automobiles in Toledo.
- (7) The Company has stockholders' agreement with Hyundai Commercial Inc. and Fubon Life Insurance Co., Ltd. in relation to the operation of Hyundai Life Insurance Co., Ltd., allocating shares to the third party through capital contribution. The agreement includes details of disposal of shares such as put options or others that Fubon Life Insurance Co., Ltd. may dispose shares of Hyundai Life Insurance Co., Ltd. to the Company or Hyundai Commercial Inc. The Company recognizes loss on valuation of financial derivatives amounting to ~~₩~~4,401 million for the year ended December 31, 2017 and records loss on valuation of financial derivatives amounting to ~~₩~~7,474 million as liability as of December 31, 2017.

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December 31, 2017 and 2016

37. Cash Generated From Operations

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

(In millions of won)

	<u>2017</u>	<u>2016</u>
Profit for the year	₩ 1,427,449	2,035,284
Adjustments for:		
Retirement benefits	66,981	63,176
Accrual for warranties	148,727	268,102
Depreciation	290,759	275,536
Amortization	39,044	35,192
Depreciation of investment property	1,937	1,938
Bad debts expense	-	464
Interest expense	9,773	8,653
Income tax expense	471,675	555,648
Foreign currency translation loss(gain), net	(1,736)	1,153
Loss(gain) on disposal of investments in associates and subsidiaries	43,641	(4)
Loss on sale of available-for-sale financial assets	6	4
Loss on valuation of financial assets held for trading, net	13,186	3,933
Loss on sale of property, plant and equipment, net	5,527	40,997
Impairment loss on available-for-sale financial assets	15	195
Impairment loss on intangible assets	439	171
Interest income	(111,984)	(90,942)
Dividends income	(418,633)	(497,259)
Reversal of allowance for doubtful accounts	(157)	-
Loss(gain) on valuation of financial derivatives, net	4,235	(10,204)
Others	(603)	(65)
	<u>562,832</u>	<u>656,688</u>
Changes in assets and liabilities:		
Accounts and notes receivable - trade	508,848	(297,210)
Financial assets at fair value through profit or loss	-	7,136
Financial assets held for trading	(173,308)	(433,425)
Other receivables	27,816	3,689
Inventories	(8,775)	(67,295)
Other current assets	2,566	(4,798)
Other non-current assets	(305)	1,383
Accounts and notes payable - trade	(264,372)	140,505
Other payables	(102,608)	(53,222)
Provision for warranties	(142,497)	(167,423)
Other current liabilities	150,679	19,856
Other non-current liabilities	(5)	4,488
Benefit paid	(23,989)	(21,475)
Benefit plan assets	(71,508)	(38,750)
	<u>(97,458)</u>	<u>(906,541)</u>
Cash generated from operations	<u>₩ 1,892,823</u>	<u>1,785,431</u>

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

37. Cash Generated From Operations, Continued

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

<i>(In millions of won)</i>		<u>2017</u>	<u>2016</u>
Transfer of construction-in-progress	₩	328,681	564,414

38. Changes of liabilities from financing activities

<i>(In millions of won)</i>		<u>Beginning balance</u>	<u>Cash flow</u>	<u>Non-cash activities Exchange rate fluctuations</u>	<u>Ending balance</u>
Short-term borrowings	₩	678,636	(156,896)	(11,414)	510,326

39. Risk Management

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

Financial risk management is carried out for the Company's financial assets (cash and cash equivalents, short-term financial assets available-for-sale financial assets, and trade and other receivables) and financial liabilities (trade and other payables, borrowings and bonds).

(1) Market risk

① Foreign exchange risk

The Company is exposed to foreign exchange risk arising from export in sales and import in purchases amount, which is denominated in foreign currencies. The Company's primary exposure is related to changes in exchange rates for the US Dollars and Euro and the Company manages to minimize financial risk on fluctuations in foreign exchange in order to stabilize operating activities.

The Company is exposed to foreign exchange risk arising from various currency exposures. As of December 31, 2017 and 2016, if the Company's functional currency had weakened / strengthened by 10% against foreign currencies with all other variables held constant, profit before income taxes for the year would have been affected as follows:

<i>(In millions of won)</i>		<u>2017</u>		<u>2016</u>	
		<u>10% Up</u>	<u>10% Down</u>	<u>10% Up</u>	<u>10% Down</u>
Profit before income taxes	₩	1,359	(1,359)	(780)	780

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

39. Risk Management, Continued

(1) Market risk, continued

② Price risk

The Company's activities are exposed to price risk related to marketable securities by changes of market price. Marketable financial instruments as of December 31, 2017 and 2016 are as follows:

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Available-for-sale financial assets	₩ 23,332	19,726

③ Interest rate risk

The purpose of the Company's interest rate risk management is to mitigate the interest rate risk and minimize the net interest expense, further to optimize the enterprise value. Interest rate risk is the risk that interest income and interest expense from deposits and borrowings fluctuate, according to the fluctuation of future interest rate in market. Interest rate risk is mostly originated from floating rate deposits and borrowings. Since the Company manages the interest rate risk only by using fixed rate financial instruments, changes in interest rate does not affect the Company's profit.

Financial instruments exposed to interest rate risk as of December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won)</i>	<u>2017</u>	<u>2016</u>
Cash and cash equivalent	₩ -	25,070
Financial assets at fair value through profit or loss	1,539,031	975,333
	<u>₩ 1,539,031</u>	<u>1,000,403</u>

Sensitivity analysis of unrealized gain (loss) from a change of interest rate with all other variables held constant for the years ended December 31, 2017 and 2016 are as summarized as follows:

<i>(In millions of won)</i>	<u>2017</u>		<u>2016</u>	
	<u>1% Up</u>	<u>1% Down</u>	<u>1% Up</u>	<u>1% Down</u>
Gain (loss) on valuation of financial assets at fair value through profit or loss	₩ (40,300)	42,207	(20,695)	21,367

HYUNDAI MOBIS CO., LTD.
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39. Risk Management, Continued

(2) 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, and arises principally from the Company's receivables from customers and investment securities. To manage credit risks relating to trade receivables, the Company evaluates the credit rating of customers and determines credit limit for each customer based on the information provided by credit rating agencies and other available financial information before commencing business with customers.

Credit risk is borne by not only the credit risk arisen by customers with receivables and firm contracts but cash and cash equivalent, financial derivatives, bank deposit, and financial institution deposit. For the purpose of lowering the credit risk, the Company has transactions only with the financial institutions with high credit rating. The book value of financial assets means maximum exposure in respect of credit risk.

The maximum exposure as of December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won)</i>		<u>2017</u>	<u>2016</u>
Cash and cash equivalent (*)	₩	1,712,193	959,955
Financial assets at fair value through profit or loss		2,377,524	2,217,403
Short-term financial instruments		2,878,200	2,772,073
Trade and other receivables		3,364,893	3,914,517
Other current assets		19,077	8,229
Other non-current assets		59,900	56,837
	₩	<u>10,411,787</u>	<u>9,929,014</u>

(*) Cash on hand is excluded.

The maximum exposure to credit risk on guarantee which the Company has provided as of December 31, 2017 and 2016 are ₩1,693,834 million and ₩1,697,379 million, respectively.

The analysis of the aging of trade and other receivables as of December 31, 2017 and 2016 are summarized as follows:

① As of December 31, 2017

<i>(In millions of won)</i>		<u>Carrying amount</u>	<u>Not past due</u>	<u>Past due but not impaired</u>			<u>Impaired</u>
				<u>Within 30 days</u>	<u>30~180 days</u>	<u>Over 180 days</u>	
Accounts and notes receivable - trade	₩	3,344,996	3,309,712	29,875	2,240	118	3,051
Accounts and notes receivable - other		71,932	60,006	1,159	1,047	9,670	50
	₩	<u>3,416,928</u>	<u>3,369,718</u>	<u>31,034</u>	<u>3,287</u>	<u>9,788</u>	<u>3,101</u>

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December 31, 2017 and 2016

39. Risk Management, Continued

(2) Credit risk, continued

The analysis of the aging of trade and other receivables as of December 31, 2017 and 2016 are summarized as follows, continued:

② As of December 31, 2016

<i>(In millions of won)</i>	Carrying amount	Not past due	Past due but not impaired			Impaired
			Within 30 days	30~180 days	Over 180 days	
Accounts and notes receivable - trade	₩ 3,867,305	3,851,726	9,774	2,145	599	3,061
Accounts and notes receivable - other	51,389	25,818	18,326	3,067	4,127	51
	₩ 3,918,694	3,877,544	28,100	5,212	4,726	3,112

(3) 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. The Company maintains adequate sources of liquidity to settle short-term financial liabilities by periodic analysis of expected cash outflows.

The contractual maturities of financial liabilities as of December 31, 2017 and 2016 are summarized as follows:

① As of December 31, 2017

<i>(In millions of won)</i>	Carrying amount	Contractual cash flows	Within 1 year	1~5 years
Non-derivative financial liabilities				
Trade and other payables	₩ 2,392,897	2,392,897	2,392,897	-
Short-term borrowings	510,326	510,326	510,326	-
Other current liabilities	77,815	77,815	77,815	-
Liability for payment guarantee	1,372	1,693,834	419,089	1,274,745
	2,982,410	4,674,872	3,400,127	1,274,745
Derivative financial liabilities				
Derivative financial liabilities	7,552	7,552	48	7,504
	7,552	7,552	48	7,504
	₩ 2,989,962	4,682,424	3,400,175	1,282,249

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39. Risk Management, Continued

(3) Liquidity risk, continued

The contractual maturities of financial liabilities as of December 31, 2017 and 2016 are summarized as follows, continued:

② As of December 31, 2016

<i>(In millions of won)</i>	Carrying amount	Contractual cash flows	Within 1 year	1~5 years
Non-derivative financial liabilities				
Trade and other payables	₩ 2,786,637	2,786,637	2,786,637	-
Short-term borrowings	678,636	678,636	678,636	-
Other current liabilities	37,859	37,859	37,859	-
Liability for payment guarantee	1,341	1,697,379	165,892	1,531,487
	<u>3,504,473</u>	<u>5,200,511</u>	<u>3,669,024</u>	<u>1,531,487</u>
Derivative financial liabilities				
Derivative financial liabilities	29,115	29,115	20,360	8,755
	<u>29,115</u>	<u>29,115</u>	<u>20,360</u>	<u>8,755</u>
	<u>₩ 3,533,588</u>	<u>5,229,626</u>	<u>3,689,384</u>	<u>1,540,242</u>

The above maturity analysis was prepared by using the earliest date which could be asked for repayment during the maturity and the non-discounted free cash flows. In case of financial guarantee contracts, the analysis has been prepared by allocating during the earliest period which could be asked to pledge the maximum amount.

HYUNDAI MOBIS CO., LTD.
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39. Risk Management, Continued

(4) Management of capital risk

The objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. As for this to be maintained, the Company uses debt ratio as indicator of capital management. Debt to equity ratio is calculated as total liability divided by total equity.

Debt to equity ratio as of December 31, 2017 and 2016 are summarized as follows:

<i>(In millions of won, except for ratio)</i>		<u>2017</u>	<u>2016</u>
Total liabilities	₩	4,129,478	4,667,721
Total equity	₩	21,232,895	20,095,295
Debt to equity ratio		19.5%	23.2%

(5) Categories of financial assets and liabilities as of December 31, 2017 and 2016 are summarized as follows:

① As of December 31, 2017

<i>(In millions of won)</i>		<u>Financial assets held for trading</u>	<u>Loans and receivables</u>	<u>Available- for-sale financial assets</u>	<u>Financial liabilities measured at amortized cost</u>	<u>Derivatives financial instruments</u>	<u>Total</u>
Financial assets							
Cash and cash equivalent	₩	129,834	1,582,380	-	-	-	1,712,214
Financial assets designated at fair value through profit or loss		2,377,524	-	-	-	-	2,377,524
Short-term financial instruments		-	2,878,200	-	-	-	2,878,200
Trade and other receivables		-	3,364,893	-	-	-	3,364,893
Other current assets		-	16,701	-	-	2,376	19,077
Available-for-sale financial assets		-	-	52,628	-	-	52,628
Other non-current assets		-	58,123	-	-	1,777	59,900
	₩	<u>2,507,358</u>	<u>7,900,297</u>	<u>52,628</u>	<u>-</u>	<u>4,153</u>	<u>10,464,436</u>
Financial liabilities							
Trade and other payables	₩	-	-	-	2,392,897	-	2,392,897
Short-term borrowings		-	-	-	510,326	-	510,326
Other current liabilities		-	-	-	79,187	48	79,235
Other non-current liabilities		-	-	-	-	7,504	7,504
	₩	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,982,410</u>	<u>7,552</u>	<u>2,989,962</u>

HYUNDAI MOBIS CO., LTD.
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December 31, 2017 and 2016

39. Risk Management, Continued

(5) Categories of financial assets and liabilities as of December 31, 2017 and 2016 are summarized as follows, continued:

② As of December 31, 2016

<i>(In millions of won)</i>		Financial assets held for trading	Loans and receivables	Available- for-sale financial assets	Financial liabilities measured at amortized cost	Derivatives financial instruments	Total
Financial assets							
Cash and cash equivalent	₩	101,433	858,584	-	-	-	960,017
Financial assets designated at fair value through profit or loss		2,217,403	-	-	-	-	2,217,403
Short-term financial instruments		-	2,772,073	-	-	-	2,772,073
Trade and other receivables		-	3,914,517	-	-	-	3,914,517
Other current assets		-	6,319	-	-	1,910	8,229
Available-for-sale financial assets		-	-	39,429	-	-	39,429
Other non-current assets		-	54,494	-	-	2,343	56,837
	₩	<u>2,318,836</u>	<u>7,605,987</u>	<u>39,429</u>	<u>-</u>	<u>4,253</u>	<u>9,968,505</u>
Financial liabilities							
Trade and other payables	₩	-	-	-	2,807,691	-	2,807,691
Short-term borrowings		-	-	-	678,636	-	678,636
Other current liabilities		-	-	-	39,200	20,360	59,560
Other non-current liabilities		-	-	-	-	8,755	8,755
	₩	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,525,527</u>	<u>29,115</u>	<u>3,554,642</u>

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39. Risk Management, Continued

(6) Fair values

① The fair values of financial assets and liabilities, together with the carrying amounts shown in the separate statements of financial position as of December 31, 2017 and 2016 are as follows:

(In millions of won)

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Cash and cash equivalent	₩ 129,834	129,834	101,433	101,433
Financial assets at fair value through profit or loss	2,377,524	2,377,524	2,217,403	2,217,403
Available-for-sale financial assets	52,628	52,628	39,429	39,429
Derivative financial assets	4,153	4,153	4,253	4,253
	<u>2,564,139</u>	<u>2,564,139</u>	<u>2,362,518</u>	<u>2,362,518</u>
Assets carried at amortized cost				
Cash and cash equivalent	1,582,380	1,582,380	858,584	858,584
Short-term financial instruments	2,878,200	2,878,200	2,772,073	2,772,073
Trade and other receivables	3,364,893	3,364,893	3,914,517	3,914,517
Other current assets	16,701	16,701	6,319	6,319
Other non-current assets	58,123	58,123	54,494	54,494
	<u>7,900,297</u>	<u>7,900,297</u>	<u>7,605,987</u>	<u>7,605,987</u>
	₩ <u>10,464,436</u>	<u>10,464,436</u>	<u>9,968,505</u>	<u>9,968,505</u>
Liabilities carried at fair value				
Derivative financial liabilities	₩ 7,552	7,552	29,115	29,115
	<u>7,552</u>	<u>7,552</u>	<u>29,115</u>	<u>29,115</u>
Liabilities carried at amortized cost				
Trade and other payables	2,392,897	2,392,897	2,807,691	2,807,691
Short-term borrowings	510,326	510,326	678,636	678,636
Other current liabilities	79,187	79,187	39,200	39,200
	<u>2,982,410</u>	<u>2,982,410</u>	<u>3,525,527</u>	<u>3,525,527</u>
	₩ <u>2,989,962</u>	<u>2,989,962</u>	<u>3,554,642</u>	<u>3,554,642</u>

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

39. Risk Management, Continued

(6) Fair values, continued

② Fair value measurement classified by fair value hierarchy as of December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

	Level 1	Level 2	Level 3	Total
December 31, 2017				
Cash and cash equivalent	₩ -	79,983	-	79,983
Financial assets at fair value through profit or loss	205,862	1,253,186	-	1,459,048
Available-for-sale financial assets	23,332	-	-	23,332
Derivative financial assets	-	4,153	-	4,153
Derivative financial liabilities	-	(78)	(7,474)	(7,552)
	<u>₩ 229,194</u>	<u>1,337,244</u>	<u>(7,474)</u>	<u>1,558,964</u>
December 31, 2016				
Cash and cash equivalent	₩ -	25,070	-	25,070
Financial assets at fair value through profit or loss	473,300	502,033	-	975,333
Available-for-sale financial assets	19,726	-	-	19,726
Derivative financial assets	-	4,253	-	4,253
Derivative financial liabilities	-	(26,042)	(3,073)	(29,115)
	<u>₩ 493,026</u>	<u>505,314</u>	<u>(3,073)</u>	<u>995,267</u>

Significant transfers between Level 1, Level 2, and Level 3 have not occurred for the years ended December 31, 2017 and 2016.

③ Changes in level 3 for the year ended December 31, 2017 are summarized as follows:

(In millions of won)

	Beginning balance	Disposal	Valuation		Ending balance
			Profit or loss	Comprehensive income	
Derivative financial liabilities	₩ (3,073)	-	(4,401)	-	(7,474)

④ Financial instruments which are measured at the cost because the fair value is not available as of December 31, 2017 and 2016 are summarized as follows:

(In millions of won)

	2017	2016
Cash and cash equivalent	₩ 49,851	76,363
Financial assets at fair value through profit or loss	918,476	1,242,070
Available-for-sale financial assets	29,296	19,703
	<u>₩ 997,623</u>	<u>1,338,136</u>

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

39. Risk Management, Continued

(6) Fair values, continued:

- ⑤ Financial assets and liabilities carried at fair value by each valuation method are defined as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
 - Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or in indirectly
 - Level 3: input for the asset or liability that are not based on observable market data

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the closing bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. As for trade and other receivables, the book value approximates a reasonable estimate of fair value.

There are no significant changes in the business environment and economic environment, affected the fair value of the Company's financial assets and financial liabilities for the year ended December 31, 2017.

HYUNDAI MOBIS CO., LTD.
Notes to the Separate Financial Statements

December 31, 2017 and 2016

39. Risk Management, Continued

(6) Fair values, continued:

- ⑤ Financial assets and liabilities carried at fair value by each valuation method are defined as follows, continued:

The valuation methods and the unobservable inputs used in measuring Level 2 fair values as of December 31, 2017 are summarized as follows:

<i>(In millions of won)</i>	Fair value	Valuation methods	Inputs
Cash and cash equivalent	₩ 79,983	DCF model	Discount rate
Financial assets at fair value through profit or loss	1,253,186	DCF model	Discount rate
Derivative financial assets	4,153	DCF model	Discount rate, exchange rate, swap point
Derivative financial liabilities	<u>(78)</u>	DCF model	Discount rate, exchange rate, swap point
	<u>₩ 1,337,244</u>		

- ⑥ The valuation methods and the significant unobservable inputs used in measuring Level 3 fair values as of December 31, 2017 are summarized as follows:

<i>(In millions of won)</i>	Fair value	Valuation methods	Inputs	Significant unobservable input	Estimation range of unobservable input(%)	The effect of changes in the unobservable inputs on the fair value
Derivative financial liabilities	₩ (7,474)	Binomial valuation model	Discount rate, stock volatility	Stock volatility	15.12 ~ 18.48	The option value increases as stock volatility increases

- ⑦ The sensitivity to changes in unobservable inputs used in measuring Level 3 fair values as of December 31, 2017 are summarized as follows:

<i>(In millions of won)</i>	Fair value	Profit of Loss	
		Favorable changes	Unfavorable changes
Derivative financial liabilities(*)	₩ (7,474)	1,444	(1,420)

(*) Derivative financial instruments are subjects of sensitivity analysis. Favorable or unfavorable changes are calculated by increasing or decreasing 10%P in stock volatility which is a primary unobservable input.

40. Date of Authorization for Issue

The separate financial statements were authorized for issue by the Board of Directors on January 25, 2018.

Independent Auditors' Review Report on Internal Accounting Control System

English Translation of a Report Originally Issued in Korean

To the President of
HYUNDAI MOBIS Co., Ltd.:

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ("IACS") of HYUNDAI MOBIS Co., Ltd. (the "Company") as of December 31, 2017. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of IACS, the Company's management stated: "Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2017, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of Company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

A Company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of separate financial statements for external purposes in accordance with K-IFRS. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that Report on the Operations of Internal Accounting Control System as of December 31, 2017 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2017. We did not review the Company's IACS subsequent to December 31, 2017. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

February 28, 2018

Notice to Readers

This report is annexed in relation to the audit of the separate financial statements as of and for the year ended December 31, 2017 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Report on the Operations of Internal Accounting Control System

English Translation of a Report Originally Issued in Korean

To the Board of Directors and Audit Committee of
HYUNDAI MOBIS Co., Ltd.:

I, as the Internal Accounting Control Officer ("IACO") of HYUNDAI MOBIS Co., Ltd. ("the Company"), assessed the status of the design and operations of the Company's Internal Accounting Control System ("IACS") as of December 31, 2017.

The Company's management, including myself, is responsible for designing and operating the IACS. I assessed the design and operational effectiveness of the IACS in the prevention and detection of an error or fraud which may cause a misstatement in the preparation and disclosure of reliable financial statements. I followed the IACS Framework for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2017, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee.

January 25, 2018

Han, Yong Bin, IAC OFFICER

Lim, Young Deuk, Chief Executive Officer