

Go Global!
Global Hyundai!

Annual Report
2017-2018

ELEVATING VALUES FOR THE FUTURE



Hyundai Elevator rises higher and higher every day. In line with the evolving trends of urban architecture, our elevators, escalators and moving walks deliver the best-possible mobility services to ensure that people enjoy speedy, convenient and safe rides.

Mobility is about connecting the dots among the places and people in your daily life. It is our belief that we can add speed and efficiency to this mobility. In Hyundai Elevator, you will find a reliable partner that presents the value of innovative mobility in Korea and across the world through advanced mobility solutions.

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COMPANY HISTORY

Since 1980s

Establishment

1984~1989

- May 1984 Founded Hyundai Elevator Co., Ltd.
- May 1985 Completed the Icheon Elevator Factory (Factory 1)
- Sep. 1986 Completed the Icheon Escalator Factory and Elevator Test Tower
- Jul. 1988 Completed the Icheon Escalator Factory 2

1990s

Momentum

1990~1999

- Aug. 1993 Established the Chinese joint venture Shanghai Hyundai Elevator Co., Ltd.
- Sep. 1993 Established a joint venture in the Philippines (Hyundai Elevator Services Phils., Inc.)
- Nov. 1995 Completed the Cheonan Distribution Center
- Jul. 1996 Listed on the Korea Exchange
- Mar. 1998 Obtained the ISO 9001 and ISO 14001 certifications for elevators, Auto-Parking Systems and Materials Handling Systems from DNV

2000s

Growth

2001~2009

- Jul. 2001 Became the first Korean company to obtain the CE Mark (European safety standards) for elevators (DNV)
- Sep. 2004 Awarded with the Golden Tower Industrial Medal at the 28th National Productivity Innovation Competition (granted by the President)
- Feb. 2005 Awarded with the Top Prize at the Most Admired Business and Businessmen Awards 2005 (Federation of Korean Industries, Seoul Economic Daily)
- Mar. 2006 Opened a round-the-clock customer center capable of handling customer complaints and serving customers
- Apr. 2009 Completed the world's tallest ultra-high-speed elevator test tower 'Hyundai Asan Tower' (205m) and the Chung Mong-hun R&D Center**
 - Installed Korea's fastest elevators (600m/min, Hyundai Asan Tower)
 - Installed the world's fastest observation elevators (420m/min, Hyundai Asan Tower)
- Apr. 2009 Surpassed the 100,000 mark in elevator shipment
- Jul. 2009 Exported ultra-high-speed elevators (480m/min) to the Venezuelan governmental complex
- Nov. 2009 - Developed and installed the world's fastest elevators (1,080m/min, Hyundai Asan Tower)**
 - Developed and installed the world's fastest double deck elevators (600m/min, Hyundai Asan Tower)

2010s

Go Global!

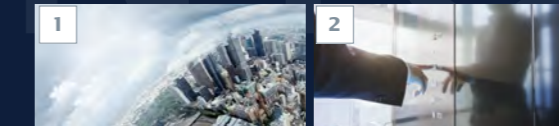
2010~2018

- Jun. 2010 Became the first Korean company to be rated A under the German elevator energy efficiency certification program (TÜV, Germany)
- Dec. 2011 Reached KRW 100 billion in service business sales
- Feb. 2012 Awarded at the iF Product Design Award 2012 for the Destination Selecting System
- Mar. 2013 Set a record in Korea in exceeding the injury-free target by 15 times (remained injury-free for 5.4 million hours, Korea Occupational Health and Safety Agency)
- Mar. 2013 Opened Hyundai Customer Care Center
- Jan. 2014 Established a Vietnamese joint venture (Hyundai Thanh Cong Elevator Vietnam Co., Limited)
- Jan. 2014 Increased the equity ownership of the Shanghai joint venture to 100%
- Apr. 2014 Completed a factory in Brazil
- Jun. 2014 Installed Korea's fastest elevators (600m/min, Busan International Finance Center)**
- Dec. 2014 Installed and operated Korea's longest escalators (57m, Shinnam station, Line No. 3, Daegu Metro)
- Feb. 2015 Installed and operated Korea's first double deck elevators (LG U+ office building in Yongsan)**
- Mar. 2015 Surpassed the 100,000 mark in the number of paid maintenance elevators**
- Aug. 2015 Completed Korea's first elevator training center Hyundai Elevator Institute of Technical Education
- Sep. 2015 Awarded with the Golden Industrial Medal at the 39th National Productivity Competition (granted by the President)
- Nov. 2015 Entered the Hall of Fame that recognizes businesses with outstanding quality competitiveness (Ministry of Trade, Industry, and Energy, Korean Agency for Technology and Standards / Korean Standards Association)**
- Apr. 2016 Announced Hyundai Elevator globalization strategy and Vision 2030
- Jul. 2016 Exceeded the 2,000 mark in monthly production output at the Icheon Factory**
- Aug. 2016 Surpassed the 200,000 mark in cumulative elevator production (since 1984)
- Sep. 2016 Established a joint venture in Turkey (Hyundai Elevator Asansör ve Servis Sanayi ve Ticaret Anonim Şirketi)

- Sep. 2016 Declared Vision 2020 at the Shanghai corporation
- Oct. 2016 Surpassed the 20,000 mark in the number of HRTS (Hyundai Real Time Service) units
- Oct. 2016 Became the first elevator maker to obtain the global carbon management certification (CARBON TRUST Standard)
- Nov. 2016 Launched world's first LED glass-adopted elevators and escalators
- Dec. 2016 Exceeded the 20,000 mark in annual production output at the Icheon Factory**
- Mar. 2017 - Became the first-ever elevator maker in the world to be awarded with the Gold Prize at the iF Design Award for 'ANYVATOR'
 - Awarded at the iF Design Award for 'in/out lights' used for parking facility
- Mar. 2017 Ranked 1st in the elevator sector for six consecutive years by the Korea Brand Power Index (K-BPI) 2017 (Korea Management Association Consulting)
- Jun. 2017 Surpassed 2,000 units in the number of elevators installed per month**
- Jun. 2017 Rated 'Excellent' for three consecutive years by the Win-Win Index (Korea Commission for Corporate Partnership)**
- Jul. 2017 Spun-off the non-elevator operations (logistics, PSD) / Launched Hyundai Movex
- Sep. 2017 Launched a new low/mid-rise elevator model 'NEO'
- Oct. 2017 Surpassed the 130,000 mark in the number of paid maintenance elevators**
- Nov. 2017 Awarded with the Prime Minister Citation for outstanding performance in sharing business benefits during the 2017 Win-Win Growth Week (Ministry of Trade, Industry and Energy, Korea Commission for Corporate Partnership)**
- Dec. 2017 Exceeded the 20,000 mark in the number of elevators installed per year**
- Mar. 2018 Started the construction of a new factory in Shanghai, China

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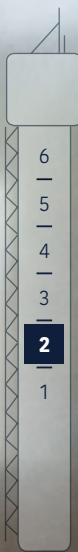


WHO WILL REACH THE SKY FIRST? THE CITY IS ALWAYS MOVING HIGHER.

Cities are advancing beyond our imagination day by day, and buildings are rising higher and higher to meet the evolving needs of cities. We at Hyundai Elevator are adding value to buildings with our agility, performance and technology that satisfy even the toughest and most demanding architectural requirements.



BUT WE THINK ABOVE ALL... THERE ARE **PEOPLE INSIDE** THAT MOVEMENT.



People are at the center of each and every mobility experience we create. We help people travel faster and higher. We take a step further to add safety and convenience to the aesthetically pleasing and comfortable mobility we create and this sets our products and services apart from the competition.



» KOREA NO. 1, GLOBAL TOP 7«

— In 2017, Hyundai Elevator broke record with sales of KRW 1.9937 trillion, not to mention its ranking 1st in domestic elevator installation market share for 11 consecutive years and topping the maintenance segment for three consecutive years.



Hyundai Elevator — 2017-2018

Dear Customers and Shareholders,

Hyundai Elevator presents its 2017-2018 Annual Report to stakeholders in order to illustrate its business operations over the past year in a detailed and transparent way. By outlining our financial/non-financial outcomes and our business projections and plans for the upcoming years, we intend to promote interactive communication with all our stakeholders and share our roadmap for the future.

In the face of the rapidly-shifting market conditions and intensifying competition of 2017, we posted KRW 1.9937 trillion in sales to set a new record in our corporate history and maintain our unbeatable No. 1 position in domestic elevator market share for 11 consecutive years.

We expect 2018 to be yet another challenging year across the domestic and overseas business landscape: the domestic construction business is projected to slow down and the government may tighten real estate regulations. Meanwhile, our global competitors are eager to increase their share in the Korean elevator market and further solidify their market dominance they've established in the overseas market over the years. To maintain our competitive advantage in both domestic and overseas markets, we will be committed to the following three strategic priorities.

First, we aim to increase our profitability in the domestic market.

As of Q1 of 2018, we reached 45.7% in domestic elevator market share and 145,889 units in maintenance, building on our past track records of sustained growth. Notably, our mid-to-large scale orders rose by 12% from the previous year, including the multi-purpose complex project order in Gwanggyo City that was awarded in January. To ensure our consistent growth momentum, we plan to strengthen our capabilities in landing small and short-term delivery orders and providing services so as to improve our profitability. Furthermore, we will deliver highly-competitive products recognized for cost savings enabled by quality innovation as well as for differentiated technology and design so that we maintain our status as a market leader.

Second, we will broaden our global capabilities.

As our overseas corporations stabilized their operation earlier than projected, we will land more orders in such Next Home Markets as China and Turkey as well as in Focus Markets and tap into new markets in 2018. We expect our overseas corporations to improve their business outcomes thanks to the business rationalization of last

year, and our new Factory in Shanghai, China, whose construction began in March this year will mark a milestone in expanding our global capabilities. Once it is completed by the end of 2019, this new factory with 25,000 units in annual capacity will enable us to more than triple our total production capacity (currently 7,500). This will surely drive our expansion into the global market as well as into China, the world's largest elevator market.

Third, we will secure new engines of growth.

At Hyundai Elevator, we are clearly aware that given the dynamics of industrial convergence and technology development in the 4th Industrial Revolution era, our success in the elevator industry will be determined by our relentless commitment to technology development. As such, we will be fully focused on building our competitive advantage through technology development across R&D, design and installation. We will bring in global talent and develop competent technology talent while laying the basis for Smart Factory and Before Service in preparation for the 4th Industrial Revolution.

Dear Customers and Shareholders,

We expect numerous challenges in the domestic and overseas elevator market in 2018. Still yet, we will keep a close watch on changing market conditions and stay agile in responding to any circumstance that may arise so that we can generate exceptional business outcomes. We have endorsed the 10 principles in the four sectors of human rights, labor, the environment and anti-corruption under the UN Global Compact since 2015 to fulfill our corporate social responsibility and to pursue a balanced and sustainable development as a reliable corporate citizen.

We will be fully committed to ensure that Hyundai Elevator is a trusted partner for all our shareholders, global and domestic customers and suppliers who never fail to provide us with unsparing encouragement and support. We look forward to your everlasting encouragement and interest.

Thank you.

Bob Jang, CEO of Hyundai Elevator
May 2018

Hyundai Elevator — 2017-2018

GOVERNANCE

Composition of the BOD

As the top decision-making body, our Board of Directors (BOD) deliberates and decides on general management policies and major issues in order to improve corporate value and stakeholder interest through transparent management. The BOD consists of seven directors - three internal directors, three outside directors and one non-executive director, and operates the Audit Committee, Outside Director Candidate Recommendation Committee, and Personnel Management Committee to ensure efficiency in decision making. While the current BOD Chairman position is an internal director, our BOD Regulations do not pose any limitations on appointing an outside director as the BOD Chairman.

Independence of the BOD

We decreed that 25% or more of the total BOD members should be outside directors. Presently, there are three outside directors who are responsible for holding the senior management in check and supporting objective decision-making. Outside directors participate in all BOD committees to ensure the independence and transparency of the decision-making process. Specifically, the Audit Committee may request reports on business operations or investigate the status of corporate assets when necessary. The committee is also entitled to request employees or outside auditors to attend meetings or seek expert advice at the expense of the company.

Transparency and Expertise in Director Appointment

Internal directors and outside directors are nominated by the BOD and the Outside Director Recommendation Committee respectively, and then are appointed at the General Shareholders' Meetings. The whole director nomination process is fair and impartial. Currently, our outside directors come from policy, accounting, and financial backgrounds and do not have concentrations in specific professions. In so doing, we ensure expertise and diversity in making key decisions.

Evaluation and Compensation

We perform periodic evaluations on the BOD to ensure that it properly fulfills its roles and responsibilities. In accordance with Article 388 of the Commercial Act and the Article of Incorporation, limits are placed on director remuneration through the resolutions made at the General Shareholders' Meetings. We ensure fairness and transparency in compensating directors according to relevant regulations and in the outcomes of performance assessments conducted on directors.

Communication with Stakeholders

To reaffirm stakeholder trust, our BOD ensures there is constant communication with stakeholders in the form of internal/external channels, which range from corporate disclosures to General Shareholders' Meetings and IR events. We also expediently disclose information regarding key management issues.

Executive Performance Evaluation and Compensation

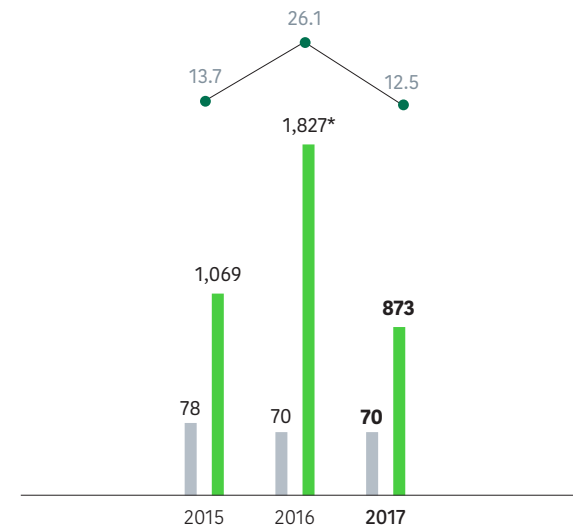
Our executives are evaluated and compensated in accordance with the set executive payment criteria. While all our employees are paid basic bonuses (determined based on sales, the rate of attaining operating profit targets and growth rates) and over-profit bonuses (determined based on the excess operating profits beyond the set target and absolute increases in operating profit), executives are also entitled to such compensation according to their appointed position and performance evaluation outcomes. Executives are also subject to assessments that are based on such non-financial factors as HR, safety, and environment depending on their position and responsibility.

Employee Remuneration

In accordance with Article 388 of the Commercial Act and the Article of Incorporation, limits are placed on director remuneration through the resolutions made at General Shareholders' Meetings. In 2017, the CEO's total compensation including pay and bonuses amounted to KRW 873 million, and the average pay per employee (excluding registered executives, based on the earned income disclosed on the earned income payment statement) was KRW 70 million as of the end of 2017.

Employee Remuneration

— Average employee remuneration (KRW million)
— CEO remuneration (KRW million)
● Ratio (%)



* Including the retirement income (KRW 564 million) paid to the former CEO upon his retirement in March 2016

Hyundai Elevator Board of Directors

Position	Career	Date of Appointment
Internal Director	Jeong-Eun Hyun (F) Chairperson of Hyundai Group, Chairperson of the Hyundai Elevator BOD, Vice Chairperson of the Seoul Chamber of Commerce and Industry	Mar. 30th, 2004
	Bob Jang (M) CEO of Hyundai Elevator, Former CEO of Otis Elevator	Mar. 18th, 2016
	Ki-Seon Kwon (M) CFO of Hyundai Elevator, Former Deputy Managing Director, Strategic Planning Division, Hyundai Group	Mar. 27th, 2015
Outside Director	Jong-Sang Yu (M) Chair of the Audit Committee, Former Assistant Planning Director at the Office for Government Policy Coordination, Former Visiting Professor, Department of Public Administration, Myongji University	Mar. 18th, 2016
	Dong-Beom Seo (M) Managing Director at Yieum Private Equity, Former Managing Director, PE Division, Kamur Investment Partners	Mar. 18th, 2016
	Yu-Jong Kim (M) Former Business Sales Director for Gangnam at Woori Bank, Former auditor at Woori FIS	Mar. 24th, 2017
Non-executive Director	Ho-Jin Kim (M) Executive Managing Director at Hyundai Group Strategic Planning Division, Former Executive Managing Director at Daewoo Securities IB Division	Mar. 28th, 2014

Outside Directors and Their Committee Activities

Committee	Member	Activity
Audit Committee	Jong-Sang Yu, Dong-Beom Seo, Yu-Jong Kim	<ul style="list-style-type: none"> Matters regarding the General Shareholders' Meetings Matters regarding directors and the BOD Matters regarding audits
Outside Director Recommendation Committee	Jong-Sang Yu, Dong-Beom Seo, Yu-Jong Kim, Bob Jang, Ki-Seon Kwon	<ul style="list-style-type: none"> Recommending, evaluating and selecting outside director candidates to be appointed at the General Shareholders' Meetings Appointing, dismissing and promoting executives
Personnel Management Committee	Jong-Sang Yu, Yu-Jong Kim, Bob Jang, Ki-Seon Kwon	<ul style="list-style-type: none"> Matters regarding the compensation of executives, including pay and bonuses Employment conditions and incentive programs for executives Granting stock options and their quantities Modifying and establishing other HR-related systems

COMPANY PROFILE

At Hyundai Elevator, relentless innovation is driven by its commitment to go beyond its flagship elevator products to deliver even more specialized and added value, ranging from cutting-edge technology and design that sets the global trend to smart operational systems, safety and green technology. We maintained our No. 1 leadership in new elevator installation for 11 consecutive years and remained the unrivaled victor in service maintenance for three consecutive years. Leveraging our advanced technology, we at Hyundai Elevator are moving beyond the domestic elevator market to further broaden our global presence.



— Hyundai Asan Tower

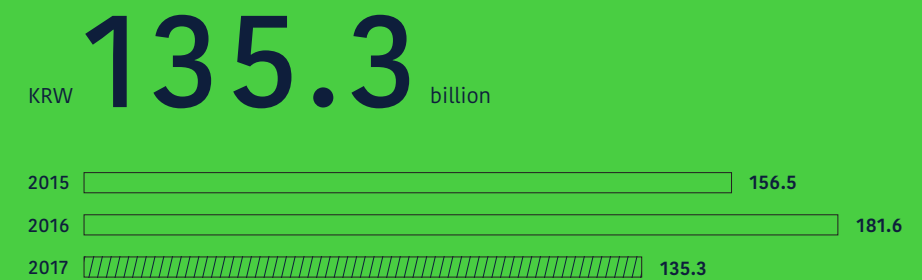
FINANCIAL PERFORMANCE

Driven by our success in ranking 1st in domestic market share for 11 consecutive years, we set a new corporate record in 2017 by increasing our sales by 13.4% from the previous year to reach KRW 1.9937 trillion. Meanwhile, our operating income inched down to KRW 135.3 billion due to intensifying competition to land orders, increasing prices of raw materials and global economic downturn. We surpassed the 2,000 mark in monthly elevator installation for the first time since our establishment, and our total elevator installation rose by 6.9% from 45,044 of last year to 48,167 units accordingly. Our market share also increased by 2.8% from last year's 41.3% to 44.1%. Turning to service business, we ranked 1st in maintenance market share for three consecutive years, demonstrating 15% or above in annual average sales growth over the past three years.

Sales (as of 2017, based on consolidated financial statements)

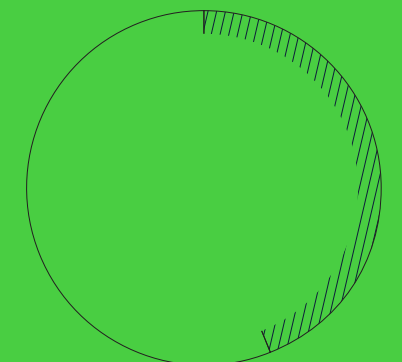


Operating Income (as of 2017, based on consolidated financial statements)

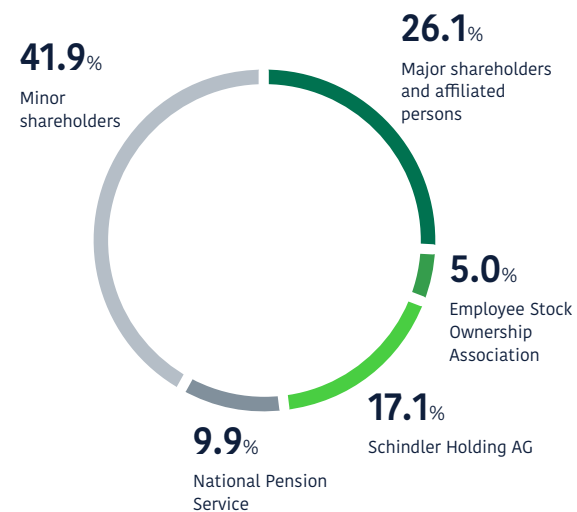


Market Share (new elevator installation in Korea)

44.1%



Shareholder Data



(as of the end of December 2017, based on consolidated financial statements)

Name of Company	Hyundai Elevator Co., Ltd.
Date of Establishment	May 23rd, 1984
Headquarters	2091, Gyeongchung-daero, Bubal-eup, Icheon City, Gyeonggi Province, South Korea
No. of Employees	2,112
Major Business Areas	Production, sales, installation and maintenance of elevators, escalators, moving walks, parking systems and etc.
Market Share	New Elevator Installation: 44.1% (No. 1 for 11 consecutive years) Maintenance: 23.8% (No. 1 for three consecutive years)
Paid Maintenance	145,889 units
Sales	KRW 1.9937 trillion
Operating Income	KRW 135.3 billion

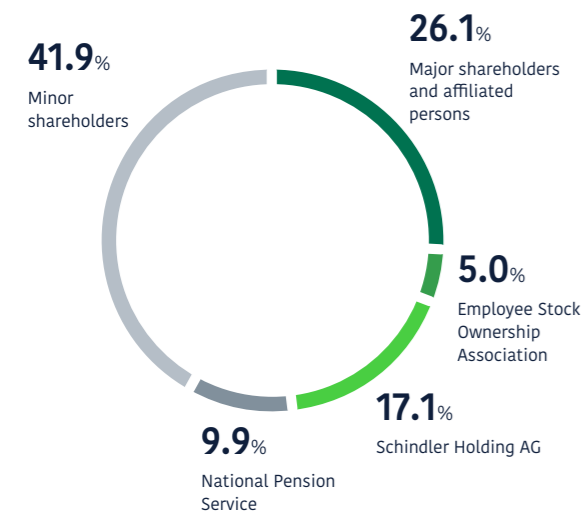
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Hyundai Asan Tower

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Consolidated Financial Statements in Summary

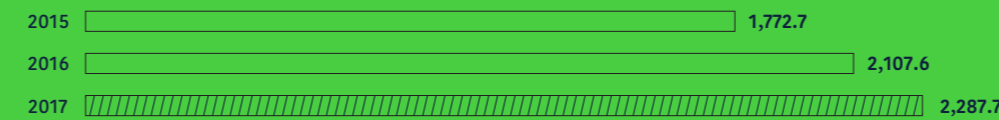
(Unit: KRW 100 million)	2017	2016	2015
Assets	22,877	21,076	17,727
Current assets	9,452	10,451	10,148
Non-current assets	13,424	10,625	7,579
Liabilities	14,524	13,165	11,309
Current liabilities	7,658	7,194	6,477
Non-current liabilities	6,866	5,971	4,831
Capital	8,353	7,911	6,418
Controlling company's interests	8,363	7,785	6,415
Non-controlling interests	(11)	126	3

Consolidated Statements of Comprehensive Income

(Unit: KRW 100 million)	2017	2016	2015
Sales	19,937	17,588	14,487
Cost of sales	16,150	13,636	11,380
Gross income	3,787	3,951	3,106
Selling and administrative expenses	2,434	2,136	1,541
Operating income	1,353	1,816	1,565
Net income before income taxes	1,292	189	340
Net income	790	1,169	(50)

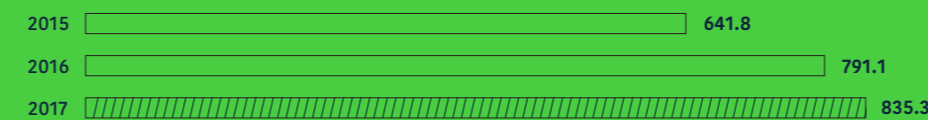
Assets (as of 2017, based on consolidated financial statements)

KRW **2,287.7** billion



Capital (as of 2017, based on consolidated financial statements)

KRW **835.3** billion



NO.1

No. 1 in new elevator installation in Korea for 11 consecutive years



NO.1

No. 1 in elevator maintenance in Korea for three consecutive years

145,889

Elevator maintenance (No. of units)



23,161

Elevator shipments at the Icheon Factory (No. of units)

2,166

Maintenance staff (No. of persons) (including partners, excluding sales and management staff)



24,939

R&D expenses (KRW million)

NEWS HIGHLIGHT 2017

January. 9.



Winning the SFMC Project Contract in Saudi Arabia (Valued at US\$ 30 Million)

On January 9th, we landed a US\$ 30 million (KRW 34 billion) order to manufacture elevators and escalators to be installed in the Security Forces Medical City (SFMC), a large-scale medical complex under construction in Riyadh by the Saudi Arabian government. Our technology and quality was globally recognized by successfully competing against global players to sign this contract concerning the largest medical complex in the Gulf Cooperation Council (GCC) region.

March. 12.



Becoming the First Elevator Maker to Receive the Gold Award at the iF Design Award 2017

On March 12th, we became the first elevator maker to be honored with the Gold Award for ANYVATOR in the Professional Concept discipline at the iF Design Award, one of the top three prestigious design awards across the globe. Our in/out parking system lights were also awarded in the Product Discipline. This is the second time we have received this honor since 2012.

March. 15.



Ranked First in the Elevator Sector for Six Consecutive Years at the 19th K-BPI in 2017

Hyundai Elevator was ranked first in the elevator sector for six consecutive years by the Korea-Brand Power Index 2017 published by the Korea Management Association Consulting on March 15th. Since the domestic market is mired in fierce competition among robust global players, this achievement was particularly meaningful.

May. 3.



Italian Super Luxury Cruise Ship AIDA Perla's Maiden Voyage

The world-renowned cruise line, AIDA Cruises, set its AIDA Perla on its maiden voyage on May 3rd, following its construction and installation of our ship elevators on board. Back in 2012, we became the first Asian elevator maker to land orders for a total of 66 ship elevators from Mitsubishi Heavy Industries who built the ship for AIDA.

June. 28.



Rated 'Excellent' for Three Consecutive Years by the Win-Win Index

We are fully dedicated to building healthy collaborative partnerships and disseminating a culture of mutually-beneficial cooperation. Our endeavors in doing so were recognized as we were rated 'Excellent' for three consecutive years by the Win-Win Index published by the Presidential Commission for Corporate Partnership on June 28th.

June.



Surpassing 2,000 Units in Monthly Elevator Installation

In 2017, we set a new record in our corporate history by surpassing the 2,000 mark in monthly elevator installation. As of the end of June 2017, our installation rose by nearly 18% from the previous year (1,783 units) to reach 2,108 units, further solidifying our unrivaled status as Korea's leading elevator manufacturer.

September. 4.



Launching the New Elevator Model NEO

On Sep. 4th, we unveiled our new elevator model, NEO, with improved design features and architectural efficiency. Developed with the modern and minimalist concepts that meet the demand of design-focused market trends, NEO is recognized for its differentiated design and the adoption of our core technology in enhancing spatial and energy efficiency.

October. 1.



Initiating the Operation of LED Glass Escalators at Korea's Largest Hotel-Plex Seoul Dragon City

Korea's largest hotel-plex, Seoul Dragon City, that opened in October is equipped with 33 elevators and 10 escalators manufactured by Hyundai Elevator. Notably, eight out of the 10 installed escalators are the world's first to adopt LED glass.

October.



Surpassing 130,000 Units in Paid Elevator Maintenance

We reached 130,000 units in paid elevator maintenance last October, which placed us first in the domestic elevator maintenance market for three consecutive years. We swiftly respond to any customer needs, leveraging our IoT-enabled remote management system and round-the-clock remote maintenance network.

November. 1.



Receiving the Prime Minister Citation for Sharing Business Outcomes

We have consistently undertaken joint innovation programs with suppliers to reduce costs and improve quality while sharing their outcomes. Our endeavors in so doing were recognized as we were awarded with the Prime Minister Citation, in conjunction with our supplier Woojin Electric for our exceptional achievement in sharing business outcomes at the 2017 Win-Win Growth Week ceremony hosted in November.

December.



Surpassing 20,000 Units in Annual Installation

Last December, we surpassed the 20,000 mark (21,397 units) in annual installation for the first time in our corporate history. This is attributed to last year's booming construction business and we have posted an annual average growth of nearly 12% over the years, from 13,579 units in 2014 to 15,290 units in 2015 and 18,202 units in 2016.

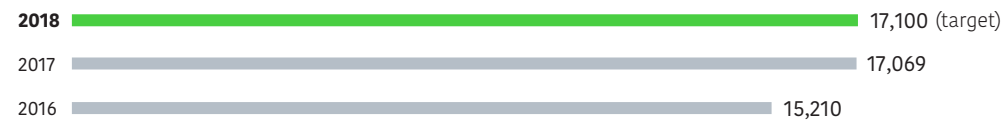
VISION AND STRATEGY

Vision and Strategy

In 2017, we declared our 'Vision 2020' and set detailed targets for making it to the 'Global Top 7' through increased overseas sales and for laying the basis for sustainable growth by 2020, under our vision slogan 'Go Global'. Our Vision House embodies our commitment to acting on the three core values and norms on the basis of 'Safety and Ethics' as a fundamental philosophy in order to reach out to customers across the globe. The year 2017 marked the beginning of our journey to reach the ambitious goal of

joining the league of global top 7 elevator makers. As the first step to lay the basis for sustainable growth through global market competitiveness, we defined our globalization strategy roadmap by selecting priority markets to enter by 2020 and by developing plans to build required capabilities. For 2018, we set our sales and operating profit targets at KRW 1.7100 trillion and KRW 181 billion respectively (on a non-consolidated basis) in consideration of the expected downturn in the global construction business.

Sales Unit: KRW 100 million, On a non-consolidated basis



* Materials handling system business was transferred to Hyundai Movex in July 2017.

VISION & STRATEGY



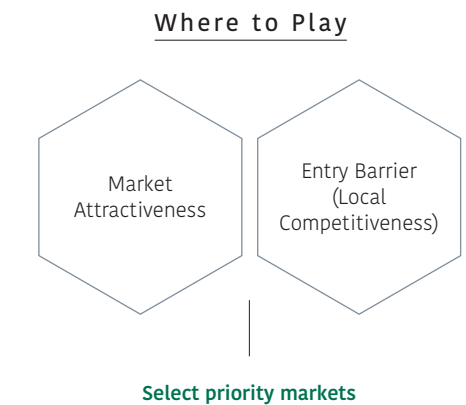
Global Top 7 by 2020



Global Strategy

Our elevator production, sales and maintenance business reaches 52 countries across the globe, from Korea and China to countries in Asia, the Middle East, Central & Latin America, Europe and Africa. Amid the sustained low oil prices and global economic downturn last year, we successfully landed new orders valued at KRW 115.9 billion and posted KRW 168.5 billion in sales in Turkey, Indonesia, Malaysia and Saudi Arabia. In Vietnam, we proactively expanded our sales network and increased large-scale orders to grow our business by a whopping 45%.

In 2018, we expect gradual increases in demand compared to the previous year thanks to the recovery of advanced economies and their rippling effects on the global economy. At Hyundai Elevator, we aim to proactively respond to such economic trends: we will reinforce the sales of high value-added products in Southeast Asia to broaden our business network while stabilizing our Turkish joint venture and increasing the sales of mid/low-speed MRL (Machine Room Less) elevators that are currently under development in Europe. This will surely enable us to reach our 2018 goal of posting KRW 192.9 billion in orders and KRW 174.7 billion in sales.



GLOBAL STRATEGIES BY REGION

Our elevator production, sales and maintenance business is conducted in 52 countries across Asia, the Middle East, Central & Latin America, Europe and Africa.

China

China represents our strategic market as it accounts for 60% of the global elevator demand. Last year, our orders (including exports) and sales in this market amounted to 5,825 units and US\$ 126 million respectively. This is attributable to declining orders caused by the sluggish local real estate market and political issues between China and Korea. Still yet, we opened a second R&D center in Shanghai in January to study the preferences and standards of Chinese customers in order to fully adapt to the market. Notably, our new Shanghai factory whose construction began in March 2018 will be completed by the end of 2019 and is expected to increase our annual production capacity by 3.5 times to 25,000 units. We believe that this new factory will serve as a foothold to generate business outcomes across the global market as well as in the world's largest elevator market of China.

In 2018, China's urbanization policy will be implemented fully under its government leadership. Global elevator makers are expected to engage in a fierce price competition to expand their market share while the remodeling market may grow further. Our plan is to strengthen our sales capabilities, improve product competitiveness through R&D, and build a global management system to make China our second domestic market.

Asia

Rising to the No. 4 position with our exceptional quality and swift delivery, we increased our business by 19.7% in Vietnam by expanding our sales network and increasing large-scale orders last year. In 2018, we expect to see increasing demand thanks to the continued infrastructure investments made by the local government and the booming construction business. In response, we will strengthen our sales operations to target large local construction companies and supplement our sales network in such high-growth areas as Ho Chi Minh in the south and Da Nang in the central region in order to gain higher market share.

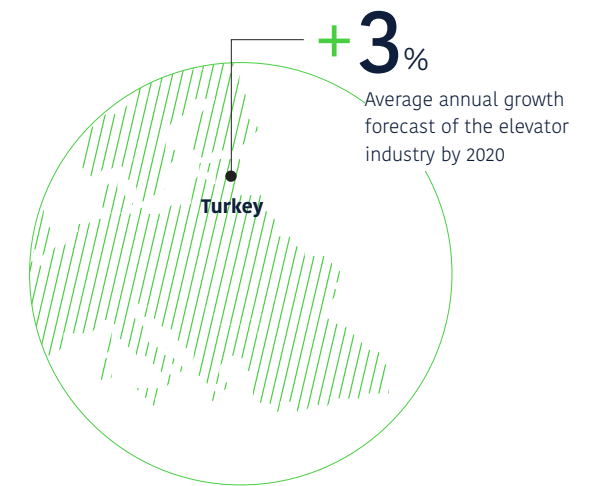
In Malaysia, we established proven track records in quality competitiveness by engaging in such large-scale projects as the Kuala Lumpur Gateway and the Genting Highlands. In 2018, we plan to stabilize the sales and operations of our local corporation early on and to launch our high-speed elevators manufactured in Shanghai to improve our price competitive edge and reinforce sales capabilities.

In Indonesia, we took a preemptive sales approach in the repair and parts sales business to increase our orders by 27.6%. In 2018, our top priority was to improve the quality of localized service and aim to train local service technicians and continuously invest in building service business infrastructure.



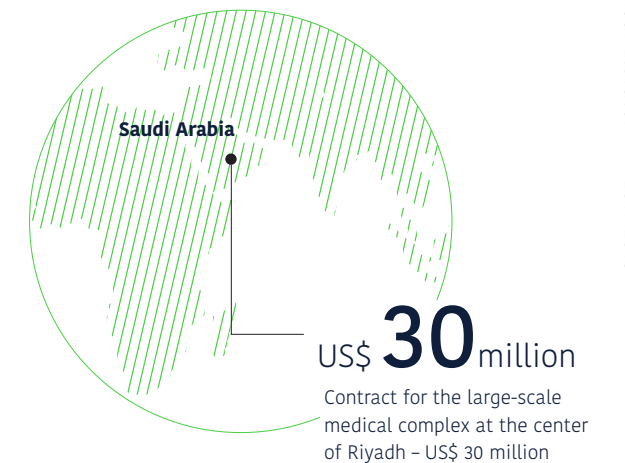
Europe

In 2016, we established an overseas corporation in Turkey to build our own outpost to advance into the European market. We are recognized as a premium elevator brand in Turkey and have successfully performed high-speed and large-scale elevator installations on numerous projects ranging from subways and offices to hospitals and mixed-use residential buildings. Driven by its prosperous construction business, the Turkish elevator industry is set to experience an annual growth rate of 3% by 2020, and its maintenance market also holds a great potential. We set up an additional office in Izmir in January 2017 to broaden our sales network, and are doing business with six more dealers as of H1 of 2018 to target mid-size and local customers. In 2018, we aim to stabilize the operations of our Turkish corporation and to gradually raise our market share in line with the local government's urban regeneration policy, including housing redevelopment.



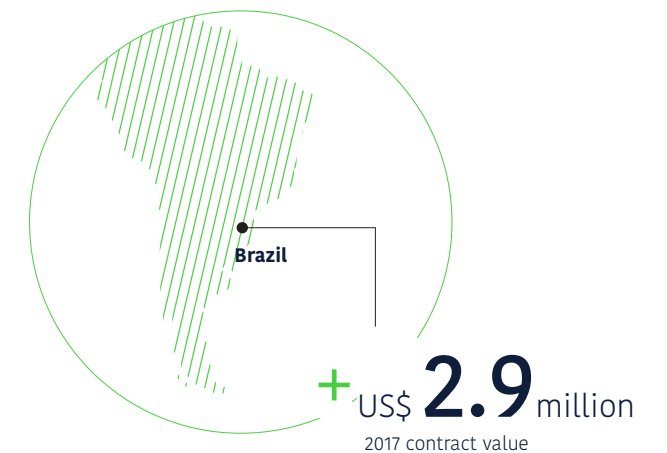
Middle East

Since we first entered into Iraq in early 2000, we have constantly improved our brand awareness in the region to land orders for 1,668 elevators for the Bismayah New City project as well as the governmental complex and other major public organizations while making noteworthy achievements in obtaining large-scale contracts including the Mashhad Metro Line No. 2 project. In 2017, we landed a US\$ 30 million contract granted by the Saudi Arabian government to install elevators and escalators in the mega-size medical complex to be located at the center of Riyadh. In 2018, we forecast the Middle East market to expand slightly from last year thanks to the growth of the non-oil sectors including construction and the infrastructure investment in Saudi Arabia, the UAE, and Iran. In response, we intend to leverage our comparative advantage in technology and quality to further broaden our presence in this region.



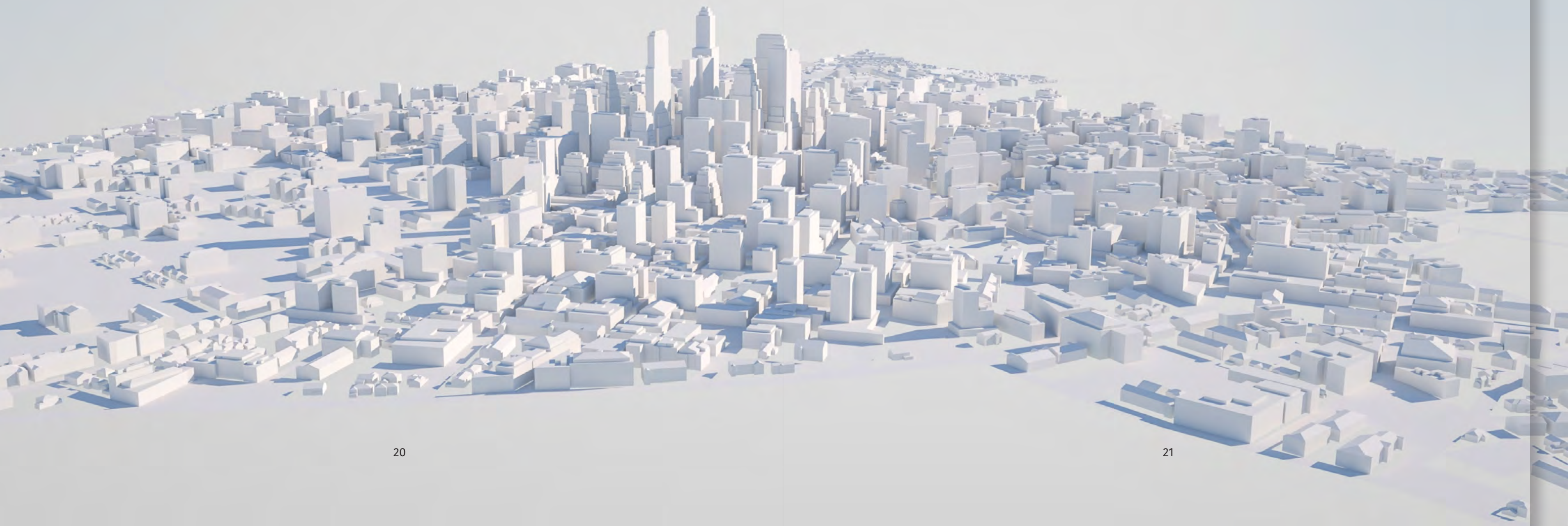
Central & Latin America

Central and Latin America continue to experience economic downturn. This prompted us to transform our Brazilian corporation into a sales corporation to improve profitability. While our orders declined from the previous year in 2017, we met the set sales target and even exceeded our service business target by 105% by strengthening recaptures and parts sales. We expect another turbulent year in 2018 but will improve our business conditions by reducing costs through operational rationalization and shifting our focus to service business.

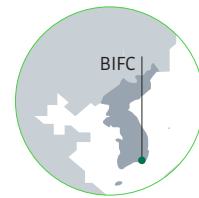


MAJOR ACHIEVEMENTS

Hyundai Elevator brings extraordinary value to spatial mobility through unrivaled cutting-edge functionalities, ultimately transforming world city skylines.



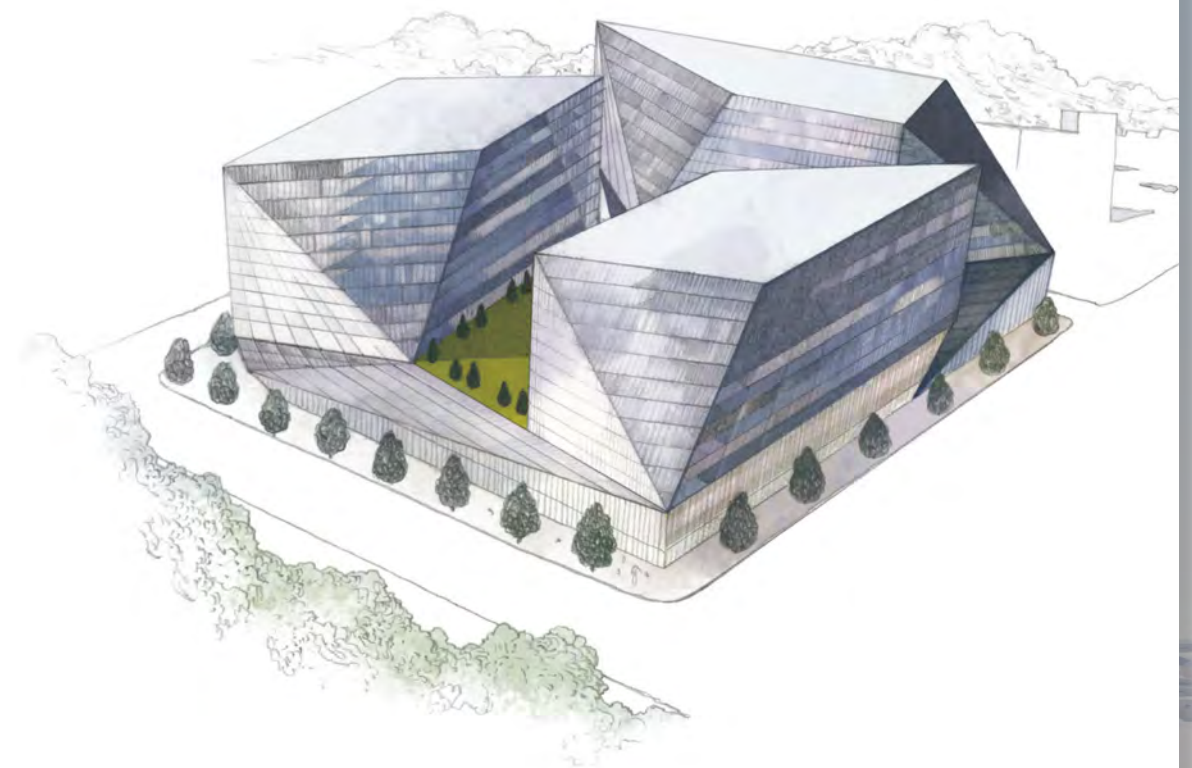
BUSAN INTERNATIONAL FINANCE CENTER (BIFC): KOREA



max. **600m/min**
32 elevators
14 escalators

Installed 32 elevators - two 600m/min units (Korea's fastest), three 540m/min units, and eight 480m/min units as well as 14 escalators

SM FOUR E-COM: PHILLIPINES



max. **105m/min**
42 elevators

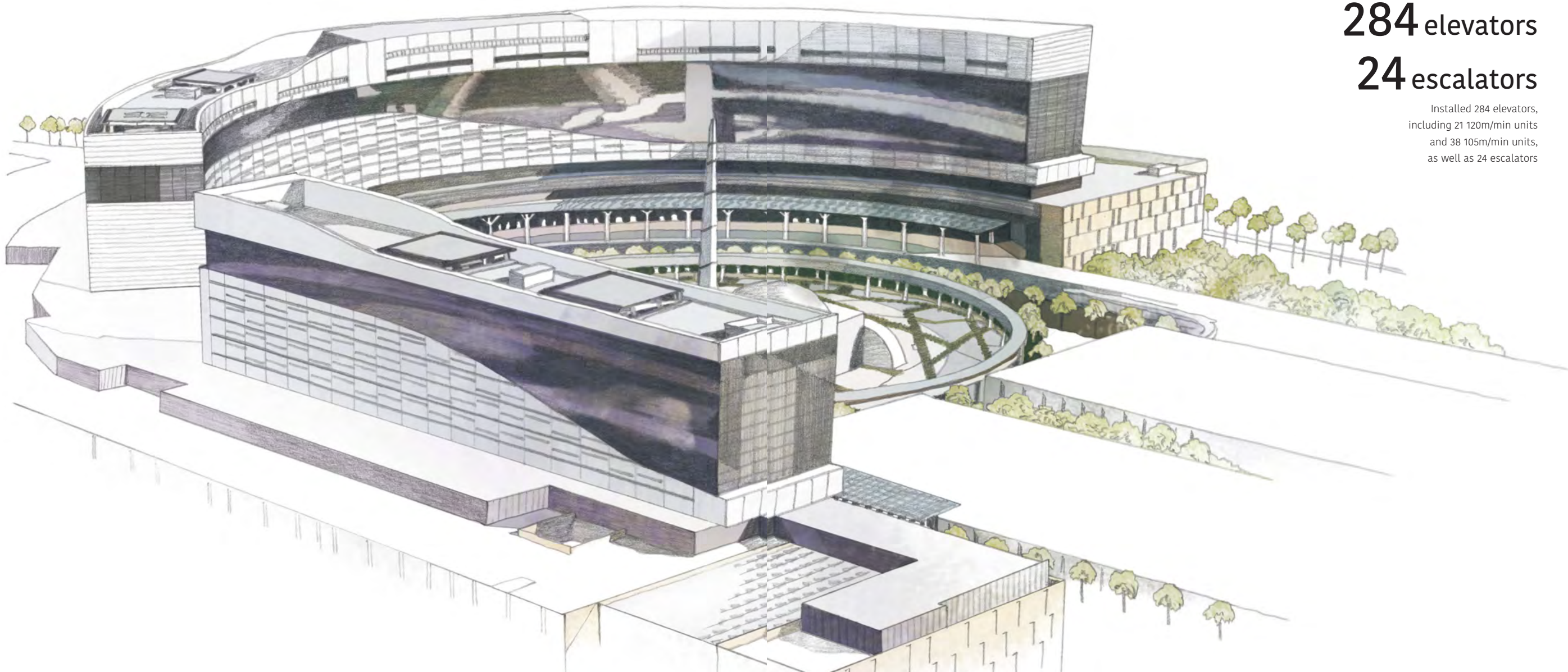
Installed 42 105m/min elevators

SECURITY FORCES MEDICAL CITY: SAUDI ARABIA



max. **120m/min**
284 elevators
24 escalators

Installed 284 elevators,
including 21 120m/min units
and 38 105m/min units,
as well as 24 escalators



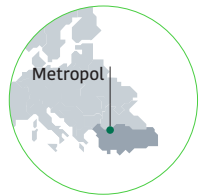
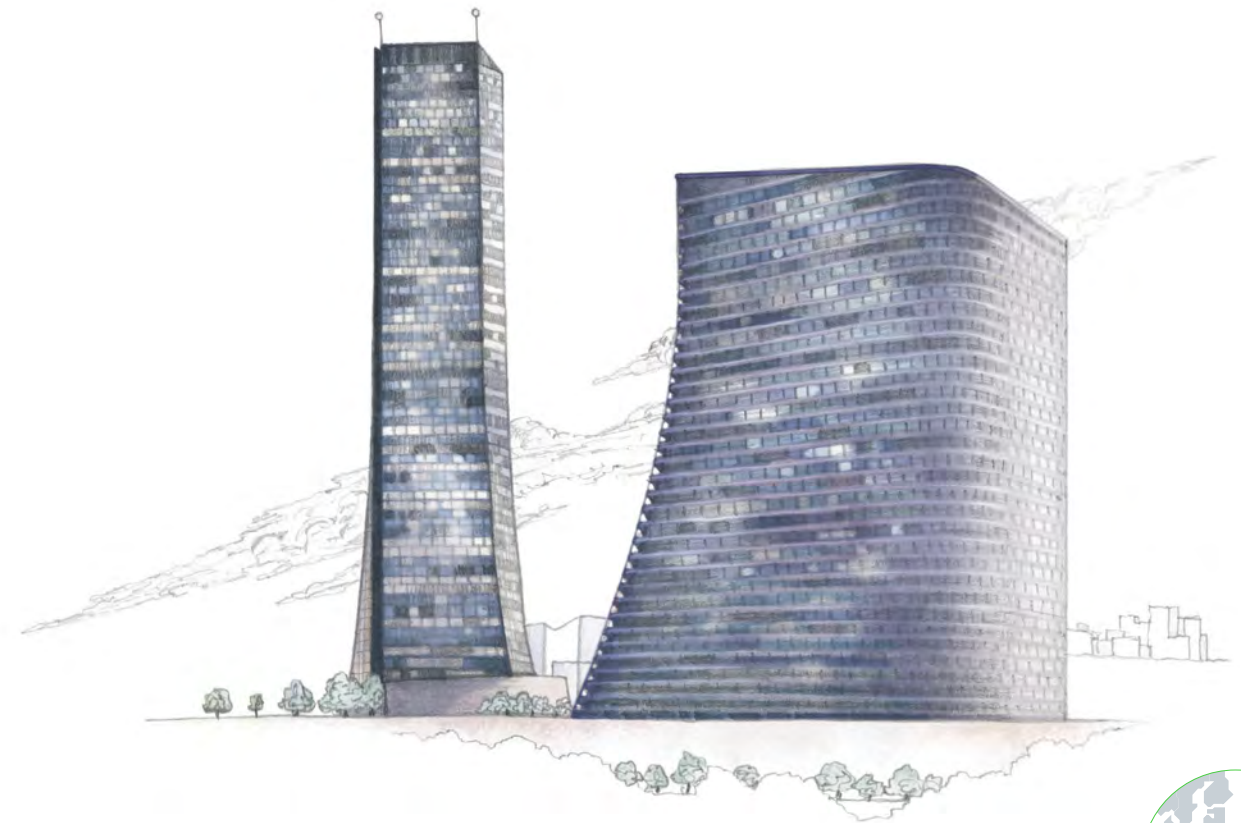
SONGDO G TOWER: KOREA



max. **360m/min**
18 elevators

Installed 18 elevators,
including two 360m/min units
and six 210m/min units

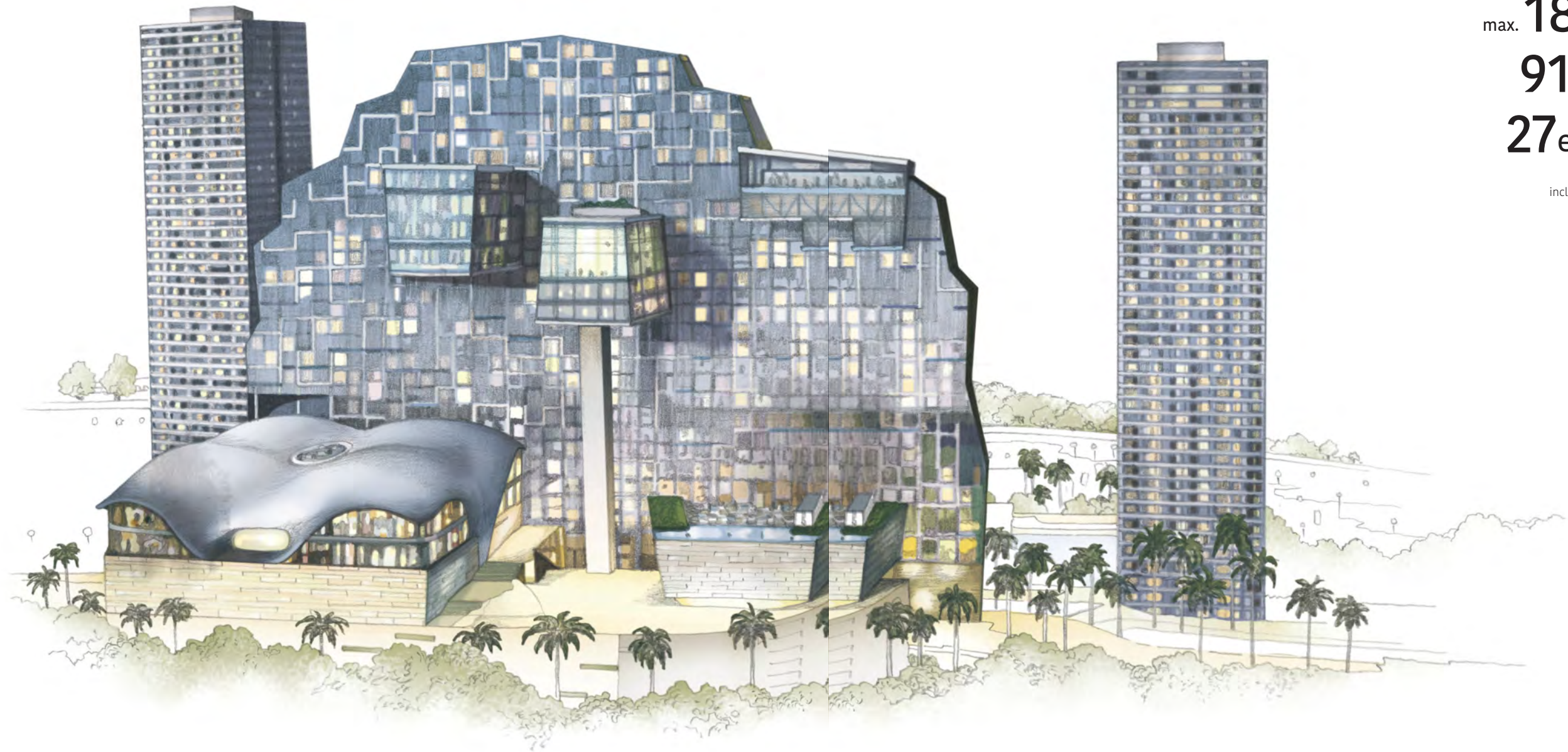
METROPOL: TURKEY



max. **360m/min**
127 elevators
24 escalators

Installed 127 elevators, including six 360m/min units,
one 350m/min unit, and 28 240m/min units,
as well as 24 escalators

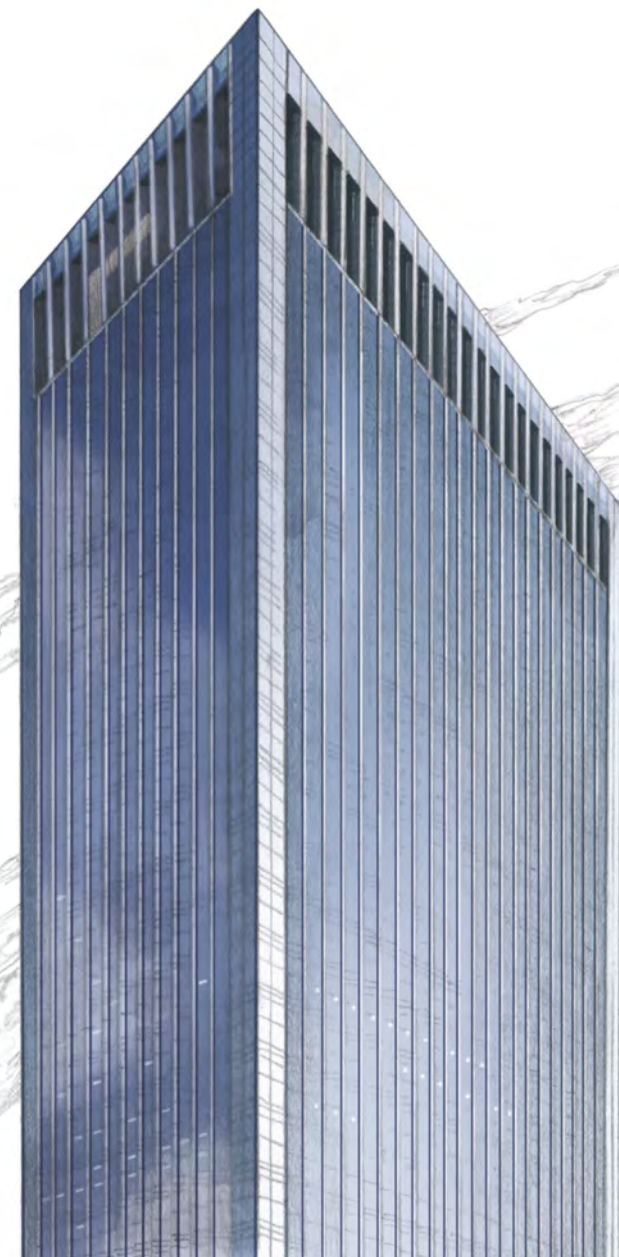
WATERFRONT: SRI LANKA



max. **180m/min**
91 elevators
27 escalators

Installed 91 elevators,
including 35 180m/min units,
eight 150m/min units,
and 32 105m/min units,
as well as 27 escalators

LG U+ YONGSAN OFFICE BUILDING: KOREA



max. **240m/min**
10 elevators
(2 Double Decks)
2 escalators

Installed 10 elevators, including two double deck elevators (Korea's first) and four 240m/min units, as well as two escalators

SEOUL DRAGON CITY: KOREA



max. **240m/min**
33 elevators
10 escalators

Installed 33 elevators, including 23 240m/min units and four 210m/min units, as well as 10 escalators

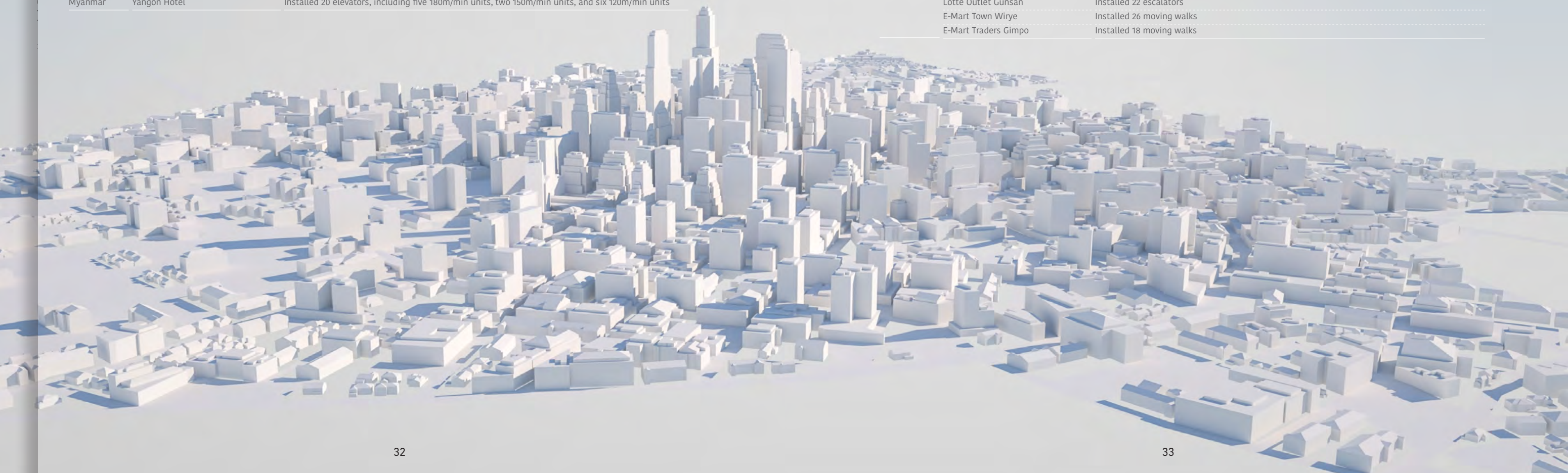


Key Overseas Performance

Philippines	SM Four E-Com	Installed a total of 42 105m/min elevators
Vietnam	D'Capital	Installed 49 elevators, including 24 210m/min units, 20 180m/min units, and five 150m/min units
Saudi Arabia	Security Forces Medical City	Installed 284 elevators, including 21 120m/min units and 38 105m/min units, as well as 24 escalators
Turkey	Metropol	Installed 127 elevators, including six 360m/min units, one 350m/min unit, and 28 240m/min units, as well as 24 escalators
	Dogus Metro	Installed 60 60m/min elevators and 190 escalators
Sri Lanka	Waterfront	Installed 91 elevators, including 35 180m/min units, eight 150m/min units, and 32 105m/min units, as well as 27 escalators
Malaysia	Genting T3 & T4	Installed 59 elevators, including three 300m/min units, four 240m/min units, and five 210m/min units, as well as 44 escalators
	Suez Domain Block E & Podium	Installed 15 elevators, including eight 210m/min units
	Suez Domain Podium ES	Installed 52 escalators
	Suez Domain Block F & G	Installed 22 elevators, including 16 180m/min units, two 210m/min units, and four 90m/min units
Iran	Mashhad Urban Railway Line 2	Installed 111 escalators
Myanmar	Yangon Hotel	Installed 20 elevators, including five 180m/min units, two 150m/min units, and six 120m/min units

Key Domestic Performance

Korea	Busan International Finance Center (BIFC)	Installed 32 elevators, including two 600m/min units (Korea's fastest), three 540m/min units, and eight 480m/min units, as well as 14 escalators
	Seoul Dragon City	Installed 33 elevators, including 23 240m/min units and four 210m/min units, as well as 10 escalators
	LG U+ Yongsan Office Building	Installed 10 elevators, including 210m/min double deck units (Korea's first) and four 240m/min units, as well as two escalators
	Songdo G Tower	Installed 18 elevators, including two 360m/min units and six 210m/min units
	KEPCO Head Office (Naju)	Installed 22 elevators, including six 300m/min units and five 240m/min units, as well as four escalators
	Ansan Grand City Xi	Installed 92 elevators, including 78 210m/min units and eight 120m/min units
	Park Hyatt Busan	Installed 11 elevators, including two 360m/min units and three 240m/min units
	Hyundai Department Store Pangyo	Installed 37 elevators, including four 120m/min units, as well as 82 escalators
	Icheon Lotte Castle Gold Sky	Installed 21 elevators, including 16 210m/min units, as well as 10 moving walks
	Gimpo Han River Central Square	Installed 24 escalators
Lotte Outlet Gunsan	Installed 22 escalators	
E-Mart Town Wirye	Installed 26 moving walks	
E-Mart Traders Gimpo	Installed 18 moving walks	





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WHO CAN MAKE A **HIGHER RECORD** IN TECHNOLOGY SO QUICKLY?

Hyundai Elevator set a new record in every possible sector of the Korean elevator industry by unveiling Korea's fastest elevators, Korea's first double deck elevators, and Korea's longest escalators. Our top-notch technology is recognized globally across the elevator industry.



WE THINK INTENSELY... THAT **BASICS** SHOULD BE FOLLOWED MORE THAN **CHASING** **RECORDS.**

We ceaselessly push the boundaries of our technology. We never forget, however, that this is only possible when we set the basics of our products right. From our endeavors on the shop floor to ensure the quality and safety that ranges from our tiniest parts to our product installation and the maintenance service that our customers have come to know and expect, we at Hyundai Elevator will never lose sight of the fundamentals that made it all possible.

OUR BUSINESS

→ ELEVATORS

Our safe, comfortable and cost-efficient elevators cater to a wide range of consumer needs and keep the intended purpose and building specifications in mind with their designs. This increases property values as well as the spatial efficiency such buildings are consequently able to provide. We unveiled 'THE EL 1080', the world's speediest elevator moving at 1,808m/min, on the basis of our unmatched ultra-high-speed elevator technology in 2009, and went on to become Korea's first to develop 'THE EL DUO', the ultra-high-speed double deck elevator (600m/min), and the observation elevator moving at 420m/min. Presently, we are developing an elevator model able to move at a speed of 1,260m/min.

In 2017, we faced challenges in the elevator market due to rapidly-changing market conditions and intensifying competition. Still yet, we at Hyundai Elevator remained focused on technology development (ultra-high-speed elevator) and constantly endeavored to build our competitive edge in price and quality. Furthermore, we solidified our status as the unrivaled No. 1 elevator manufacturer in the domestic market for 11 consecutive years, posting 21,397 units in new installations and 44.1% in market share.



MAJOR PORTFOLIO

- Busan International Finance Center (BIFC)
- LG G+ new office building in Yongsan
- Garden Five
- Banyan Tree Club & Spa Seoul
- Governmental complex in Venezuela
- Park Hyatt Busan
- Seoul Dragon City
- D-Cube City in Shindorim, Seoul
- Songdo G Tower in Incheon

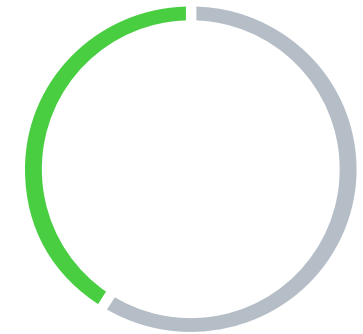
In 2018, we expect to witness increasing uncertainties and decreasing demand in the elevator market due to changing tides in the directions of the real estate policy implemented by the current administration. This comes along with the projection of worsening business conditions with the entry of global players into the domestic market and even fiercer competition. This urges us to implement the customer strategy tailored for respective customer groups in order to strengthen our competitive edge in landing new orders and to proactively respond to new demands for high value-added ultra-high-speed elevators and growing replacement demands. We will also become more competitive in terms of price and quality to further solidify our market dominance.

We add another layer of efficiency in spatial mobility while delivering comfortable, safe and cost-efficient rides.

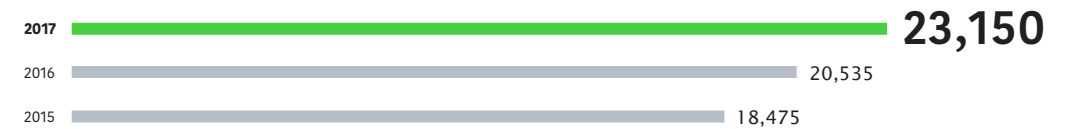


Domestic Market Share in 2017

44.1 %

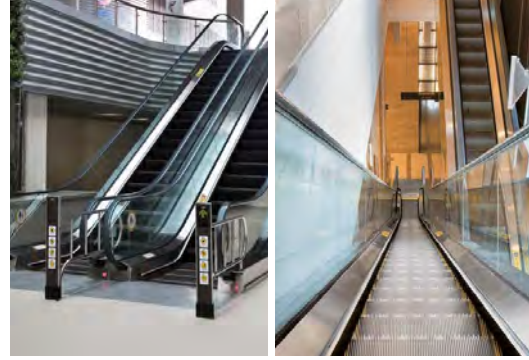


Production Output (Unit: No. of units)



→ ESCALATORS

Recognized for safety, ease and cost efficiency, our escalators grace several mega multi-purpose complexes and major large-scale buildings, including the Incheon International Airport, the National Museum of Korea, Hyundai Department Stores, and Yeosu Expo. Our escalators are touted as the optimal moving solution that delivers added spatial value along with mobility. Hyundai escalators blend and harmonize entire buildings with their ergonomic curved designs while providing a range of functionalities for efficient maintenance and energy saving, from system inverters and transport capacity control systems to CRT monitoring panels. Upgrading safety and comfort through slip prevention steps, foot slip minimization and cutting-edge safety devices, our escalators posted KRW 21.4 billion in 2017 sales and we successfully maintained our reputation as the quintessential market leader.



MAJOR PORTFOLIO

- _____ Garden Five
- _____ Shinnam Station in Daegu
- _____ Yeosu Expo
- _____ Incheon International Airport
- _____ Court House in Turkey
- _____ Hyundai Department Store Pangyo

→ MOVING WALKS

Our moving walks feature noise-free design and flexible connections between the horizontal and sloping parts to deliver exceptional ease in use. Their convenience, safety, easy maintenance and outstanding energy saving performance cater to the needs of both users and customers, bringing truly impressive customer experience. Our moving walks add safety and reliability to a wide array structures, from large-scale transportation facilities where people usually walk long distances (airports and subway stations) to welfare facilities, cultural and sports facilities and commercial buildings. In 2017, we installed a total of 74 escalators in E-Mart Wirye, E-Mart Traders Gimpo and other major multi-purpose complexes.

Hyundai Elevator, Moving Beyond Mobility to Added Spatial Value



MAJOR PORTFOLIO

- _____ Lotte Mart Cheongju
- _____ Jongno 3-ga Subway Station, Line No.1
- _____ Incheon International Airport
- _____ E-Mart Town Wirye
- _____ E-Mart Traders Gimpo

→ AUTO PARKING SYSTEM

Auto parking systems safely accommodate a large number of cars in limited amount of space to improve spatial efficiency and reduce construction costs. We provide a wide range of auto parking systems to choose from: including elevator, cart, multi layer circulation type and puzzle-type models along with the Hyundai Integrated Parking system. These models ensure user convenience through simple entry/exit functionalities and shorten the time it takes to park to ultimately reduce fuel consumption and CO2 emissions. Thanks to their strong competitive edge, our auto parking system business landed orders valued at KRW 42.2 billion, up 15.7% from the previous year, and posted KRW 36.2 billion in sales, up by 8.4% from the previous year. We will strengthen our capacity to obtain large-scale orders, cut costs, and diversify our sales strategy by client size in order to further solidify our position in the market.

MAJOR PORTFOLIO

- _____ Galleria Department Store Suwon
- _____ Multi-purpose Cultural Center in Daehak-ro
- _____ Ramada Plaza Hotel Suwon
- _____ Otris' office building
- _____ EL Tower
- _____ Fine Digitech
- _____ Park Hyatt
- _____ Hyundai Department Store Cheonho

WE DELIVER THE GREATEST POSSIBLE CUSTOMER SATISFACTION THROUGH SWIFT CUSTOMER SERVICE AND HIGH SERVICE QUALITY.



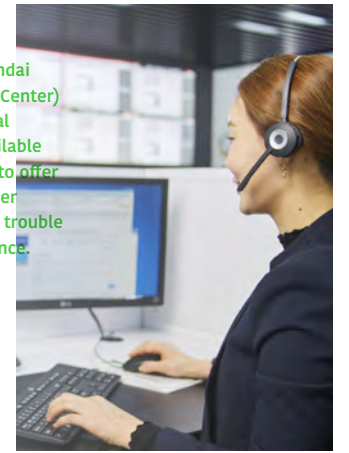
SERVICES

In 2017, cumulative elevator installation surpassed 700,000 units (642,200 units under operation) in Korea. The domestic maintenance market paralleled this trend and expanded to reach KRW 1 trillion. Last year's elevator maintenance market presented us multiple challenges: business conditions changed with the complete revision of the elevator regulations while the MOD (Modernization: replacing elevators 15 years old or older) market was exposed to fierce and price-based competition in line with the increasing number of old elevators. Still yet, our elevator service business remained agile to respond to the shifting business landscape and successfully maintained its No. 1 leadership in the elevator maintenance market for three consecutive years. Our sales surged by more than 20% from the previous year, and our maintenance business expanded by 13,660 units to reach 145,889 units.

We are the first Korean company to use the Geographic Information System (GIS) to deliver state-of-the-art customer service.



The HCCC (Hyundai Customer Care Center) has professional counselors available 24 hours a day to offer prompt customer counseling and trouble shooting guidance.

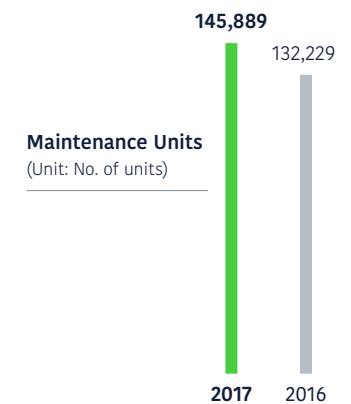


Notably, we created our own MOD business unit to be the first mover in the MOD market and broadened our related business operations to achieve significant growth from that of last year.

The 2018 real estate market is forecast to slow down even further and face intensifying price competition. In response, we will consistently strengthen our competitive edge in the elevator maintenance market through tailored MOD sales operations driven by high-quality service and reasonable pricing as well as differentiation through HRTS (Hyundai Real Time Service) promotion. We will also pursue profitability gains and sustainable growth by increasing our sales in service business.

23.8%

Market share in the maintenance market





Operated
24 Hours/d,
365 Days/y

We are Korea's first to use the Geographic Information System (GIS) to offer cutting-edge customer service. When a customer makes inquiries or needs a walk-through on a trouble shooting problem, the GIS identifies the particular engineer capable of reaching the customer in the shortest amount of time and sends customer information and repair history data to the engineer's smartphone to enable expedient customer service. Furthermore, master engineers are permanently stationed in the center to support efficient repair service in the field through a mobile app. We believe that the HCCC will play a leading role in using varied technology and data to deliver differentiated customer service and enhance customer satisfaction.

Hyundai Elevator — 2017-2018

Hyundai Elevator — 2017-2018

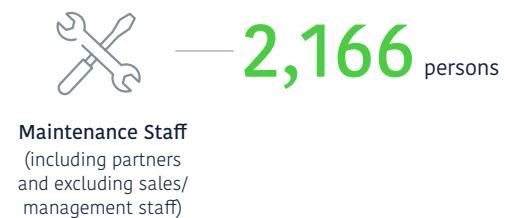


HRTS

Advanced Remote Management System

With Hyundai Real Time Service (HRTS), we raised our elevator maintenance service to a whole new level. HRTS represents our advanced remote management system that enables the HCCC to monitor the operational status of elevators installed across the nation in real time. This system allows us to monitor elevator operations in real time, pinpoint any dysfunctions and provide remote service accordingly.

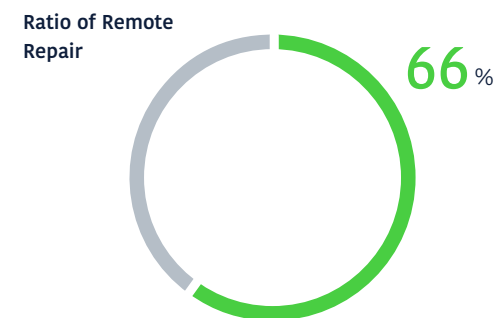
In HRTS-enabled areas, nearly 66% of the total fault reports can be handled through remote repair, which reduces unnecessary and time-consuming visits and the use of human resources. Furthermore, our 'HRTS mobile app' puts elevator services at customers' fingertips so that they can monitor the operational status of elevators in real time via our smartphone app. As of the end of last year, nearly 25,000 out of 130,789 elevators under our paid nationwide maintenance program adopted HRTS and are benefiting from this differentiated maintenance service.



HCCC

Monitoring 24 Hours/day, 364 Days/year

We operate an around-the-clock customer care center to facilitate good communication with our customers. Located in our Icheon Head Office, the Hyundai Customer Care Center (HCCC) serves as the control tower that reaches out to nearly 130,000 elevators under our maintenance. Professional counselors are available 24 hours a day to swiftly deliver customer counseling and trouble shooting advice while real-time monitoring and remote control maintenance are performed systematically.



Elevators Under HRTS Management (No. of units)



WE PURSUE TECHNOLOGY INNOVATION TO DELIVER TOP-TIER PRODUCTS AND SYSTEMS.

Hyundai Elevator — 2017-2018



R&D

R&D Center

We are ceaselessly committed to new product development and technology innovation to create globally-recognized R&D capacity and competitive advantage. Our researchers tirelessly endeavor to deliver more convenient and safer means of mobility. Established back in 1986, our R&D Center is the cradle of our new technology. It employs nearly 100 technology development researchers and is the source of our future competitiveness. We were the first in the industry to host a design competition in 2008 and initiated an era of designer elevators. With our design center at the forefront, we have reflected diverse market needs and trends in the design of elevators and this has enabled us to become the world's first elevator to be honored with the 'Gold Prize' at the 2017 iF Design Award.

2018 R&D APPROACH

1st Secure Future Growth Drivers

- Develop an ultra-high-efficiency elevator system: Launch green elevators that maximize spatial and energy efficiency
- Develop and commercialize a smart remote repair system: Remote elevator maintenance system that offers diagnostic/predictive reliability and convenience
- Advance the R&D environment through the use of CAE*: Build an optimal design and validation system for product development

2nd Build Global Product Competitiveness

- Respond to overseas markets through global product line-ups: Operate product strategy on the basis of a global platform
- Establish design strategy and localize development

3rd Strengthen Sales and Service Competitiveness

- Develop jump elevators for ultra-high rise buildings: Widen the scope of ultra-high rise engineering specifications to shorten the construction period and promote differentiation
- Improve competitiveness through design line-up alignment and new design development

* CAE (Computer-Aided Engineering): This technology uses computers in product design and development. Through computer-aided simulation, CAE dramatically reduces the time and cost required for product testing, and integrates the entire product development process from product planning to process management.

** SiC (Silicon carbide): High in thermal and electrical conductivity and advantageous in reducing energy losses and power consumption



Ultra-high-speed double deck system THE EL DUO

Our R&D Center is exploring ways to reduce power consumption on the basis of SiC**-based technology, and is developing progressive technology such as the ultra-high-efficiency systems built from new materials and module design technology. Furthermore, the Center is actively engaged in developing a smart remote repair system enabled by AI predictive technology and an integrated building transport system that boosts the efficiency of elevator mobility.

Key Achievements in Technology Development

Ultra-High-Speed Elevator System

Hyundai Asan Tower is equipped with THE EL 1080, one of the world's fastest elevators (1,080m/min). THE EL 1080 proudly delivers the speed, travel distance and performance that satisfy even the most challenging construction specifications and ushers in yet another layer of added value with its product philosophy of Safety First, Flexibility and Green. THE EL 1080 enables passengers to travel to their destination floor faster by aligning the destination selecting system and the Speed Gate. It also comes complete with an earthquake detection system to further upgrade its safety.

Double Deck System

A double deck elevator has two adjoining cabs that operate simultaneously, one on top of the other within a single shaft. Depending on its operational system, a double deck elevator can increase its passenger capacity by up to 1.8 times. Our Hyundai Asan Tower is equipped with the ultra-high-speed double deck elevator THE EL DUO (600m/min). As the global top-tier ultra-high-speed double deck elevator developed by Hyundai Elevator, THE EL DUO is equipped with the Floor Distance Adjustable Device that allows accurate control and thus can be used in buildings with irregular floor intervals.

Hyundai Elevator — 2017-2018



1. Smart remote repair system
2. IoT-enabled Smart Customized Mobility Solution

Smart Remote Repair System

We plan to introduce a smart remote repair system that allows for intelligent remote elevator maintenance to provide efficient maintenance service. We believe that this system will allow us to decrease the need to dispatch engineers and reduce repair times in the case of breakdowns. Through remote inspections, control and breakdown/lifespan predictions, the quality of our maintenance and repair service will undoubtedly improve. This system can be easily connected with other existing systems, performs optimal breakdown prediction and analysis through big data analysis and deep learning, and allows for real-time phase-specific analyses (collection → analysis → visualization).

Smart Building Mobility Solution Driven by IoT-based Passenger Identification and Location Recognition

We developed an elevator service solution that uses IoT (Internet of Things) technology to analyze the location of any given passenger within the building, thus enabling the system to become more intuitive in providing elevator rides. Passengers can reserve an elevator through the app installed in their smart device and enjoy an optimal vertical mobility service based on the passenger identification information generated through their smart device. In so doing, the passenger wait times will lessen, while transport efficiency is maximized and energy is conserved.

AWARDS

Becoming the World's First-ever Elevator Maker to Receive the 'Gold Prize at the iF Design Award'

In 2017, we became the world's first elevator maker to receive the Gold Prize at the 'iF Design Award': our ANYVATOR was honored with the prize in the Professional Concept discipline, and our auto parking system in/out signal lights that were also submitted were awarded in the Product discipline. ANYVATOR is equipped with a super-large-size multi-touch display to enable passengers to input their destination floor by simply touching anywhere on the display. Small children and even individuals with

disabilities in wheelchairs or other assistive devices can conveniently use the elevator, and multiple passengers can enter their destinations simultaneously. The large display screen also shows diverse information, from the elevator's operational status to weather and news. Meanwhile, our auto parking system in/out lights use colors, texts and graphics to help users intuitively recognize their car's entry and exit times. It was through the thorough observations we made on elevator passengers that we created designs that resonate with customers, and our commitment in so doing was widely appreciated at the awards.



1,080 m/min

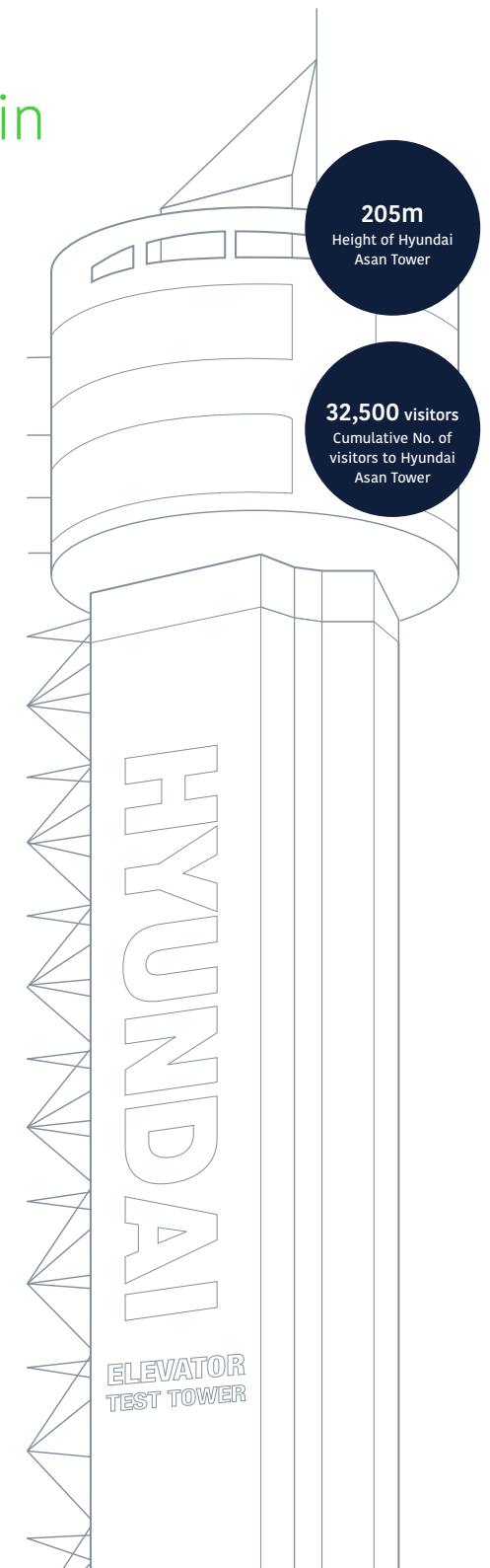
The speed of the ultra-high-speed elevators installed in Hyundai Asan Tower

HYUNDAI ASAN TOWER

Upon entering our Head Office in Icheon, the Hyundai Asan Tower will be sure to catch one's eye with its grand presence, rising high into the sky. Completed in April 2009, this global top-tier elevator test tower stands at 205 meters, reaches 15 meters below ground, contains 4,351m² gross floor space, and is responsible for our technology and quality. The tower is as high as any 52-story building and consists of the Chung Mong-hun R&D Center with an exhibition room, a PR room and a research facility. The transfer lobby on the 50th floor lets one transfer to the sky lounge, a machine room on the 51st floor, and the sky lounge on the 52nd floor.

Hyundai Asan Tower operates one of the fastest elevators (THE EL 1080, 1080m/min), Korea's first 600m/min ultra-high-speed double deck elevator (THE EL DUO), and the world's fastest observation elevator (420m/min). The tower creates a near-perfect skyscraper environment for technology development and enables us to validate parts technology and reliability on such ultra-high-speed system factors as vibration, noise, temperature, and atmospheric pressure. Hyundai Asan Tower serves as the cradle of new technology, allowing us to perform real-life verification and testing to further upgrade our ultra-high-speed elevator technology.

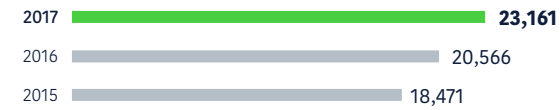
Hyundai Asan Tower



EACH AND EVERY ELEVATOR
INSTALLED IN KOREA IS SUPPLIED
ENTIRELY ON THE BASIS OF OUR
DOMESTIC PRODUCTION SYSTEM



Annual Elevator Shipment at the Icheon Factory (No. of units)



PRODUCTION

Icheon Factory

Our Icheon Factory has posted more than 2,000 units in monthly production output and more than 20,000 units in annual production output over the past two years, serving as the driving force behind our achievement in maintaining our unrivaled No.1 leadership over the past 11 years. Established in Icheon, Gyeonggi Province in 1984, the factory sits on a 44,040m² parcel of land and produces all the elevators that we install in Korea.

In 2017, our maximum daily production output amounted to 116 units, and we set a new record in annual production and shipment by surpassing the 23,000-unit mark. In 2018, we aim to replace aged processing equipment with hybrid equipment to improve production efficiency and to develop a mobile-based smart vehicle dispatch system to strengthen communication between installation sites, factories and the distribution center.

Shanghai Factory in China

Upon entering the Chinese market in 1993, we established our Shanghai Factory to respond to the needs of the Chinese and other overseas markets. In March 2017, we initiated the construction of a new factory with 25,000 units in annual capacity in Jinshan industrial zone, Shanghai, and plan to increase our market share and global capacity in China and across the world.

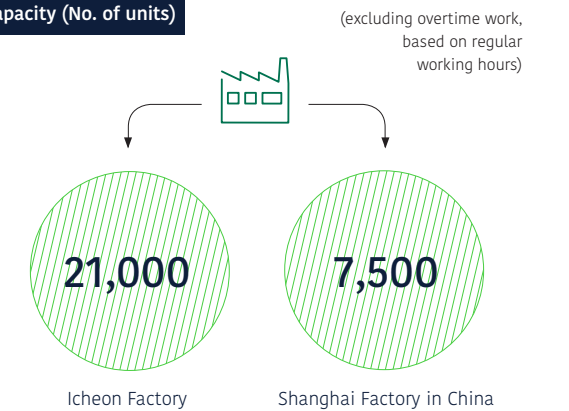
This new factory to be built on a 123,564m² land will accommodate an IoT-enabled smart factory, an ultra-high-speed elevator test tower (175m-high and 10m-deep), and a customer care center responsible for real-time elevator operation monitoring.

Smart Factory

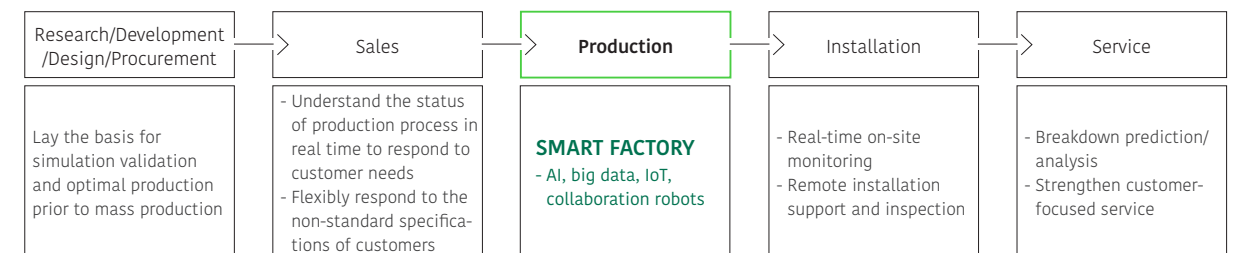
We plan to undertake the Smart Factory initiative at our Icheon Head Office and in Shanghai, China to proactively respond to the upcoming 4th Industrial Revolution and the rapid development of new digital technology. Smart Factory refers to a next-generation intelligence factory that combines IoT, big data, AI, and ICT with manufacturing. Our Smart Factory initiative aims to 'change the way we work on the shop floor' and 'bring data-enabled innovation'.

Once our Smart Factory initiative is completed, our visibility will become more established across the entire production process by means of phasing and developing a decision-making system informed by real-time monitoring and data input while conducting big data analyses to allow for preemptive quality management and predictive facility maintenance. Furthermore, we will be able to swiftly reflect customer demands through real-time alignment of the entire value chain and supply and install our products at the time and location convenient to the customer. Following installation, our products will be powered by IoT and big data technology to enable us to predict and handle any possible breakdowns.

Annual Production Capacity (No. of units)



Company-wide Smart Factory Plan



WE PLACE CUSTOMER SAFETY AS OUR TOP PRIORITY IN DEVELOPING, MANUFACTURING AND MAINTAINING OUR PRODUCTS.



We improve product reliability through stable quality and reduced failure rates.

QUALITY

Quality Management System as the Bedrock of Global Competitiveness

We operate a company-wide quality management system to improve our product safety. This system aims to elevate product safety across the entire business process, ranging from sales, development/design, and procurement to production, installation and service. Each and every Hyundai Elevator employee fully abides by the relevant regulations.

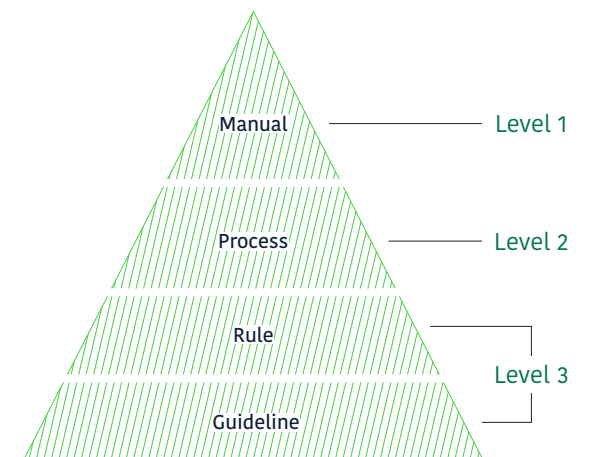
Our quality departments play a leading role in performing thorough quality validations on prototype products and products with modified designs through the Review Board. We also ensure that only defect-free products are shipped to customers and conduct periodic reliability testing on newly-developed finishing materials and mass-production outputs to improve the reliability of our products. In so doing, we take a stringent preventive approach in verifying prototypes and deliver exceptional quality and safety on the basis of top-notch reliability testing.

Our commitment to quality management earned us the ISO 9001 (quality management system), ISO 14001 (environmental management system) and OHSAS 18001 (health and safety management system) certifications, and we endeavor to take a more systemic approach to our quality management system. In 2018, our aim is to bolster our global quality competitiveness by checking our overseas corporations for their quality systems in general. Furthermore, we will fully launch improvement programs to assist business partners in improving their quality and make continual investments in strengthening the reliability of our products.

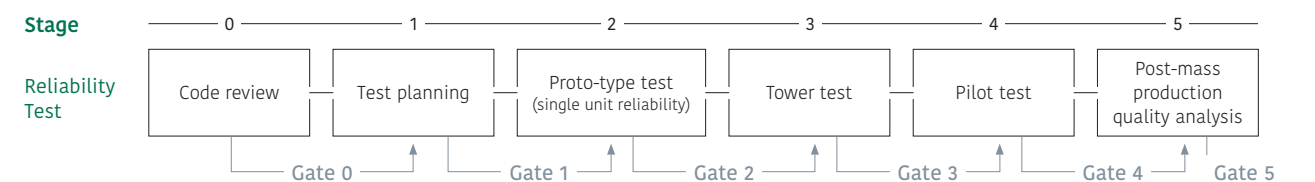
Production Quality Management

We perform FMEA (Failure Mode Effects Analysis) to prevent quality defects all the way from the development phase as part of our quality improvement initiatives. FMEA allows us to clearly identify and eliminate the causes and effects of failures or errors that may occur in the development phase and to prevent the recurrence of failures and elevate the quality of products.

Quality Management System





Product Reliability Test





WHO WILL WIN IN TODAY'S INTENSIVELY COMPETITIVE MARKET?

Hyundai Elevator is writing the history of Korea's elevator industry: we have maintained our No. 1 market share in domestic elevator installation for 11 consecutive years and ranked first in maintenance market share for three consecutive years. With globally-recognized technology and the wealth of experience built in Korea and abroad, we take a renewed leap forward to go beyond Korea to join the league of global top 7 elevator makers.



HOWEVER, **WINING TOGETHER** IS MORE IMPORTANT THAN BEING A WINNER.

Hyundai Elevator does not cling to short-term growth, but rather looks to the future for sustainable and meaningful growth. We rise to new challenges to lay the framework for stable profitability and pave the way to pursue shared growth, and we do this hand-in-hand with society and the environment so that we emerge as the true victor of a better tomorrow.

Ethics Management

Trends & Challenges

Since the enforcement of the anti-graft law in Korea in 2016, social interest in ethics awareness has increased more than ever and there are increasing expectations on corporate ethics management. Today, ethics management is no longer an option but an essential value of business conduct and a determining factor in global business competitiveness. This is why we can't overemphasize the importance of ethics management as the very first step in fulfilling corporate social responsibility and earning trust from customers.

Our Responses

At Hyundai Elevator, ethics management serves as a critical pillar of our business philosophy that forms the basis of the organization and thus takes on a truly significant meaning. As such, we undertake a range of action programs to embed ethics management into our corporate DNA in order to establish business transparency and a culture of fair competition. In so doing, we strive to become a healthy corporate citizen trusted by our investors, our customers and the community at large.

11 audits

Internal Audits Performed in Relation to Ethics Management in 2017

34 persons

Attendance of Newly-Appointed Department/Branch Heads in Ethics Management Training

Ethics Management System

As anti-corruption laws and the regulations of governments and supervisory authorities tighten in Korea and abroad, social expectations on corporate ethics are also increasing. This prompted us to establish the Ethics Management Team in 2007 and to strengthen our business audit operations through organizational reform in 2012. Our Ethics Management Team reviews, evaluates and improves on our compliance with ethics management regulations and the implementation of relevant instructions across our entire business conduct while providing training and serving as an information channel. On the firm basis of 'Ethics', which constitutes the basic philosophy of our vision 'Go Global', we strive to secure business transparency, propriety, and accountability, establish a culture of fair trade, and raise ethics awareness.

Internal Audit

Internal audits are categorized into regular, special and confirmatory audits. Regular audits are performed periodically in accordance with audit plans and special audits are performed upon the CEO's approval when ordered by the CEO or deemed necessary. Confirmatory audits are conducted when improvements that are made by working-level departments to address the issues identified through regular and special audits need to be confirmed.

In 2017, a total of 11 audits were performed – two regular, eight special and one confirmatory audit. Six audits were related to overseas corporations and we plan to extend the scope of audits to our overseas corporations in line with our vision to 'Go Global'.

Continuous Monitoring and Prevention Management System

Our Ethics Management Team operates a continuous monitoring and preventive management system for efficient internal control.

→ Continuous Monitoring

Continuous monitoring is performed on sites that have not had service for an extended amount of time, in service business, and in the approval process of bill collection in our sales business. This enables us to ensure integrity in order management and improve the efficiency of bill collection.

→ Prevention System

In line with the growing needs to control potential risks and build a corresponding response system, we developed an internal prevention system to identify diverse fraud risk scenarios and ensure the constant monitoring of such risks. This preventive system uses detailed checklists on

fraud risks and risk factors that may occur in respective business areas (domestic/overseas sales, installation, service, procurement, quality management, etc.). We ensure that self-initiated reviews are made by business area to raise compliance awareness across the board.

Expanded Operation of the Cyber Report Center

We operate the Cyber Report Center both in Korea and at our overseas corporations to assist stakeholders in reporting any unethical practices. This allows us to do so without any time or distance limitations. The reports submitted to the Ethics Management Team through the Cyber Report Center are classified into simple complaints and valid reports depending on their characteristics and are handled accordingly. Complaints raised in the field and simple after-sales service issues are referred to responsible teams and addressed in a way that satisfies customers and stakeholders. Meanwhile, valid reports that concern corruptive practices or unfair transactions running counter to ethics management, are reported to the CEO and subject to special audits before their outcomes are handled and the informants are notified. Valid reports submitted to the Cyber Reporting Center of overseas corporations are addressed through collaboration between the Ethics Management Team and responsible staff at these corporations. After the Cyber Reporting Center was established at our Chinese corporation in July 2015, the reporting system was also introduced in Brazil, Malaysia, Indonesia and Vietnam in August 2016. Our Turkey corporation also initiated the reporting system in June 2017.

Culture of Ethics Management

In order to instill ethics management deep within our corporate culture and employee mindset, we publish and disseminate 'Ethical Regulation Handbook', 'Ethical Management Self-Check Card', and 'Ethical Management Casebook' for our employees and perform ethics management surveys. Notably, newly-appointed heads of department and branches are trained on ethics management with a focus on the case studies that appear on the casebook.

→ Ethical Regulation Handbook

The Ethical Regulation Handbook is published in four languages (Korean, English, Chinese, and Portuguese) and is uploaded onto our website so that it is readily available for stakeholders and it can raise the ethics mindset of our employees in Korea and abroad.

→ Ethical Management Self-Check Card

In 2014, we distributed the 'Ethical Management Self-Check Card' to all employees to encourage them to self-check and practice ethics management. The card consists of five questions to help employees make their own judgments when facing ethical dilemmas in conducting business and can be inserted in the back of their employee ID Card or attached to their desk or computer.

→ Ethical Management Casebook

The Ethics Management Team publishes the Ethical Management Casebook by updating the details of the audits performed and the reports submitted and handled on a monthly basis while training newly-appointed department/branch heads on the violation of ethics regulations. In 2016, illustrations were added to the casebook to help employees better access and understand its contents before being distributed to respective departments and business partners. The Ethics Management Newsletter is also published to share case studies on specific topics which are chosen on a monthly basis and are uploaded onto our group portal to raise employee ethics awareness. In addition, case studies on the violation of ethics management are summarized and shared with overseas corporations if deemed useful in illustrating a point.

→ Self-Initiated Ethics Management Audits

Since 2015, we have conducted 'self-initiated ethics management audits' to identify the employee level of awareness on ethics management and to continuously advance our corporate culture. Such audits are performed yearly on all employees in a survey format and include questions regarding bribe-taking, unreasonable entertainment and whistle-blowing.

Achievements Made in Ethics Management

		2017	2016	2015
Audits Performed (No. of audits)		11	9	14
Reports Submitted and Handled through the Cyber Report Center (Korea)	Reports Submitted (No. of reports)	114	38	39
	Handling Rates (%)	100	100	100

Risk Management

Trends & Challenges

We are rapidly embracing the 4th Industrial Revolution era where new values are created through technological convergence in every sector: socially, economically and culturally. Notably, businesses are faced with both opportunities and challenges as never before with such innovative technology advancement and changing business conditions. In line with technology development, the paradigm of risk management is expanding accordingly and increasing uncertainties over the business environment further highlight the importance of risk management.

Our Responses

At Hyundai Elevator, we are developing systemic risk policies and a risk management system to efficiently address risks that are increasingly diverse and sophisticated in line with the shifting business environment. We categorize risks into financial and non-financial risks in the fields of environment, safety, and human rights as well as economy. We conduct in-depth analyses of the causes of these risks by type in order to develop and implement systemic risk management measures.

Risk Management Policy

As we face diverse internal/external risks due to the rapidly-shifting business environment and the mutual correlation among these risks increases, the importance of identifying and preventing risks from the company-wide perspective is emphasized. At Hyundai Elevator, we categorize risks that may pose threats to our overall business conduct into financial and non-financial risks, and develop detailed management plans to constantly monitor and address such risks.

Risk Management System

We are establishing a risk prevention system to minimize the occurrence of risks and their possible damage. We identify risks and then group them into financial and non-financial risks while developing definitions by risk type and identify their causes to preemptively respond to them. Major financial and non-financial risks are reviewed and evaluated by the Audit Committee under the BOD and are managed in accordance with the set risk response process.

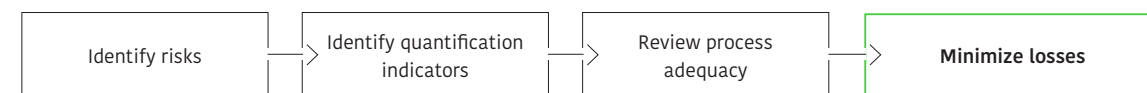
→ Financial Risk

The Audit Committee reviews and evaluates key financial risks and convenes BOD meetings to determine proper management plans on any issues that may potentially pose a grave impact on our business plans and operations. Financial risks are classified into Market Risks, Credit Risks, Liquidity Risks and Capital Risks, and are addressed through research and analysis, monitoring, and proper hedging. In so doing, we ensure the soundness of our financial structure and improve the predictability of management indicators to ultimately attain our business goals in a sustainable manner.

→ Non-Financial Risk

We classify and review key non-financial risks that may occur in business conduct concerning safety, environment, quality and reputation and identify relevant challenges and opportunities to respond to such risks. Non-financial risks are categorized into Legal Risks, Health & Safety Risks and Environmental Risks and are addressed to minimize any potential damage.

Risk Response Process



Risk Type and Management

Type		Definition	Cause	Action	
Financial Risk	Currency Risk	Increases/decreases in sales and cost of sales in relation to currency fluctuations that affect assets and liabilities	Currency fluctuations that occur in undertaking overseas projects or purchasing raw materials	<ul style="list-style-type: none"> - Analyze sensitivity to six currencies including USD, EUR, and JPY - Regularly measure exchange rate risks in accordance with currency fluctuations - Use currency substitute payment, currency swap, exchange rate insurance and other hedging options 	
	Market Risk	Interest Rate Risk	Fluctuations in interest income and expenses resulting from deposits and borrowings due to changing future market interest rates	Deposits and borrowings with variable interest rates	<ul style="list-style-type: none"> - Improve the short/long-term debt structure - Maintain a proper ratio of fixed rate and variable rate deposits - Monitor interest rate trends on a weekly/monthly basis and set countermeasures - Analyze the impact of changing interest rates
		Price Risk	Changes in the price of financial assets at fair value through profit or loss and available-for-sale financial assets	Changes in the price of derivative financial assets and equity securities	<ul style="list-style-type: none"> - Evaluate the impact of derivative financial assets on the increases/decreases of asset value - Evaluate the impact of available-for-sale financial assets on value increases/decreases
	Credit Risk	Possibility of customers or counterparties failing to comply with contractual terms	Usual transactions and investments	<ul style="list-style-type: none"> - Set credit limits on customers and counterparties - Evaluate the financial credit ratings of customers and counterparties factoring in their financial status, past experience and other elements - Evaluate the exposure to credit risks through individual bond analysis 	
	Liquidity Risk	Possibility of external payment issues caused by the lack of asset liquidity	Failure to make external payments within the agreed period	<ul style="list-style-type: none"> - Constantly predict cash flow and monitor the liquidity status of the financial market - Maintain sufficient liquidity capacity through active sales activities and the use of financial institution credit limits - Analyze maturities of matured financial liabilities 	
	Capital Risk	Possibility of problems in providing sustained profits to shareholders and stakeholders	General business conduct, including financial/non-financial losses leading to negative impact on business outcomes	<ul style="list-style-type: none"> - Monitor such financial ratios as deb ratio and net debt ratio on a monthly basis - Take proper actions to improve the financial structure 	
Non-Financial Risk	Legal Risk	Legal sanctions, financial losses or compromised reputation resulting from the violation of internal standards, code of ethics and regulations	Legal disputes, sanctions, or losses when failing to comply with legal standards or regulations	<ul style="list-style-type: none"> - Review, evaluate and improve compliance with regulations and instructions across the general business conduct - Operate monitoring and preventive management systems - Operate fair trade compliance programs 	
	Health and Safety Risk	Fines, legal sanctions, business discontinuation, financial losses and tarnished image resulting from safety accidents and the violation of relevant laws and regulations	Insufficient response to changing laws and regulations, lack of awareness training, individual negligence, or lack of recognition	<ul style="list-style-type: none"> - Discuss company-wide measures to strengthen health and safety management through the Industrial Safety and Health Committee - Periodically audit the health and safety environment of domestic/overseas worksites and identify risk factors - Operate a phase-specific accident response process - Reinforce risk management by developing company-wide health and safety guidelines and policies and through the health and safety management system 	
	Environment Risk	Fines, unintended costs, legal sanctions and negative impact on the company resulting from environmental accidents and the violation of relevant laws and regulations	Failure to meet the required level of scope and boundary in environmental information disclosure or to comply with relevant laws and regulations	<ul style="list-style-type: none"> - Analyze impact on the environment in conducting business - Set five-year mid/long-term EHS plans and develop a global EHS strategy system - Monitor relevant regulations and policies - Build and manage GHG emissions inventory - Operate a harmful chemicals and waste management process 	

Human Resource Development

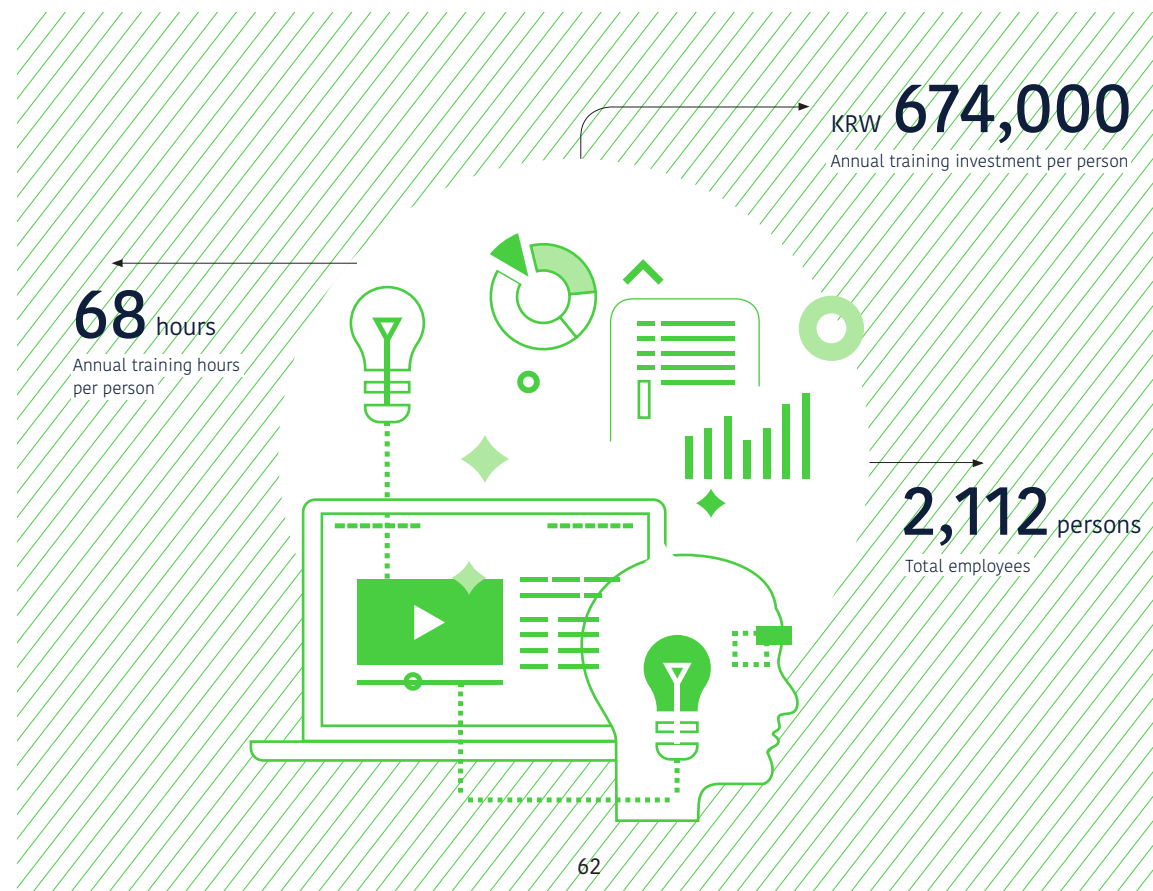
Trends & Challenges

The greatest and ultimate driver behind a company's future growth within today's rapidly-shifting business landscape lies in its people. Ultimately, the sum of individual competency enables us to make creative and reasonable decisions, discover new business opportunities, and rise to meet upcoming challenges. It is with this in mind that we simply cannot overemphasize the importance of talent management as a means to both recruit and nurture key talent to foster creative minds.

Our Responses

Talent development plays an essential role in building a sustained competitive advantage and serves as a core value in reaching our business goals. In systematically developing our human resources so that our top-tier talent can develop a global competitive edge and generate exceptional outcomes, we pave the way for our future growth. At Hyundai Elevator, our top priority is to discover and develop key talent for our continued growth in the global market. Furthermore, we operate systemic talent development programs to consistently promote the growth and development of our employees as a way to implement our 'Go Global' strategy.

2017 Performances



Talent Development Roadmap

We believe that our top priority is to discover and develop key talent for our continued growth in the global market. To implement our globalization strategy and promote the continuous growth and development of our employees, we operate systemic talent development programs based on the three pillars of Core Talent, Expertise, and Global Talent.

→ Core Talent Program

Our Core Talent Programs are tailored to respective job levels based on our own definition of leadership capabilities. These programs include HLDP (Hyundai Leader Development Program), HIDP (Hyundai Innovator Development Program), and HGLDP (Hyundai Global Leader Development Program) and aim to systematically develop our core talent.

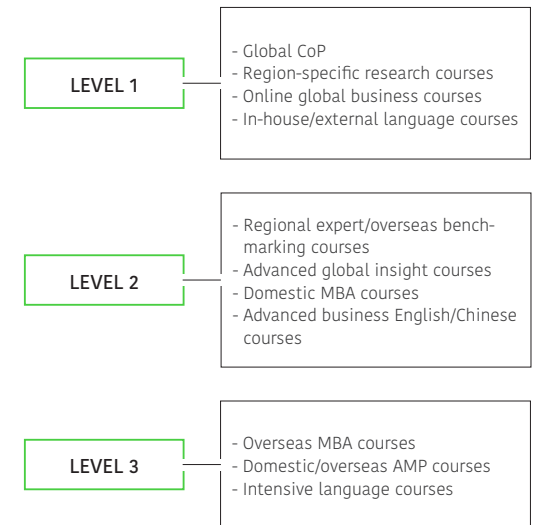
→ Expertise Program

Our Expertise Programs provide our employees with opportunities to develop into top-tier experts in their respective fields through systemic training. Job competency, job skill and other expertise programs are offered to assist individual employees in developing their career and upping their capabilities from a basic level to an advanced one.

→ Global Talent Program

In line with the growing overseas elevator market, we offer a range of Global Talent Programs. Global capability levels are defined according to our global CDP system and criteria, and global CoP, advanced global insight courses, and MBA courses are operated by capability level to nurture global talent accordingly.

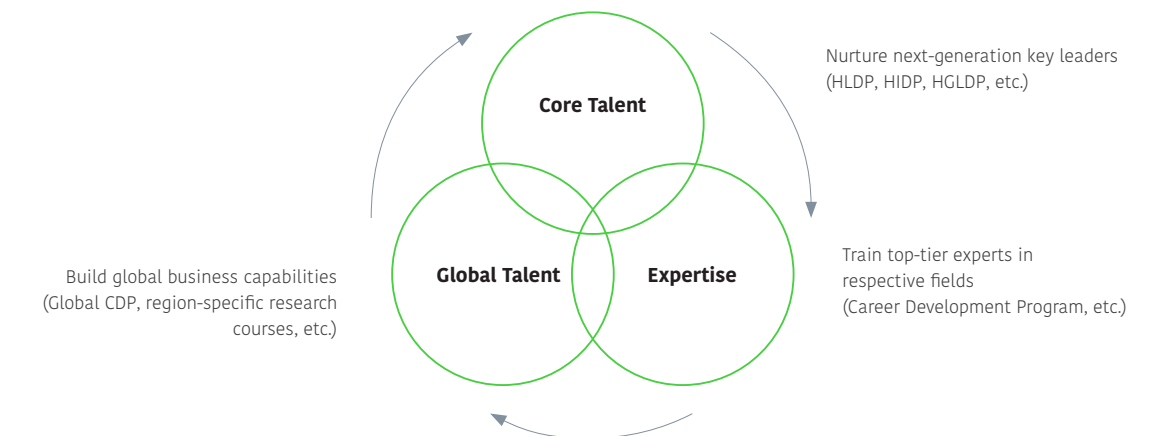
Global Career Development Program



→ Corporate Culture Program

Our Corporate Culture Program aims to instill a sense of belonging and pride within the mindset of all our employees. Company-wide 'Hanmaum (One Heart)' training is provided every two years to share our strategic directions across the board, and assist our employees in coming together to achieve common goals through communication and harmony.

Talent Development Training System



Employee Communication

Our labor union and senior management are proactively communicating with one another through collective wage negotiations and quarterly labor-management cooperation meetings as well as through the Cafeteria Improvement Committee and the Safety and Health Committee. Notably, the ‘1st Junior Board’ launched back in 2007 to facilitate internal communication continues to play an active role. Created as an autonomous consultative body, the Junior Board aims to discover novel and creative business ideas through proactive communication beyond departmental and job level barriers and to fully engage employees in business operations. The Junior Board meets monthly to brainstorm ideas regarding Hyundai Elevator’s future growth and new business opportunities, improve corporate culture and gather issues of interest and employee suggestions.

Employee Welfare Benefits

We value employee retention as our top priority and fundamental source behind our competitive edge. As such, we provide top-notch welfare benefit packages, ranging from child tuition support and medical expense support to social activities (in-house clubs, etc.), and consistently improve and manage these programs so that we offer such benefits in diverse fields. It is through such endeavors that we at Hyundai Elevator have remained dispute-free for the past 29 years as of last year.

→ **Reward System**

We operate an in-house proposal system to gather employee input on cost reduction and the efficient management of human resources in order to improve our competitive edge and productivity. To encourage our employees to actively use this system, rewards and prizes are awarded to the most innovative ideas. We also have a long-term employee reward system to encourage employee retention and recognize their contributions and hard work. Employees who stay at Hyundai Elevator for 5-30 years are granted commemorative watches, gold medals, vacation expenses and paid holidays according to their service years to further improve their focus on work and work efficiency.

→ **Welfare Point System**

We offer yearly welfare points to employees based on job positions to improve employee welfare. These welfare points can be used for leisure, dining, and culture on and offline to help our employees enjoy a higher quality of life.

→ **Child Tuition Support**

We provide child tuition support to our employees to improve their welfare and reduce their financial burden. In-

cluded in such support are kindergarten expenses, junior high/high school entrance and tuition fees, all school administration fees, and university entrance and tuition fees. For those employees whose children study overseas, there is an equal level of benefits to those of their peers studying in Korea.

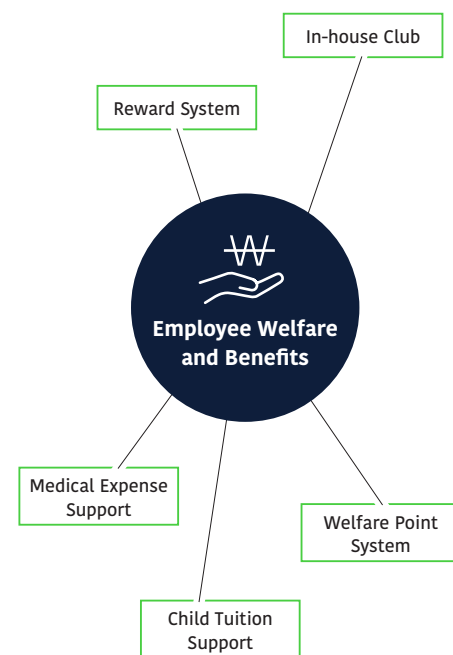
→ **Medical Expense Support**

We support a portion of the medical expenses that our employees pay for treatment purposes to help improve their health. Specifically, immediate family members (parents, parents-in-law and children) as well as employees themselves, are entitled to such benefits within the set annual limit to promote the health of our employees and their families.

→ **Club Activity**

We fully support in-house club activities to improve the welfare and health of our employees. These clubs were established in accordance with our operational regulations and are eligible to be financially supported according to the number of members and years of operation. We also support these clubs to participate in external events to help employees promote their fitness and facilitate an active leisure life.

Employee Welfare and Benefits



Work & Learn Program

Since 2016, we have been operating a systematic NCS (National Competency Standards)-based training program to assist job seekers in developing the practical capabilities desired by Hyundai Elevator. This work & learn program was developed by matching the requirements gathered in the field operation with our existing technical training curriculum and by adopting the work & learn system implemented by the Korean government. Trainees of our work & learn program receive a one-month intensive group training in Off-the-Job Training format at our Icheon headquarters in Gyeonggi Province. They are then assigned to different departments to work and learn in On-the-Job Training format for 11 months under the guidance of onsite instructors. Following the 12-month training, they are subject to final assessments, and top-performing trainees and instructors are awarded based on assessment results. In 2017, a total of 44 trainees (100 trainees on a cumulative basis) attended this program and developed the practical capabilities required by Hyundai Elevator.

Job Competency Building Program for Business Partners

We provide technical expertise development training for the employees of our business partners as a way to promote mutual cooperation and shared growth between large businesses and their SME partners. Such training focuses on the quality of elevator manufacturing, installation and maintenance. Notably, we are developing and operating an elevator-specific technical expertise training program in accordance with the National Competency Standards (NCS) as a participant in the ‘National Human Resources Development Consortium’ training project supervised by the Ministry of Employment and Labor.

In addition, we provide ‘training for job seekers’ to train talented job seekers capable of meeting the working-level needs of the elevator industry and to help them acquire positions with our business partners. Job seekers who complete our four-week (160 hours) elevator training are supported in finding a job with our business partners through this train-to-work program. In 2017, 41 job seekers were successfully recruited by 29 SME business partners of Hyundai Elevator through this training program.

Respect for Human Rights

At Hyundai Elevator, we advance human rights management to prevent any relevant risks from occurring and embed respect for human rights into our corporate culture. Since 2015, we have endorsed the ten principles of the UN Global Compact, and have been in full compliance with domestic and international human rights

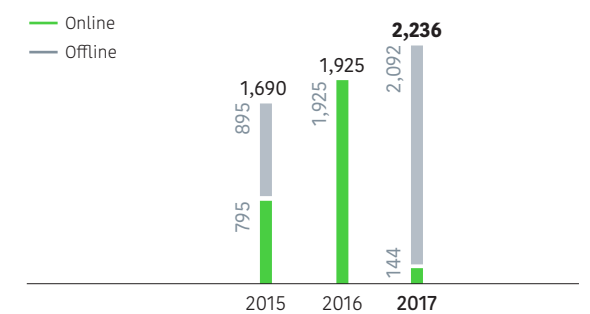
standards, including the prohibition of child labor/forced labor and relevant domestic and ILO (International Labor Organization) regulations. All employees are provided with training on the prevention of sexual harassment and the prohibition of discrimination and a dedicated ‘Sexual Harassment Counseling Center’ was created in 2017 and professional counselors were recruited. Our Cyber Report Center assists anyone in reporting grievances in the event that human rights infringements occur. Confidentiality and anonymity principles are strictly observed to protect the details of the reports received and the identity of whistleblowers.

Prohibition of Discrimination and Respect for Diversity

Hyundai Elevator does not discriminate on the grounds of gender, race, religion, origin, disability, marital status, etc. All employees have full access to equal opportunity and are free to unleash their full potential and this may explain why not a single issue arose in relation to discrimination during the reporting period. We perform multi-source evaluations that allow team leaders and team members to evaluate each other’s performance in an interactive manner, and evaluation outcomes are used as effective baseline data in conducting organizational restructuring, making promotion decisions and appointing managers. Furthermore, we consistently hire and help our female employees advance their careers in spite of the inherent characteristics that lie in the machine manufacturing and facility business that we’re involved in. In 2017, the number of our female employees rose by 11% to 191 persons from 172 persons in 2015, and our recruitment of female employees is constantly increasing, especially in manager (team leader) and professional (counselors, lawyers, etc.) positions. Moreover, we assist our female employees in building their career path and strengthening their capacity.

Sexual Harassment Prevention Training

(Unit: No. of persons and hours)



Environment, Health and Safety Management

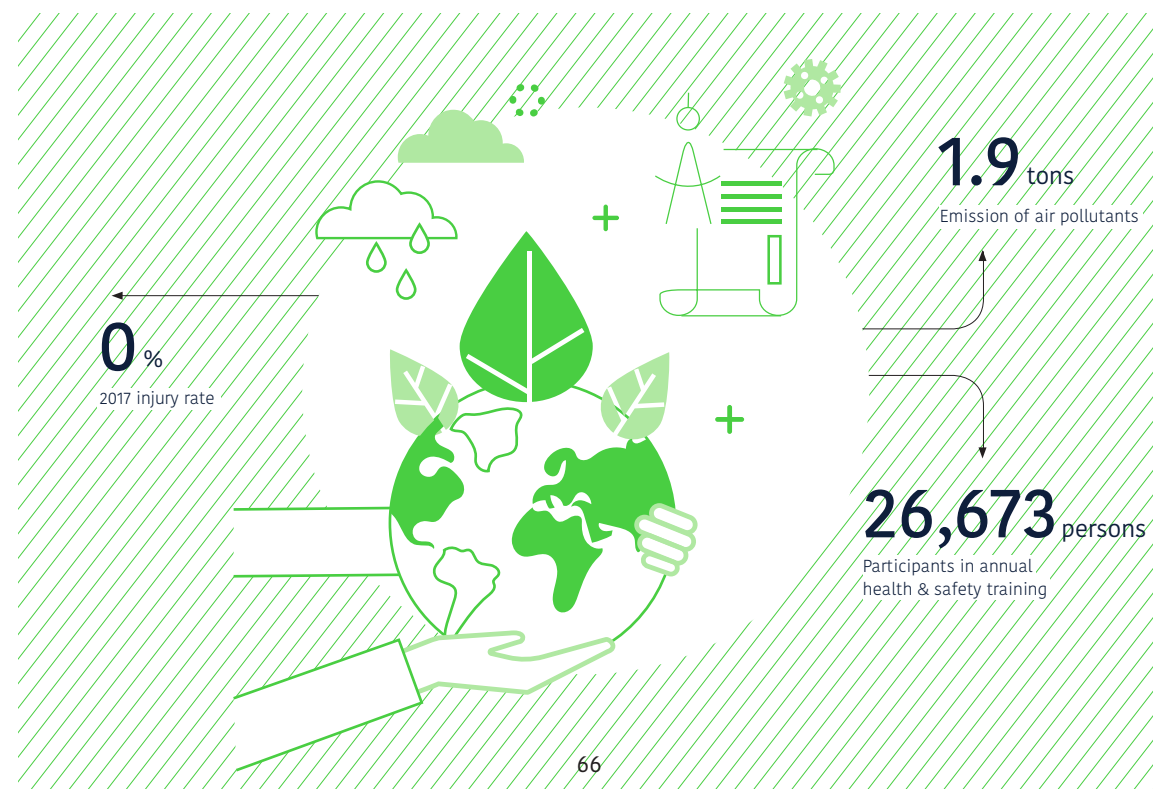
Trends & Challenges

Inherent in the nature of the shop floor and at corporate establishments, is a range of certain risk factors. Safety accidents are potential risk factors for any business activity and they warrant our extra care and attention as they directly impact our corporate brand value and employee health and even result in financial loss through fines and process delays. In addition, the pursuit of environmentally-sound and sustainable development as part of the manufacturing process is increasingly considered a critical issue.

Our Responses

At Hyundai Elevator, we consider employee health and safety our top priority, and thus are strengthening our health and safety management system and taking a field-oriented perspective in undertaking health and safety programs. We promote the health and safety of our workplace through inspection, evaluation, training and prevention while actively making necessary improvements to address any issues determined questionable by worksite inspections so as to prevent any health and safety accidents before they ever occur. Furthermore, we provide constant training to establish an advanced culture of health and safety and create a safe workplace.

2017 Performances



EHS Management Strategy

As employee health and safety is our top priority, we are reinforcing our health and safety management system and taking a field-oriented perspective in undertaking health and safety initiatives. Furthermore, we set three-year mid/long-term environment/health/safety (EHS) plans and developed a strategic EHS system that consists

of phase-specific strategic projects so as to create an even safer work environment. In addition, self-initiated accident prevention initiatives are undertaken and the EHS system is further strengthened on a team level to establish a corporate culture that stresses the importance of EHS across business operations.

Safety/Health/Environmental Management System

We ensure the integrated management of our ISO 14001 (environment) and OHSAS 18001 (safety) certifications to systematically operate our EHS management: annual internal examinations as well as regular/follow-up examinations are performed to maintain these certifications, and their operation is further improved to constantly enhance our EHS performance. In the first half of 2018, we received consulting to transfer to a newer version of ISO 14001. We will continue with our EHS programs to maintain and manage these internationally-recognized certifications.

Manual and Regulatory Register Management

Our EHS management system is based on a total of 31 manuals (procedures and guides) that are in accordance with Korea's Industrial Health and Safety Act and OHSAS 18001 standards. In addition, we manage our regulatory register to ensure our compliance with relevant laws and regulations, including the Industrial Health and Safety Act and the Industrial Injury Compensation and Insurance Act.

Voluntary EHS Culture

At Hyundai Elevator, we operate a voluntary EHS Culture Establishment Program as an accident prevention initiative that encourages departments to voluntarily identify and improve problems, and implemented this program in 47 teams (including five overseas corporations) that are required to meet health and safety standards. As a result of 2017 evaluations, the MP Installation Department was awarded with the Grand Prize in the regular index category, IT Convergence Technology Department was awarded with the Best Prize in the simple index category, and our

EHS Policy

Hyundai Elevator is deeply aware of the significance of environmental preservation and takes the lead in advancing green management. Our top priority is to create the optimal work environment to conduct business in a safe and healthy manner; therefore, we practice the following.

- Hyundai Elevator sets goals and targets to minimize its impact on the environment and concerning health and safety across its entire business conduct and monitors its progress in reaching these goals and targets to make continuous improvements.
- Hyundai Elevator complies with local regulations and agreements as well as organizational regulations, and sets and abides by strict management standards when deemed necessary to continuously improve its compliance.
- Hyundai Elevator actively promotes the prevention of environmental pollution, the use of sustainable resources, and the adaptation and mitigation of climate change through the development of new green technology, green procurement and sustained process improvements.
- Hyundai Elevator creates a pleasant work environment and remains injury-free as it continues to promote employee health and safety by eliminating the root causes of hazards and making continuous improvements across the entire workplace in relation to production, installation and after-sales service.
- All Hyundai Elevator employees are deeply aware of their social responsibility to stakeholders, continue with their education and training, sincerely fulfill their roles and responsibilities, fully reflect stakeholder requirements into their business operations, and transparently disclose their performance outcomes so that Hyundai Elevator fulfills its social responsibility and advances its sustainability management.

Voluntary EHS Culture Evaluation Index

	Regular Index	Simple Index	Overseas Index
Target	19 teams under field operation	23 teams without field operation	5 overseas corporations
Evaluation Index	10 indicators	9 indicators	9 indicators
Award	1st - 5th	1st - 2nd	1st

* Accident prevention activities: Self-inspection, self-improvement, implementation of management programs, participation in training, Voluntary EHS Campaign, etc.

Indonesian Corporation was awarded with the Best Prize in the overseas index category. Evaluation results and relevant issues are shared across the board through our monthly EHS newsletters and emails to encourage employees to take the ownership in promoting workplace safety.

Accident Response Process

We established a step-by-step process to effectively deal with inevitable occupational health and safety accidents. This four-step accident response process starts with reporting to the responsible department and staff and then proceeds to the sharing of accident details, investigation and cause analysis. This process also includes the development of countermeasures to prevent the recurrence of such accidents.

Field-focused Health and Safety Activity

We ensure that our employees are able to learn about the health and safety initiatives that we undertake in an easier and convenient manner so that these initiatives become deeply rooted in their daily work. As part of such endeavors, we published a safety accident casebook which presents a total of 67 safety accidents with illustrations to describe their causes and countermeasures. We also send text messages (through Kakao Talk app) to our employees, as well as employees of our business partners, so that they can easily access health and safety information in the field in order to promote accident prevention.

Health and Safety Training

Our health and safety training curriculum presents the industry's highest standards, and we provide a range of training programs to meet the different needs of trainees, from our own managers to employees of business partners. Such training is offered both on and offline to increase accessibility, and diverse learning methods are used, including experience-based training and scenario reenactments – to maximize learning effects.

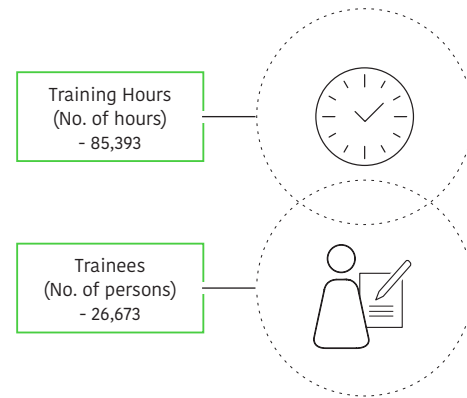
Health and Safety Promotion Activity

We are engaged in diverse activities to improve workplace health and safety. We analyze and prevent the risk factors that result in musculoskeletal diseases while installing AEDs (Automatic External Defibrillator) and offering CPR training in response to the aging of our employees and the increasing possibility of cardiac arrest. We also provide training to prevent noise-induced hearing loss that may occur due to workplace noise pollution while conducting fire evacuations and mock drills to improve our response to fires and perform annual exercises to minimize damage that may occur in the event of disasters.

External Evaluation of HDEL's EHS Management

Hyundai Elevator was rated level A in the ESG assessments performed in 2017 by the Korea Corporate Governance Service (KCGS). Our rating improved by a level from 2016, and this implies that our shareholders are less likely to suffer any loss in their shareholder value due to ESG risks. We will consistently strive to further elevate our rating in the upcoming years.

2017 Health and Safety Training Outcomes



Hyundai Elevator's ESG Evaluation Outcomes



Rated Level A in 2017 ESG Assessments

This means that Hyundai Elevator has properly established an ESG system as suggested by the criteria set by the Korea Corporate Governance Service (KCGS) in the fields of corporate governance, society and environment, and thus its shareholders are less likely to suffer any loss in their value due to ESG risks.

* The Korea Corporate Governance Service (KCGS) publishes the outcomes of its assessments conducted on Korea's listed companies in the four sectors of environment, society, governance and ESG level, and companies are further rated S, A+, A, B+, B, C, or D in each of these sectors.

Injury Rates

	2017	2016	2015
Total employees (No. of persons)	2,112	2,106	1,873
Injuries measured against injury rates (No. of cases)	0	1	1
Injury rate (%)*	0	0.04	0.05

* No. of injured employees / total employees X 100

Social Contributions

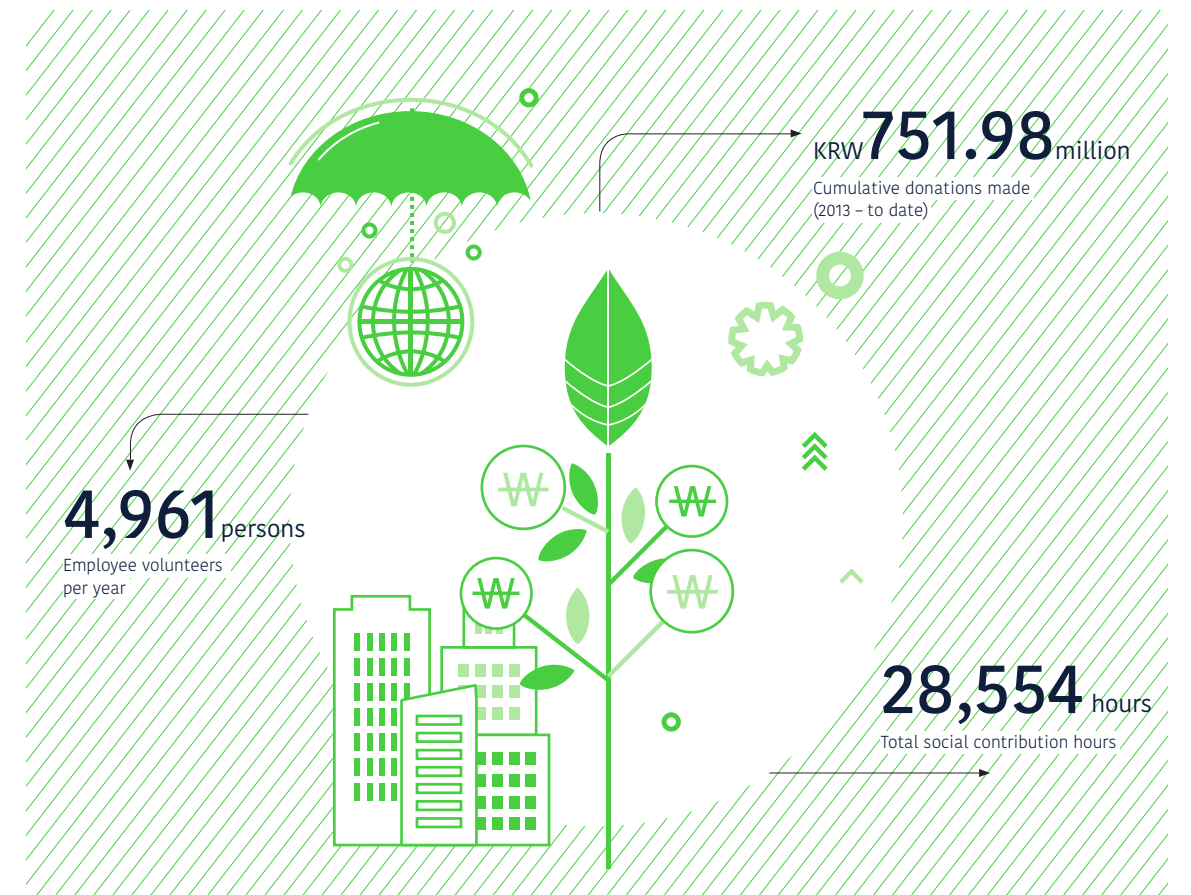
Trends & Challenges

Today, companies attempt to apply market economy principles to social economy along with developing their own social contribution model that is aligned with their core business capabilities in undertaking social-giving initiatives. For instance, social enterprises address social issues through their business conduct while the financial market approach is taken in making social investments. Rather than acting alone in undertaking social contribution programs, businesses are shifting towards working with governments, non-profit organizations, their business peers and other diverse stakeholders in order to generate more meaningful outcomes.

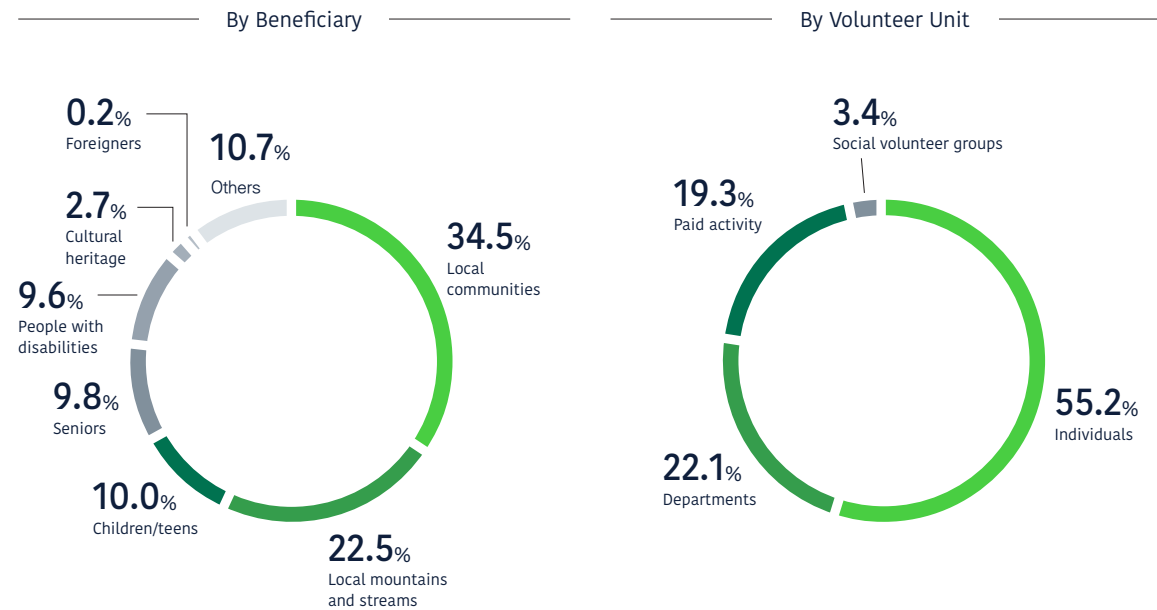
Our Responses

Building on the company-wide consensus that Hyundai Elevator should fulfill its social responsibility as Korea's sole elevator manufacturer, we officially launched our social contribution programs in 2010 that had been previously led by in-house clubs and volunteers. While these endeavors amounted to six hours of volunteer work per employee per year in their initial phase, the hours dramatically increased to surpass 100,000 hours on a cumulative basis as of the end of 2016. We at Hyundai Elevator will pursue sustainable growth by sharing what we were given from society with all members of our society.

2017 Performances



2017 Social Contribution Outcomes



Social Contribution Goals

Under the motto ‘To be a company that grows by sharing’, we at Hyundai Elevator constantly communicate with society as a responsible corporate citizen and reciprocate through sharing to pursue sustainable growth within the whole of our society. Furthermore, we proactively support social contribution programs that are aligned with the inherent characteristics of the industry we’re involved in, leverage our core strengths in undertaking social contribution initiatives to generate synergy and do our utmost to move towards sustainable growth.

Key Social Contribution Initiatives

In addition to strategic social contribution programs aligned with ‘safety’, the key word chosen in consideration of our business characteristics, we also undertake a range of programs through the proactive support and participation of our employees, including but not limited to the support for local communities, matching grant scholarships, salary donations made by employees, and donations & sponsorships. Furthermore, we establish social contribution policies and strategies by taking into account our business advantages to establish our social contribution policy and implementation framework while

developing an evaluation tool to measure the impact of social contribution programs to upgrade our social-giving initiatives. We also promote such programs internally and externally through in-house newsletters, donations and sharing events, along with cultural education and we plan to implement educational programs as well.

→ **Strategic Social Contribution**

Our ‘elevator accident life-saving drills’ and ‘elevator emergency rescue drills’ for emergency rescue workers represent our social contribution programs that leverage our business characteristics. Our safety campaign raises passenger awareness on the proper use of elevators and escalators and the prevention of safety accidents and is led by our branch offices across the nation. In conjunction with firemen from the Icheon/Yeosu fire stations, we provided training on the basic structure of elevators, the use of door lock deactivation devices, emergency keys, the manual operation of elevators, and the proper response to accidents. This was part of our training program designed to rescue passengers trapped in elevators, and this training was highly appreciated by emergency rescue staff who often address such accidents in the field.

→ **Support for the Local Community**

Included in our local community support programs are the love house repairing project that has been undertaken continuously over the years and the photo-taking project implemented through the talent donation made by our in-house photography club (taking photographs of seniors to wish for their longevity, taking photos for multicultural families, and taking ID photos for local welfare facilities). We support child welfare centers to provide children with cultural experiences and outdoor experience programs to practice the spirit of sharing and help children develop their talents for the good of their local community. As part of our urban-rural exchange program, we undertake the One Company for One Village program to regularly visit villages with whom we formed sisterhood ties to help address the shortage of labor in rural villages. We also provide seniors living alone and vulnerable seniors with such essential daily items as rice and pay for their heating expenses while supporting village events to faithfully fulfill our social responsibility.

→ **Donation & Sponsorship**

We continue with our donation and sponsorship programs to extend our helping hand to those in need. Through the Matching Grant Scholarship program, we match the amount donated by employees (they round off their monthly wage to the nearest KRW 1,000 unit and donate the amount that falls under the KRW 1,000 unit) to raise scholarship funds. This program started with six beneficiaries in 2009 and through it we have donated KRW 121 million to a total of 125 beneficiaries between 2009-2017. Such funds donated by employees were also used to help Icheon City and Jongno-gu in Seoul, the local communities where we are based, pay for heating expenses and donate school uniforms and bags to students. A portion of these funds were also used to pay medical bills for our employees to practice the spirit of sharing.



1. Elevator accident life-saving drills
2. Love house repairing project
3. Matching Grand Scholarship awarding ceremony

→ **Reward**

To encourage our employees to take the ownership in volunteer activities, we host year-end volunteer festivals and reward teams, branch offices and individuals for their outstanding volunteer performance over the year.

Advancing Our Social Contribution Performance Management System

Our social contribution programs value the voluntary participation of our employees. We ensure that these social-giving programs are implemented consistently and continuously and plan to develop a feedback system (conducting satisfaction surveys, collecting the needs and ideas of stakeholders and local communities, and performing expert diagnoses) to manage the performance of our strategic social contribution programs in order to measure the impact of these programs and run them in a more professional and efficient manner.

Social Contribution Outcomes

	2017	2016	2015
Volunteer activities (No. of activities)	318	225	197
Volunteer hours (No. of hours)	28,554	28,215	22,421
Volunteers (No. of persons)	4,961	4,978	4,358

Win-Win Management

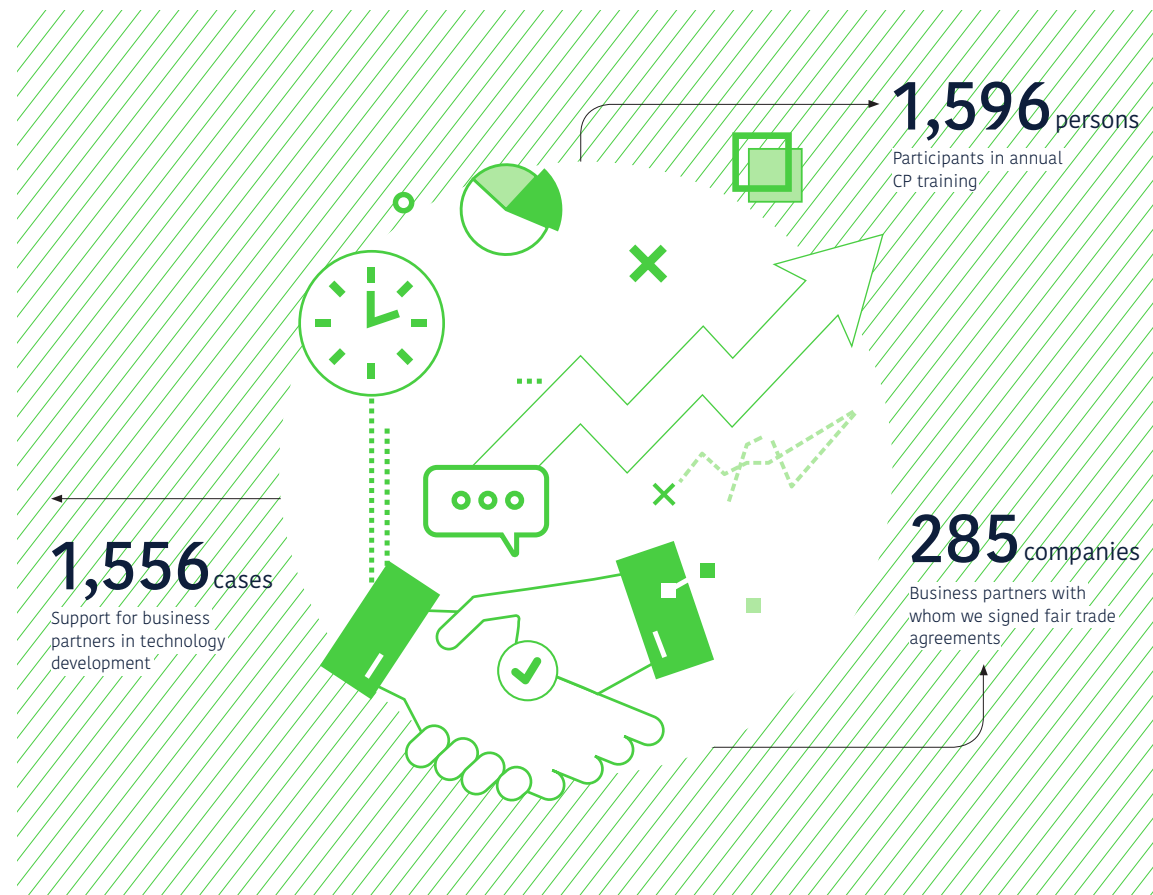
Trends & Challenges

Businesses today can create great value through trust-based win-win relationships with business partners along the entire business ecosystem ranging from product design to production and sales. Establishing fair trade practices, sharing the combined outcomes generated, and building a greater competitive advantage in so doing is a business imperative in the highly-competitive 4th Industrial Revolution era just to promote sustainable corporate growth.

Our Responses

At Hyundai Elevator, we are committed to establishing and disseminating a culture of fair trade and win-win growth on the basis of our partnership with business partners. We have been rated 'Excellent' for three consecutive years in the Win-Win Growth Index published by the Korea Commission for Corporate Partnership in June 2017, and were jointly honored with our business partner Woojin Electric with the Prime Minister's Citation in the excellent performance sharing sector in November.

2017 Performances



Compliance Program (CP) Operation

To establish fair trade practices, we inform our employees, external stakeholders, and customers about our strict compliance with the Fair Trade Act through Management Meetings and CEO Letters. Presently, we are adopting and abiding by the seven components of the fair trade compliance program as recommended by the Korea Fair Trade Commission. The core of any fair trade compliance program lies within the prevention of regulatory violations. In the first and second half respectively, we review our compliance with the Fair Trade Act and the Subcontract Act while performing work inspections in relation to the Framework Act on the Construction Industry and the Elevator Facility Safety Management Act.

Commitment to Compliance

Our CEO declared our company-wide commitment to fair trade principles through Management Meetings and CEO messages while our compliance officers also share their own messages to highlight the importance of self-initiated compliance with fair trade regulations across the board. Such messages from our senior management are also disseminated to stakeholders and customers through our official disclosures and the CP website.

CP Monitoring

We perform periodic Compliance Program (CP) monitoring on respective business areas. We review the use of our in-house standard subcontract forms and revise our legal advisory process and standard contract forms in order to improve our overall manufacturing/construction outsourcing process through such consistent follow-up measures. We also strive to minimize any risks of regulatory violations concerning the 'Fair Subcontract Transaction Act', the 'Framework Act on the Construction Industry' and the 'Elevator Facility Safety Management Act'. Regarding sales operations, we conduct mock reviews to prevent unjustified cartel practices in order to improve awareness among responsible employees. We plan to develop and disseminate a separate set of review processes to prevent the violation of the Fair Indication and Advertisement Act and perform consistent monitoring accordingly.

CP Training

We provide training to prevent violations against the Fair Trade Act and subcontracting regulations to establish a culture of fair trade compliance. Such Compliance Program (CP) training is offered regularly to employees in the first and second half, and special training is provided to executives, new hires, agents and sales representatives. Notably, team-based tailored training is provided to departments exposed to higher risks of regulatory violations due to specific job characteristics. In addition, company-wide

CP workshops and a declaration ceremony on compliance management are hosted to build consensus on the importance of compliance programs.

Compliance Newsletter

We publish monthly Compliance Newsletters to share a range of issues that occur in relation to fair trade and compliance inside and outside the company and to present detailed behavioral guidelines. These newsletters are emailed to all employees in webzine format, and can be subscribed to through our in-house compliance support system and through our CP website.

Fair Trade Agreement

At Hyundai Elevator, we have been signing fair trade agreements with our business partners since 2013, and this marks the 6th anniversary that we entered into such agreements. These agreements mainly concern support for win-win cooperation, fair contracts, and endeavors for legal compliance. Fair trade agreements are not simply about improving the business of SME suppliers through the support of large businesses but aim to benefit large businesses who often become the source of such support by procuring high-quality materials from suppliers to save costs and improve quality, which ultimately builds a stronger competitive edge for Korea's diverse industries.

Support for Business Partners in Fair Trade Compliance

We establish fair subcontracting relationships by complying with the four key subcontracting principles and using standard subcontract forms. We also post the details of the four subcontracting principles on our website (www.hyundaelevator.co.kr) so that business partners as well as our own employees can refer to and use them anytime.

Multilateral Performance Sharing Program

Through the multilateral performance sharing program, the contractor and their first-tier or second-tier suppliers sign one-to-one or one-to-many contracts, divide their roles in respective steps, achieve the set goals, and then share the achievements made in accordance with the predetermined contract, allowing these vertically-aligned companies to share performance outcomes on an equal footing. At Hyundai Elevator, we undertake joint innovation programs with business partners to reduce costs, improve processes, enhance quality and develop new products while sharing the benefits created together through such mutually-agreed upon methods of cash compensation, long-term contracts, cost adjustments, and joint patent applications. Since 2015, we have extended the scope of this program to our second-tier business partners.

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Major Consolidated Financial Statements

Consolidated Statements of Financial Position

(in Korean won)	2017	2016	2015
Assets			
Current assets	945,231,044,555	1,045,088,587,364	1,014,834,502,764
Cash and cash equivalents	323,871,844,492	489,901,998,618	429,503,480,822
Short-term financial instruments	60,369,340,829	8,000,000,000	7,000,000,000
Available-for-sale financial assets	531,272,188	246,926,398	0
Held-to-maturity financial assets	674,810,000	102,380,000	761,050,000
Trade receivables	308,663,149,639	273,895,584,646	245,190,565,952
Due from customers for tract work	152,895,956,527	148,150,114,284	120,170,428,164
Other receivables	7,440,176,346	9,230,837,729	15,098,136,948
Derivative financial assets	2,787,619,729	3,670,088,428	6,462,345
Inventories	38,353,133,638	60,135,300,594	33,467,518,829
Other financial assets	7,276,804,421	21,283,227,638	144,275,566,689
Other current assets	27,555,548,501	28,844,424,664	15,257,571,616
Current tax assets	6,195,659,914	1,627,704,365	4,103,721,399
Non-current assets held-for-sale	8,615,728,331	0	0
Non-current assets	1,342,419,005,443	1,062,469,912,816	757,850,065,725
Long-term financial instruments	453,860,000	22,500,000	18,000,000
Available-for-sale financial assets	44,667,305,079	10,889,890,121	2,281,289,898
Held-to-maturity financial assets	5,784,580,000	2,539,805,000	2,587,172,153
Investments in associates	25,929,638,451	2,429,704,524	175,722,305,483
Financial derivatives	0	0	8,190,570,000
Investment property	192,503,729,033	13,176,814,227	13,430,343,071
Property, plant and equipment	744,332,831,392	683,548,019,713	439,159,367,027
Intangible assets	174,842,400,661	180,470,352,765	48,028,695,243
Other financial assets	27,612,366,147	15,369,769,490	17,833,718,389
Other non-current assets	7,081,578,410	14,691,262,221	18,754,812,060
Deferred tax assets	119,210,716,270	139,331,794,755	31,843,792,401
Total assets	2,287,650,049,998	2,107,558,500,180	1,772,684,568,489

December 31,
2017, 2016, and 2015

(in Korean won)	2017	2016	2015
Liabilities			
Current liabilities	765,816,777,865	719,356,053,884	647,739,460,355
Trade payables	183,063,441,898	185,614,026,794	150,146,204,852
Other payables	115,589,984,067	103,569,316,743	98,314,121,966
Borrowings and debentures	226,267,638,893	163,388,926,467	162,798,349,819
Derivative financial liabilities	8,449,412,236	6,545,026,700	18,275,734,852
Advances received	31,177,619,760	38,439,959,166	29,251,142,050
Due to customers for contract work	145,005,683,859	171,786,404,682	144,091,424,537
Provisions	14,457,146,080	14,809,015,544	18,923,209,433
Other financial liabilities	257,500	224,720	661,880
Other current liabilities	40,718,439,071	30,551,273,839	22,842,009,771
Current tax liabilities	1,087,154,501	4,651,879,229	3,096,601,195
Non-current liabilities	686,555,791,345	597,125,570,211	483,142,891,044
Other payables	217,602,002,459	214,868,705,783	75,601,972,592
Other non-current liabilities	152,251,804,263	176,001,168,605	177,964,929,605
Borrowings and debentures	268,497,317,241	182,987,663,935	194,701,862,900
Liabilities for financial derivatives	0	0	4,704,406,053
Provisions	4,439,239,168	5,373,319,171	627,308,000
Net defined benefit liabilities	15,124,137,127	10,847,586,969	23,494,321,794
Long-term employee benefits liabilities	6,624,489,045	6,638,200,233	5,890,282,937
Deferred tax liabilities	22,016,802,042	408,925,515	157,807,163
Total liabilities	1,452,372,569,210	1,316,481,624,095	1,130,882,351,399
Equity			
Equity attributable to owners of the Parent Company	836,331,476,322	778,505,635,949	641,517,557,231
Share capital	123,162,565,000	123,162,565,000	123,162,565,000
Capital surplus	463,768,269,111	463,768,269,111	469,224,378,554
Other components of equity	18,715,783,320	31,192,972,200	31,192,972,200
Accumulated other comprehensive income	(9,282,941,334)	(5,535,084,879)	(17,633,477,291)
Retained earnings	239,967,800,225	165,916,914,517	35,571,118,768
Non-controlling interest	(1,053,995,534)	12,571,240,136	284,659,859
Total equity	835,277,480,788	791,076,876,085	641,802,217,090
Total liabilities and equity	2,287,650,049,998	2,107,558,500,180	1,772,684,568,489

Financial Management Discussion & Analysis

This Management Discussion & Analysis (MD&A) was prepared to compare Hyundai Elevator's business performance and financial position during the fiscal year ending on December 31, 2017 to that of the previous year. All amounts are presented on a consolidated basis unless otherwise specified and are based on the consolidated financial statements prepared and audited in accordance with K-IFRS. All amounts are denominated in Korean Won (KRW). The Company in this section refers to 'Hyundai Elevator' if otherwise stated.

The events, incidents or phenomena that the Company expects or forecasts to occur in the future within this report reflect the Company's views on such incidents and financial performance at the time of preparing the official disclosure documents. These expectations and forecasts are based on a range of assumptions related to the future business environment, and such assumptions may eventually prove to be inaccurate. In addition, these assumptions include the risks, uncertainties and other factors that may cause material differences between the estimates presented in the forward-looking statements and actual results. Factors that can cause such material differences include but are not limited to factors related to the internal management of the Company as well as the external environmental factors.

The Company does not bear any obligation to disclose reports to modify forward-looking statements to reflect the risks or uncertainties that occur after the preparation of such statements. In conclusion, the Company cannot provide any assurance that the expected results, issues or influences that are stated in this report will actually occur. Please note that the forecasts illustrated in this report were prepared at the time of the creation of this report, and the Company will not update any of the risk factors or forward-looking statements herein in the future.

1. 2017 OVERVIEW

The global economy presented mixed results: while the U.S., Europe and other advanced economies showed economic recovery, emerging countries including those in the Middle East suffered economic downturn due to low oil prices. Turning to the domestic economy, the growth of the construction business slowed down as the government tightened its policy to address increasing household debts. Still yet, the Company posted solid performance with KRW 1688.5 billion in new orders, KRW 1993.7 billion in sales, and KRW 135.3 billion in operating profits while maintaining its No. 1 lead position in domestic elevator installation market share for 11 consecutive years and in domestic maintenance market share for three consecutive years. In the service business that has been posting more than 15% in sales CAGR over the past three years, we expect to witness sustained growth due to an increase in the sales and repair of elevator components and MOD business in line with the growing number of outdated elevators. The domestic elevator business is also expected to experience growth demand in response to the expanding renovation market that requires replacements.

In 2018, we forecast that the global economy will continue to recover despite such downward pressures as the strengthening protectionism of global powers, additional interest rate hikes in the U.S., and increasing financial uncertainties in emerging countries. The domestic business landscape is also expected to be turbulent as changing tides in the directions of the government's real estate policy may result in a slowdown in the market and interest rate increases may lead to sustained uncertainties. In spite of such challenging business conditions, we at Hyundai

Elevator will do our utmost to maximize shareholder values by fully preparing for internal and external uncertainties and by acting on the three management principles of 'increasing domestic profitability', 'expanding global capabilities' and 'building future growth drivers'.

Domestic Elevator Business

The Company's domestic elevator business is involved in elevator (auto parking system) operations and remodeling operations. In the 2017 real estate market, there were continued concerns over market downturn due to decreases in housing supply caused by the government's apartment price ceiling policy, reconstruction excess profit restitution policy, and real estate speculation demand reduction policy. In the remodeling market, replacement demands grew to respond to tightening standards on complete safety inspections performed on old elevators while price competition intensified even further. The auto parking system market also experienced a similar trend, with an overall demand growing and price competition worsening. Despite such business conditions, the Company increased its mid-to-high speed apartment elevator orders by more than 20%, and its small and short-term orders continued to rise, which raised its overall elevator sales by nearly 19% from the previous year to KRW 1.1378 trillion.

Overseas Business

The Company's overseas business posted rather disappointing results in 2017. The global economic downturn continued due to the falling currency values in emerging economies and the prolonged low oil prices; therefore, the Company's overseas business performance deteriorated when it came to oil producers in the Middle East, Southeast Asian countries, and across the overseas market. On top of this, the Company's business was negatively impacted by the sluggish real estate economy and political issues between Korea and China as well as by intensifying competition in several countries and delays in large project undertakings, which eventually drove down sales by 22% from the previous year to KRW 168.5 billion.

Still yet, the Company was able to make up for its less-than-satisfactory performance thanks to new demand in Vietnam, the Philippines, and Israel. The Company broadened its sales into new areas, increased large-scale orders in Vietnam, and improved its orders through proactive sales operations in Indonesia. The followings are 2017 market situations by major region.

China

The Chinese market was generally very challenging for the Company and other Korean businesses. New elevator orders declined amid the sluggish real estate economy, and due to political conflicts between China and Korea and other direct and indirect factors, the Company produced business results that fell short of its initial expectations.

Southeast Asia

In the Southeast Asian market, the elevator market continued to expand in line with the continued government-led urbanization and the large-scale infrastructure investments. The Company reinforced its advancement and promotion in target markets while widening customer contact points and strengthening customer response through constant monitoring in order to generate intended outcomes.

Middle East/Africa/Latin America

While the Company's performance declined in the Middle East and African markets due to sustained low oil prices, this was partially compensated thanks to increasing demand in the housing and shopping mall sectors in such opportunity markets as Israel. In Turkey, the Company created new branches in Ankara and Izmir to expand its sales network and landed orders for landmark projects including airports and subway stations. In Brazil, however, the Company posted less-than-satisfactory performance as the nation's construction economy remained sluggish for several years and its construction industry posted its lowest-ever growth rate. The Company

plans to train local technical staff to improve the quality of installation service and to build stronger customer trust.

Service Business

Hyundai Elevators' service business concerns the maintenance of elevator facilities and the sales of components. In 2017, the service market expanded due to a continued increase in used elevators while issues concerning the complete revision of the Elevator Facility Safety Management Act further aggravated negative impacts in general. Amidst such difficult business conditions, the Company's service business increased its sales by more than 20% from the previous year to reach KRW 289.2 billion. Notably, as a result of focusing on the elevator modernization business that targets 15-year-old or older elevators, modernization orders rose significantly from the previous year, and maintenance units increased by 13,660 units from the previous year to 145,889 units.

PROFITABILITY ANALYSIS

The Company's main revenue sources are generated from manufacturing, sales, installation, and maintenance of elevators, escalators, auto parking systems and related components. The following summary of consolidated financial information was extracted from the consolidated financial statements that were audited and included in the business report, and should be analyzed in conjunction with the consolidated financial statements that appear in this report.

Consolidated Statements of Comprehensive Income in Summary

Years Ended December 31,
2017, 2016, and 2015

(unit: KRW million, earnings per share: KRW)	2017	2016	2015
Sales	1,993,701	1,758,792	1,448,654
Operating income	135,285	181,566	156,511
Consolidated net income (loss)	79,001	116,934	(5,037)
Owner of the controlling company	93,617	128,700	(4,051)
Non-controlling share	(14,616)	(11,766)	(986)
Basic earnings (loss) per share	3,801	5,225	(185)
Diluted earnings (loss) per share	3,801	4,888	(185)
No. of consolidated companies	13	13	7

Sales

The Company's sales rose by 13.4% from the previous year to KRW 1.9937 trillion. This is due to its outstanding achievement in setting a new record by posting 20,000 units in new elevator installations during 2017 on the basis of its expedient One-Stop Service ranging from product design to installation and service. Furthermore, new installations resulted in an increasing number of paid maintenance units while used elevators produced growing demand for component repair, which raised its sales in the service business in addition to new elevator installation.

Operating Income

In 2017, the Company's operating income fell by 25.5% from the previous year to KRW 135.3 billion. While its sales grew by KRW 234.9 billion from 2016, its operating income fell due to intensifying competition caused by concerns over the shrinking real estate economy and the increasing prices of raw materials.

3.

FINANCIAL STRUCTURE

Consolidated Statements of Financial Position in Summary

December 31,
2017, 2016, and 2015

(unit: KRW million, earnings per share: KRW)	2017	2016	2015
Current assets	945,231	1,045,089	1,014,835
Cash and cash equivalents	323,872	489,902	429,503
Account receivables and other receivables	468,999	431,276	380,459
Inventory	38,353	60,135	33,468
Others	114,007	63,776	171,405
Non-current assets	1,342,419	1,062,470	757,850
Investment in affiliated companies	25,930	2,430	175,722
Tangible assets	744,333	683,548	439,159
Intangible assets	174,842	180,470	48,029
Others	397,314	196,022	94,940
Total assets	2,287,650	2,107,559	1,772,685
Current liabilities	765,817	719,356	647,739
Non-current liabilities	686,556	597,126	483,143
Total liabilities	1,452,373	1,316,482	1,130,882
Controlling company's share	836,331	778,506	641,518
Capital	123,163	123,163	123,163
Capital surplus	463,768	463,768	469,224
Other capital components	18,716	31,193	31,193
Accumulated other comprehensive income	(9,283)	(5,535)	(17,633)
Earned surplus	239,967	165,917	35,571
Non-controlling share	(1,054)	12,571	285
Total capital	835,277	791,077	641,803

Assets

As of December 31st of 2017, the Company's total assets amounted to KRW 2.2877 trillion. This is up by 8.5% from the end of 2016 as real estate investments increased in line with the purchase of Hyundai Group's office building (KRW 245 billion) in July 2017.

Liabilities

As of December 31, 2017, the Company's total liabilities amounted to KRW 1.4524 trillion. This rose by 10.3% from the end of 2016 as public bonds (KRW 150 billion) were issued to purchase the office building for the Hyundai Group.

Capital

The Company's total capital which amounted to KRW 791.1 billion as of December 31, 2016 rose by 5.6% to reach KRW 835.3 billion as of December 31, 2017 due to the KRW 79 billion that was generated in net income.

Non-Financial Management Discussion & Analysis

This non-financial management discussion & analysis was prepared to illustrate Hyundai Elevator's key performance outcomes in such non-financial sectors as human, social and environmental capital. The reporting period spans from January 1st, 2017 to December 31st, 2017, and the following concerns 'Hyundai Elevator', excluding its subsidiaries, unless otherwise stated.

1.

HUMAN CAPITAL

Employee Composition

(No. of employees)		2017	2016	2015
Total employees		2,112	2,106	1,873
By gender	Male	1,921	1,903	1,701
	Female	191	203	172
By job category	Administrative	900	923	852
	Manufacturing/technical	937	893	806
	Research	87	91	89
	Other	188	199	126
By employment type	Regular	1,924	1,907	1,747
	Contractual	188	199	126
Diversity	High school graduates	664	801	631
	People with disabilities	21	22	22
	Patriots and veterans	18	18	18
By age group	30 or younger	723	594	531
	31 to 40	600	644	551
	41 to 50	514	563	547
	51 or older	275	305	244

At Hyundai Elevator, the total number of employees is calculated by combining regular workers who directly sign employment contracts with the Company with contractual workers. As of the end of 2017, the Company hired a total of 3,700 employees and plans to continuously expand its overseas business and hire talented individuals accordingly. In Korea, the Company hired a total of 2,112 employees as of December 2017, and 51.8% of them are administrative workers and 48.2% are manufacturing and technical workers.

In August 2017, Hyundai Elevator spun-off its logistics business and created 'Hyundai Movex' to highlight the genuine characteristics and core competency of this business. As a result, the Company's total employee head count, which had been continuously rising, remained the same as it was in 2016. By job category, the ratio of manufacturing and technical workers rose by 4.9%

while that of the administrative and research workers inched down. The ratio of regular workers held its place above the 90% mark, with 91.1% in 2017 while that of contractual workers fell by 5.5% from the previous year. As far as diversity is concerned, the number of high school graduates dropped by 17.1%, which can be attributed to the fact that new recruits were hired to replace retirees who had received higher education and that some of the employees earned degrees. By age group, the ratio of employees aged 30 or under rose significantly by 21.7%.

Nurturing Female Talent

		2017	2016	2015
No. of female employees		191	203	172
Ratio of female employees	against total employees	9.04	9.64	9.18
Ratio of female managers	against total managers	4.98	3.57	2.44

Hyundai Elevator endeavors to hire female employees and improve their professional capacity. In 2017, the Company hired a total of 191 female employees, which inched down from the previous year to 9.04% of the total. The ratio of female managers, however, is consistently growing to reach 4.98% or 11 persons. Given that the recruitment of female employees is fairly limited due to the inherent characteristics of the machinery/electrical facility and manufacturing business, the Company exceeded the set standard in 'undertaking proactive employment improvement measures' as demonstrated by the Ministry of Employment and Labor surveys.

Recruitment and Resignation

(No. of employees)		2017	2016	2015
New recruitment	Male	287	317	330
	Female	17	39	28
	Total	304	356	358
	Regular	140	202	248
	Contractual	164	154	110
Resignation/turnover	Male	263	108	153
	Female	29	10	13
	Total	292	118	166
	Regular	135	42	54
	Contractual	157	76	112
Resignation rate		13.8	5.6	8.9

At Hyundai Elevator, the number of new hires is calculated by combining its regular workers who sign contract agreements directly with the Company with contractual workers. Since 2017, the Company replaced a portion of the new hires with existing employees by extending the retirement age. This drove down the number of new recruits by 14.6% from the previous year to 304 persons in 2017, and female employees accounted for 17 persons. Meanwhile, the total number of resignations amounted to 292 and the resignation rate rose by 8.2%p to 13.8%. This is due to the temporary increase in resignation caused by the spin-off of the logistics business last August, and the resignation rate was 8.2% when the employee transfer was excluded.

Retirement Pension

(KRW 100 million)	2017	2016	2015
Retirement pension	1,190	1,127	804

Hyundai Elevator operates a define benefit (DB) retirement pension system in accordance with the Employee Retirement Benefit Security Act. The Company introduced the wage peak program in 2017, and has been operating a training program to support employees in designing their retirement life to fully assist employees nearing their retirement age in preparing for their retirement since 2018.

Childcare Leave and Reinstatement

(No. of employees)	2017	2016	2015
Employees who took maternity leave	2	6	9
No. of employees who took childcare leave	5	10	8
Female	5	10	7
Male	0	0	1
Employees reinstated after taking childcare leave	7	5	5
Employees who resigned within 12 months of reinstatement	0	1	1

Hyundai Elevator ensures that its employees do not suffer career discontinuation due to pregnancy, childbirth or childcare. As such, the Company proactively encourages its employees to take pre/post-natal leave and childcare leave and to apply for reduced working hours. We also operate maternity protection rooms at the Head Office and Seoul office. In 2017, five employees took childcare leave, and seven employees, including some of the employees who took childcare leave the previous year, were reinstated to continue their career path.

The number of employees who took maternity leave amounted to nine in 2015, six in 2016 and two in 2017, and any employee who wishes to take maternity leave is free to do so. There were only two employees who resigned within 12 months of reinstatement following their childcare leave over the past three years, which demonstrates how well the Company is managing the career development of its reinstated employees.

Labor Relations

(%)	2017	2016	2015
Ratio of unionized workers	64.4	65.1	68.6

Hyundai Elevator pursues mutual growth in labor relations, advances its labor-management culture based on integrity and trust, and facilitates labor-management communication. The Company protects the freedom of association in accordance with Korea's labor regulations, and its employees are free to join the labor union as they wish. The ratio of unionized workers is calculated as the current ratio of unionized workers as measured against the total number of employees eligible for labor union membership.

Article 14 of the Labor Collective Agreement stipulates that the Company and its labor union operate a system to notify each other on such important matters as changes in the position or work site of labor union executives as well as their appointment and relocation. Since 2018, the Company has been committed to increasing employee welfare and motivating employees by improving the criteria used in paying for employee family events, assisting employees in benefiting from lower interest rates on loans, and introducing the Refresh Leave program.

2.

SOCIAL CAPITAL

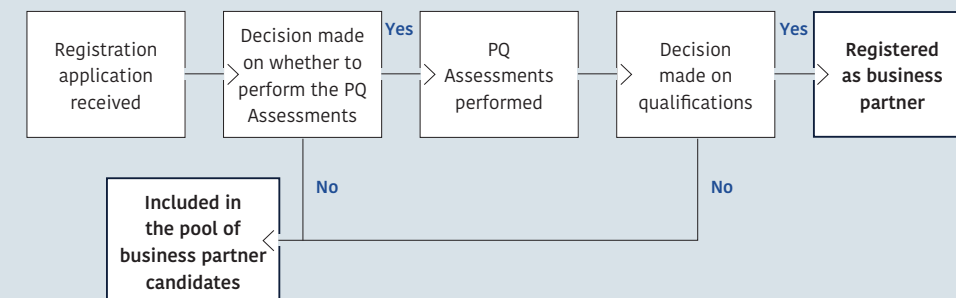
Selection of Business Partners

Hyundai Elevator selects new business partners through transparent and objective procedures. Any company wishing to do business with the Company can register to apply through the corporate website. This is followed by a decision regarding whether PQ Assessments* should be performed, and finally, PQ Assessments are conducted on eligible candidates. The assessments consist of financial and non-financial evaluations, and the companies granted final approval are registered as the Company's business partner.

Those applicants who are disqualified in the 1st screening step and the PQ Assessments are included in the Company's pool of business partner candidates. If applicants improve on their disqualified evaluation items, reassessments are performed at their request, and they can be registered as a business partner according to the evaluation outcomes.

* PQ Assessment: Prequalification assessments conducted on business partners include financial/technical assessments and non-financial assessments on the environment, safety and other factors.

Business Partner Selection Process



Mutual Growth

Mutual Growth Outcomes

		2017	2016	2015
Financial support	No. of business partners who received financial support	381	307	178
	Financial support (KRW 100 million)	69	85	41
	Cash/cash equivalent payments (%)	100	100	100
	No. of payments made - 1~2 times	1~2	1~2	1~2
Technology support/protection	Support for technology development (No. of cases)	1,556	1,589	1,778
	Support for technology protection (No. of cases)	2	5	4
Training/HR/recruitment support	Training support (No. of persons)	6,747	5,824	7,367
	Engineers sent to business partners (No. of business partners)	91	74	64

Hyundai Elevator provides financial support to its business partners and makes cash-equivalent payments while constantly improving payment conditions and supporting business partners through technology development and training. Such endeavors were widely recognized when the Company was rated Excellent for three consecutive years in the Win-Win Growth Index published in June 2017, and were jointly honored with its business partner Woojin Electric with the Prime Minister's Citation in the excellent performance sharing sector in November.

Fair Trade Agreement

(No. of companies)	2017	2016	2015
No. of business partners with whom fair trade agreements were signed	285	274	267

Hyundai Elevator has been signing fair trade agreements with its business partners since 2013 to support their growth. These business partners receive support to improve their business conditions in such diverse sectors as financing, technology and training while the Company procures high-quality materials and components from them to improve the competitive edge across the industry. In 2017, the Company signed fair trade agreements with a total of 285 business partners and aims to increase this number in the upcoming years.

R&D Investment

Hyundai Elevator is committed to developing technology that delivers ultra-high-efficiency elevators and remote maintenance technology through its R&D Center. To respond to the 4th Industrial Revolution, the Company is also developing a preemptive maintenance system that merges IoT with artificial intelligence. In 2017, the Company's R&D expenditures rose nearly 9% from the previous year to KRW 24.9 billion. While such expenditures are continuously on the rise, their ratio against sales inched down by 0.05% to 1.25% due to increasing sales.

	2017	2016	2015
R&D expenditure (KRW 100 million)	249	229	207
Ratio against sales (%)	1.25	1.30	1.43

Major R&D Projects in 2017

R&D Project	Development Period	Outcomes and Expected Benefits
Improve the diversity of HRTS	Jan. 2016~Feb. 2017	Operate in alignment with escalator HRTS
Develop MRL brakes	May 2015~Mar. 2017	Independently develop MRL brake models
Develop new YZER RGS	Sep. 2016~Apr. 2017	Respond to the specifications that adopt new YZER RGS and strengthen sales competitiveness
Develop transparent LED glass	Dec. 2015~Jul. 2017	Differentiate products through the adoption of transparent LED glass
Develop multi layer circulation type HRTS	Jan. 2017~Jul. 2017	Increase orders for multi layer circulation type auto parking systems
Develop standards for non-standard computer monitoring panel specifications	Jan. 2017~Sep. 2017	Standardize on-site monitoring panels and optimize terminal functionalities
Develop an HCCC efficiency improvement system	Jan. 2017~ Sep. 2017	Reduce counseling time and strengthen the LP-OPB phone service
Develop a smartphone app to replace HHT	Jan. 2017~Dec. 2017	Improve service efficiency and lay the basis for maintenance security technology

3.

ENVIRONMENTAL CAPITAL

Hyundai Elevator is building an integrated environmental management system and is systematically managing the operation of its environmental facilities, the emission of air pollutants and the consumption of water and electricity.

GHG Emissions

Hyundai Elevator's GHG emissions originate from the data of its Head Office in Icheon, the Cheonan Distribution Center and the Seoul Office, and exclude emissions from its subsidiaries and supply chain. The intensity of the GHG emissions is calculated by dividing the total GHG emissions by sales (KRW 100 million).

In 2017, the Company's total GHG emissions amounted to 11,560tonCO₂eq and the intensity was 0.58, which was down by 8.8% from the previous year. The Company regularly manages its energy consumption, identifies operational inefficiencies, makes necessary improvements, and disseminates such endeavors along the entire supply chain in order to reduce its GHG emissions. In 2018, the Company aims to reduce its GHG emissions by 3% from last year to reach 11,213tonCO₂eq and will continue to strive to cut its GHG emissions.

GHG Emissions

(tonCO ₂ eq)	2017	2016	2015
Total emissions	11,560	11,176	10,431
Scope 1	2,773	2,833	2,587
Scope 2	8,279	7,943	7,527
Scope 3	508	400	318
Intensity (tonCO ₂ eq/KRW 100 million)	0.58	0.64	0.72
Change in intensity (%)	-8.8	-11.7	-7.8

Air Pollutant Management

At Hyundai Elevator, air pollutants are processed through control equipment to minimize pollutant substances before they are released into the air. The Company strives to reduce its emission of major air pollutants such as dust, and maintain its control equipment annually and replace its consumables regularly. In July 2017, the wet painting facility of Factory 2 underwent a process rationalization and its air polluting equipment and control equipment ceased operations accordingly. This allowed the Company to dramatically reduce its dust emissions from 116 tons in 2016 to 29 tons in 2017, and the factory was upgraded from a grade 1 to a grade 2 establishment based air pollutant emissions. Hyundai Elevator will continue to endeavor to reduce its air pollutant emissions.

(ton)	2017	2016	2015
Generation of air pollutants	29	116	116
Emission of air pollutants	1.9	4.1	4.0

Energy Consumption

Hyundai Elevator calculates its energy consumption based on the data of its Head Office in Icheon and its Seoul Office. The data is collected by the integrated environmental management system through energy bills issued by energy providers, and does not include the energy consumption of its subsidiaries or any others along the supply chain. Energy intensity is calculated by dividing total energy consumption by sales (KRW 100 million). In 2017, the Company's energy consumption increased by a mere 2.4% from the previous year to 173 TJ. This is a significant drop when compared to its sales growth (13.4%), and demonstrates the Company's commitment to improving its energy efficiency.

Energy Consumption

	2017	2016	2015
Total consumption (TJ)	173	169	159
Electricity (kwh)	12,611,820	12,144,219	11,640,790
Gas (Nm ³)	1,022,137	977,743	881,699
Fuel (l)	214,114	281,094	253,921
Intensity (consumption X 1,000/KRW 100 million)	8.68	9.61	11.01
Change in intensity (%)	-9.7	-12.7	-8.3

Energy Conservation Initiatives

Hyundai Elevator is undertaking energy conservation initiatives to replace old equipment to reduce its energy consumption and improve energy efficiency. These endeavors have allowed the Company to save more than 400,000 kwh in energy consumption per year.

	2017	2016	Reduction Rate	Annual Reduction in Electricity Consumption
Replace old absorption-type air dryers and improve the Puge Loss ratio	5%	20%	-75.0%	371,640kwh
Replace crane LED lights	80w	250w	-68.0%	52,880kwh
Replace sensor lights in the hallway	16w	64w	-75.0%	

Water Resource Management

Hyundai Elevator cleans its sumps every year to decrease the wastewater generated from its manufacturing process and improve the quality of wastewater while periodically managing operational facilities to reduce the discharge of high-concentration wastewater. In 2017, its total water consumption amounted to 38,400 tons, including the use of underground water, industrial water and recycled water.

	2017	2016	2015	
Water Resources	Total consumption (1,000 ton)	38.4	36.4	36.3
	Underground water (1,000 ton)	28.6	27.7	28.6
	Industrial water (1,000 ton)	9.8	8.7	7.7
	Total recycled water (1,000 ton)	3.4	3.4	3.4
	Intensity (1,000m ³ /KRW 100 million)	1.93	2.07	2.51
	Change in intensity (%)	-6.9	-17.4	-20.6
Wastewater	Wastewater generated (ton)	2,981	3,065	2,510

Chemicals Management

Hyundai Elevator endeavors to reduce its discharge of chemical substances every year. The Company uses its chemical inventory to perform impact assessments based on its discharge of chemicals in order to minimize any damage to the surrounding environment. In addition, the Company constantly implements review and prevention programs. The Company plans to minimize its use of chemicals and replace harmful chemicals with substances that are not harmful to the human body in the years ahead.

(ton)	2017	2016	2015
Total consumption of chemicals	27.43	35.13	32.17

Waste Management

At Hyundai Elevator, waste - ranging from its generation to its transport and treatment - is lawfully treated in accordance with its waste process management. The Company also evaluates its waste processing companies to ensure that waste is processed properly, and offers environmental training on waste sorting and storage inspection to employees handling and discharging waste. In 2017, the Company generated a total of 369 tons of waste, and this is declining year by year.

(ton)	2017	2016	2015	
Waste	Total waste	369	356	381
	Landfill	17	17	19
	Incineration	20	235	255
	Recycling	332	104	107
	Total designated waste	38	34	40
	Change in waste generation (%)	3.5	-6.6	10.1

Environmental Investment

Each year, Hyundai Elevator makes environmental investments to efficiently maintain and operate its environmental facilities. The environmental operation expenses include waste treatment expenses, pollution control facility repair expenses, and sewage treatment expenses. In 2017, such expenses amounted to KRW 357 million, and dropped by nearly 29% from the previous year through the downsizing of pollution discharging and control facilities. Environmental investments have continued to fall following the development of a GHG inventory system in 2016. In 2018, the Company will promote the efficiency of its environmental management by replacing old dust collectors installed at cutting equipment and making necessary environmental investments.

(KRW million)	2017	2016	2015	
Environmental investment	Environmental operation expenses	357	502	553
	Environmental investment	10	80	0

Independent Auditor's Report

To the Board of Directors and Shareholders of
HYUNDAI ELEVATOR CO., LTD.

We have audited the accompanying consolidated statements of HYUNDAI ELEVATOR CO., LTD. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of HYUNDAI ELEVATOR CO., LTD. and its subsidiaries as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean IFRS.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following area of focus.

Auditor's Emphasis on Area of Focus on Construction Contracts

Area of focus on construction contracts in accordance with the Practical Guidance of Auditing Standard 2016-1 are those matters that, in the auditor's professional judgment and communication with those changed with governance, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have addressed the output of the audit process for the area of focus as below in forming an audit opinion on the consolidated financial statements of HYUNDAI ELEVATOR CO., LTD. and its subsidiaries as a whole.

A. General Information

Common information applied to the area of focus on construction contract described in this audit report are as follows:

As explained in the Note 2 to the financial statements, the Group recognizes contract revenue and contract costs associated with the construction contract as revenue and expense respectively based on the percentage of completion of the contract activity at the end of the reporting period when the outcome of a construction contract can be estimated reliably. The percentage of completion of the contract activity is the proportion that costs incurred to date, excluding any contract cost that does not reflect the work performed, bear to the estimated total costs of the contract. The Group presents the gross amount due from customer for contract work as an asset for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings, and presents the gross amount due to customers for contract work as a liability for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

B. Uncertainty of Total Estimated Contract Costs (total estimated costs)

As explained in the Note 23 to the financial statement, total contract costs are estimated based on future estimates of material costs, labor costs, construction period and others. A 5% increase in these estimates would have a negative effect on profit before income tax amounting to ₩ 57,930 million. The impacts of changes in estimated total contract costs on the profit or loss for the current year are considered; therefore, we identified uncertainty of estimated total contract costs as a significant risk. As at December 31, 2017, in respect of the Group's uncertainty of estimated total contract costs, we have performed the following audit procedures.

- We performed analytical review procedures on changes in estimated total contract cost for each reporting period.
- We tested with the associated evidence of the contract project with a significant change in the total contract cost, and inquired about the reason of the significant change.
- We inquired about the contract project with a significant provision for the construction loss, and tested with relevant evidences.
- We identified the contract project with a significant difference on estimated cost ratio comparing to the actual cost ratio of similar contract projects, and

- inquired about the reason of the significant difference.
- We compared and analyzed actual and estimated cost to identify if there are completed projects with significant differences. For the identified projects with the significant differences, we determined reasons of significant differences and obtained relevant evidences if necessary.
- We reviewed internal control of the Group in relation to reviewing and approval process of a contract by an appropriate approver when a new contract is engaged.

C. Measurement of Percentage of Completion

As explained in the Note 23 to the financial statements, for the year ended December 31, 2017, the changes in estimated total contract cost amounts to ₩ 14,681 million, and aggregated cost incurred as at December 31, 2017 amounts to ₩ 1,189,335 million. We identified measurement of percentage of completion as a significant risk in consideration of volatility in contract cost and uncertainty in estimated total contract costs.

As at December 31, 2017, in respect of the Group's estimated total contract costs and aggregated costs incurred that have impacts on the measurement of percentage of completion, we have performed the following audit procedures.

- We inquired about internal controls related to contract cost accumulation and allocation.
- We independently recalculated the percentage of completion for construction contracts whose percentages of completion have significantly changed.
- We tested the occurrence, accuracy and cut-off assertions for sampled input costs.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

March 16, 2018

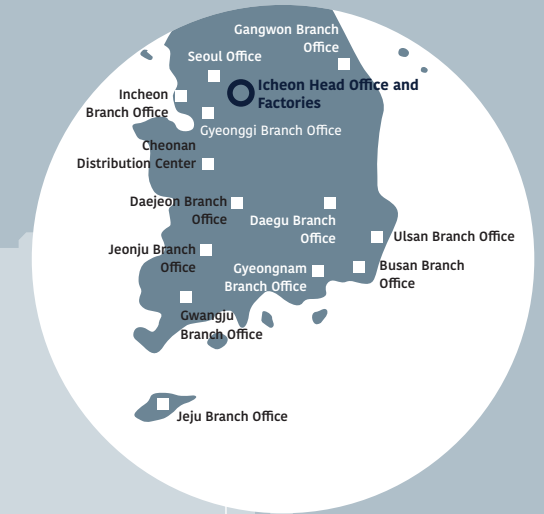
Seoul, Korea
Samil PwC
Young-Sik Kim, CEO

This report is effective as of March 16, 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 consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

GLOBAL NETWORK

MAJOR BUSINESS UNITS

Hyundai Elevator operates the Head Office in Icheon, Gyeonggi Province, along with the Seoul Office and 12 other branch offices throughout Korea. We also have six overseas corporations as well as several overseas agencies spanning 46 countries.



Hyundai Elevator — 2017-2018

- Domestic Worksite**
- Head Office/Factory**
Icheon Factory 1, 2, 3, R&D Center, Hyundai Customer Care Center (HCCC)
- Domestic Office**
Seoul Office, Gyeonggi Branch Office, Busan Branch Office, Incheon Branch Office, Daejeon Branch Office, Daegu Branch Office, Ulsan Branch Office, Gangwon Branch Office, Jeonju Branch Office, Gwangju Branch Office, Gyeongnam Branch Office, Jeju Branch Office
- Distribution Center**
Cheonan Distribution Center
- Overseas Worksite**
- Overseas Corporation**
China, Malaysia, Vietnam, Indonesia, Turkey, Brazil
- Overseas Agency**
9 in Asia, 12 in the Middle East, 12 in Americas, 7 in Africa and 6 in Europe & CIS



Hyundai Elevator — 2017-2018

Worksite Data

Head Office in Icheon (Gyeonggi Province)

- (Factory 1/2/3) Cutting-edge facilities situated on a 44,040m² land
- Manufacturing, quality and safety, R&D

Hyundai Asan Tower

World's top-tier elevator test tower

Hyundai Customer Care Center (CCC)

Real-time remote management service (HRTS) and customer counseling

Seoul Office (Yeonji-dong, Jongno-gu, Seoul)

- Sales: Elevator business
- Service: Service business
- Planning & management: Business Support Unit, Finance & Procurement Unit, Future Innovation Unit, China Regional Management Unit


Chinese Factory (Shanghai, China)

- Size: 28,716m²
- Manufacturing of elevators and escalators
- Elevator test tower (72m in height)
- New factory under construction (to be completed by the end of 2019)

UN Global Compact / SDGs Index



UN GLOBAL COMPACT INDEX



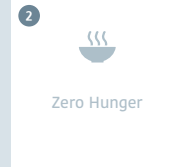



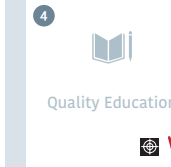

















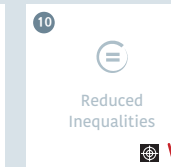









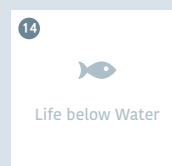
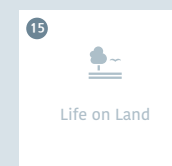
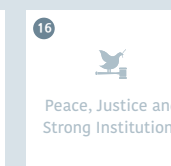
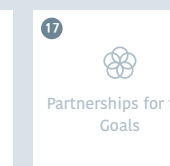

We at Hyundai Elevator have endorsed the ten principles of the UN Global Compact in the four areas of human rights, labor, the environment and anti-corruption since 2015.

UN Global Compact's 10 Principles	Area	Principle	Page
 <p>COMMUNICATION ON PROGRESS</p>	Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and	65
		2. ensure they are not complicit in the abuse of human rights.	65
	Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	86
		4. the elimination of all forms of forced and compulsory labor;	65
		5. the effective abolition of child labor; and	65
		6. the elimination of discrimination in respect to employment and occupation.	65, 85
	Environment	7. Businesses should support a precautionary approach to environmental challenges;	67
		8. undertake initiatives to promote greater environmental responsibility; and	89-91
		9. encourage the development and diffusion of environmentally-friendly technologies.	67
	Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	58-59

SUSTAINABLE DEVELOPMENT GOALS

To join the international community in reaching the Sustainable Development Goals (SDGs), we at Hyundai Elevator have reviewed our progress made in each of the 17 Goals, and will continue with such endeavors by setting our own targets concerning the Goals that are related to our business.

 Targets set  Monitored

 <p>1 No Poverty </p>	 <p>2 Zero Hunger </p>	 <p>3 Good Health and Well-being </p>	 <p>4 Quality Education  </p>	 <p>5 Gender Equality  </p>	 <p>6 Clean Water and Sanitation  </p>
 <p>7 Affordable and Clean Energy  </p>	 <p>8 Decent Work and Economic Growth  </p>	 <p>9 Industry, Innovation and Infrastructure  </p>	 <p>10 Reduced Inequalities  </p>	 <p>11 Sustainable Cities and Communities </p>	 <p>12 Responsible Consumption and Production </p>
 <p>13 Climate Action  </p>	 <p>14 Life below Water</p>	 <p>15 Life on Land</p>	 <p>16 Peace, Justice and Strong Institutions</p>	 <p>17 Partnerships for the Goals</p>	

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