

**HYUNDAI MOTOR COMPANY  
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2019 AND 2018**

**ATTACHMENT: INDEPENDENT AUDITORS' REPORT**

**HYUNDAI MOTOR COMPANY**

# **Contents**

|  |           |
|--|-----------|
| <b>INDEPENDENT AUDITORS' REPORT -----</b>                    | <b>1</b>  |
| <b>CONSOLIDATED FINANCIAL STATEMENTS</b>                     |           |
| <b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION -----</b>   | <b>6</b>  |
| <b>CONSOLIDATED STATEMENTS OF INCOME -----</b>               | <b>8</b>  |
| <b>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME -----</b> | <b>9</b>  |
| <b>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY -----</b>    | <b>10</b> |
| <b>CONSOLIDATED STATEMENTS OF CASH FLOWS -----</b>           | <b>12</b> |
| <b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -----</b>  | <b>14</b> |

## **Independent Auditors' Report** **Based on a report originally issued in Korean**

To the Board of Directors and Shareholders  
Hyundai Motor Company:

### ***Opinion***

We have audited the consolidated financial statements of Hyundai Motor Company and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2019, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

### ***Basis for Opinion***

We conducted our audit in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2019. These matters were addressed in the context of our 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

#### 1) Warranty provisions

As described in Note 2 (20) and Note 17 to the consolidated financial statements, the Group recognized warranty provision in the amount of ₩ 5,447,307 million as of December 31, 2019.

The Group provides customers with free warranty services for guaranteed period and free repair services in the event of recall and campaign. The Group aggregates sales volume by vehicle model and estimates warranty expenses which is expected to be incurred based on historical data of the actual warranty expenses. The warranty provisions are measured at the present value based on the expected expenditure of the claim and discount rate. In order to measure and recognize warranty provision, management applies assumptions to expected warranty expenses by vehicle model and applies discount rates to measure the present value of provisions. Management uses historical data of the actual warranty expenses to estimate expected warranty expense. We determined the valuation of warranty provision as a key audit matter because errors in aggregation of sales volume by vehicle models and in assumptions used to estimate future warranty expenses would have a significant impact on the consolidated financial statements.



The primary procedures we performed to address this key audit matter included the following:

- Understanding of the process to measure and recognize warranty provisions and testing of relevant controls.
- Testing of completeness of vehicles sold used for estimation through inspection of related documents.
- Evaluating reasonableness of assumptions applied for expected warranty cost per unit by vehicle model and testing of accuracy of the amount through recalculation.
- Testing of appropriateness of discount rate by comparing to external sources of information.

## 2) Valuation of financial services receivables

As described in Note 2.(8) and Note 14 to the consolidated financial statements, the Group recognized financial services receivables and loss allowance in the amount of ₩ 62,258,626 million and ₩ 1,480,555 million as of December 31, 2019, respectively.

The Group recognizes allowance for credit loss using the expected credit loss (ECL) model for financial services receivables in accordance with K-IFRS 1109 'financial instruments'. Judgment of the management is required to determine whether the receivable has experienced a significant increase in credit risk and other assumptions applied to the ECL model, including credit rating and macroeconomic variables. In addition, the Group uses historical transaction data such as overdue, bankruptcy and collection in determining assumptions used in the ECL model. Since the impact on the consolidated financial statements due to errors in the assumptions applied to the ECL model is significant, we determined to choose valuation of financial services receivables as a key audit matter.

The primary procedures we performed to address this key audit matter included the following:

- Assessing whether the Group's accounting policies comply with the requirements in K-IFRS 1109 '*Financial Instruments*'.
- Understanding of the process over the measurement of credit loss allowance on financial services receivables and testing of relevant controls.
- On a sample basis, assessing the credit rating and classification of stability including the identification of significant increase credit risk, through inspection of related documents.
- On a sample basis, checking the source data for probability of default and loss given default and testing of appropriateness of calculation methods used for the estimation through recalculation.

### **Other matters**

The accompanying consolidated statement of financial position of the Group as of December 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, were audited by other auditors who expressed an unmodified opinion on those statements on March 6, 2019.

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

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Sang-Min Nam.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
March 4, 2020

This report is effective as of March 4, 2020, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

# **HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES**

## **CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Company.

**Lee, Won Hee**  
**Chief Executive Officer**  
**HYUNDAI MOTOR COMPANY**

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(Phone Number) 02-3464-1114

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2019 AND 2018

| ASSETS   | NOTES | December 31, 2019           |             | December 31, 2018 |             |
|--|-------|-----------------------------|-------------|-------------------|-------------|
|  |       | (In millions of Korean Won) |             |                   |             |
| Current assets:                                |       |                             |             |                   |             |
| Cash and cash equivalents                      | 20    | ₩                           | 8,681,971   | ₩                 | 9,113,625   |
| Short-term financial instruments               | 20    |                             | 7,292,626   |                   | 7,936,319   |
| Other financial assets                         | 5,20  |                             | 9,449,913   |                   | 9,755,725   |
| Trade notes and accounts receivable            | 3,20  |                             | 3,513,090   |                   | 3,595,993   |
| Other receivables                              | 4,20  |                             | 3,402,059   |                   | 3,291,847   |
| Inventories                                    | 6     |                             | 11,663,848  |                   | 10,714,858  |
| Current tax assets                             |       |                             | 112,046     |                   | 97,271      |
| Financial services receivables                 | 14,20 |                             | 30,178,200  |                   | 25,864,589  |
| Non-current assets classified as held for sale | 8     |                             | 11,493      |                   | 867,192     |
| Other assets                                   | 7,20  |                             | 1,777,627   |                   | 1,770,682   |
| Total current assets                           |       |                             | 76,082,873  |                   | 73,008,101  |
| Non-current assets:                            |       |                             |             |                   |             |
| Long-term financial instruments                | 20    |                             | 803,262     |                   | 112,394     |
| Other financial assets                         | 5,20  |                             | 3,059,526   |                   | 2,223,358   |
| Long-term trade notes and accounts receivable  | 3,20  |                             | 127,430     |                   | 136,777     |
| Other receivables                              | 4,20  |                             | 705,154     |                   | 755,088     |
| Property, plant and equipment                  | 9,40  |                             | 32,831,524  |                   | 30,545,608  |
| Investment properties                          | 10,40 |                             | 171,494     |                   | 189,334     |
| Intangible assets                              | 11,40 |                             | 5,266,496   |                   | 4,921,383   |
| Investments in joint ventures and associates   | 13    |                             | 18,375,290  |                   | 17,143,239  |
| Deferred tax assets                            | 34    |                             | 2,340,096   |                   | 1,846,330   |
| Financial services receivables                 | 14,20 |                             | 32,080,426  |                   | 28,637,075  |
| Investments in operating leases                | 15    |                             | 21,068,340  |                   | 20,425,766  |
| Right-of-use assets                            | 2,12  |                             | 734,542     |                   | -           |
| Other assets                                   | 7,20  |                             | 865,767     |                   | 711,299     |
| Total non-current assets                       |       |                             | 118,429,347 |                   | 107,647,651 |
| Total assets                                   |       | ₩                           | 194,512,220 | ₩                 | 180,655,752 |

(Continued)



HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2019 AND 2018

| LIABILITIES AND EQUITY                               | NOTES    | December 31, 2019           | December 31, 2018 |
|--|----------|-----------------------------|-------------------|
|  |          | (In millions of Korean Won) |                   |
| <b>Current liabilities:</b>                          |          |                             |                   |
| Trade notes and accounts payable                     | 20       | ₩ 7,669,424                 | ₩ 7,655,630       |
| Other payables                                       | 20       | 6,060,100                   | 5,425,460         |
| Short-term borrowings                                | 16,20,40 | 12,570,693                  | 12,249,850        |
| Current portion of long-term debt and debentures     | 16,20,40 | 15,778,558                  | 14,104,927        |
| Income tax payable                                   |          | 370,100                     | 150,802           |
| Provisions   | 17       | 3,462,034                   | 3,291,868         |
| Other financial liabilities                          | 18,20    | 9,970                       | 44,288            |
| Non-current liabilities classified as held for sale  | 8        | -                           | 719,396           |
| Lease liabilities                                    | 2,12,20  | 132,388                     | -                 |
| Other liabilities                                    | 19,20    | 7,260,829                   | 5,796,193         |
| Total current liabilities                            |          | 53,314,096                  | 49,438,414        |
| <b>Non-current liabilities:</b>                      |          |                             |                   |
| Long-term other payables                             | 20       | 847,287                     | 20,319            |
| Debentures   | 16,20,40 | 41,805,814                  | 36,956,114        |
| Long-term debt                                       | 16,20,40 | 11,217,088                  | 9,985,250         |
| Net defined benefit liabilities                      | 35       | 412,598                     | 433,247           |
| Provisions   | 17       | 3,682,895                   | 3,508,036         |
| Other financial liabilities                          | 18,20    | 175,196                     | 297,506           |
| Deferred tax liabilities                             | 34       | 3,503,077                   | 3,320,346         |
| Lease liabilities                                    | 2,12,20  | 635,596                     | -                 |
| Other liabilities                                    | 19,20    | 2,552,819                   | 2,800,510         |
| Total non-current liabilities                        |          | 64,832,370                  | 57,321,328        |
| Total liabilities                                    |          | 118,146,466                 | 106,759,742       |
| <b>Equity:</b>                                       |          |                             |                   |
| Capital stock  | 21       | 1,488,993                   | 1,488,993         |
| Capital surplus                                      | 22       | 4,197,015                   | 4,201,214         |
| Other capital items                                  | 23       | (1,516,817)                 | (1,155,244)       |
| Accumulated other comprehensive loss                 | 24       | (2,353,022)                 | (3,052,198)       |
| Retained earnings                                    | 25       | 68,249,633                  | 66,490,082        |
| Equity related to assets classified as held for sale | 8,24     | -                           | 1,122             |
| Equity attributable to the owners of the Company     |          | 70,065,802                  | 67,973,969        |
| Non-controlling interests                            |          | 6,299,952                   | 5,922,041         |
| Total equity   |          | 76,365,754                  | 73,896,010        |
| Total liabilities and equity                         |          | ₩ 194,512,220               | ₩ 180,655,752     |

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

|   | NOTES | 2019  | 2018         |
|---|-------|---|--------------|
|   |       | (In millions of Korean Won, except per share amounts) |              |
| Sales   | 27,40 | ₩ 105,746,422   | ₩ 96,812,609 |
| Cost of sales   | 32    | 88,091,409  | 81,670,479   |
| Gross profit  |       | 17,655,013  | 15,142,130   |
| Selling and administrative expenses                           | 28,32 | 14,049,508  | 12,719,965   |
| Operating profit  |       | 3,605,505   | 2,422,165    |
| Gain on investments in joint ventures and associates, net     | 29    | 542,826   | 404,541      |
| Finance income  | 30    | 827,120   | 823,499      |
| Finance expenses  | 30    | 475,218   | 600,867      |
| Other income  | 31    | 1,120,958   | 967,281      |
| Other expenses  | 31,32 | 1,457,425   | 1,487,037    |
| Profit before income tax                                      |       | 4,163,766   | 2,529,582    |
| Income tax expense  | 34    | 978,120   | 884,563      |
| Profit for the year   |       | ₩ 3,185,646   | ₩ 1,645,019  |
| Profit attributable to:                                       |       |   |              |
| Owners of the Company   |       | 2,980,049   | 1,508,084    |
| Non-controlling interests                                     |       | 205,597   | 136,935      |
| Earnings per share attributable to the owners of the Company: | 33    |   |              |
| Basic earnings per share:                                     |       |   |              |
| Common stock  |       | ₩ 11,310  | ₩ 5,632      |
| 1 <sup>st</sup> preferred stock                               |       | ₩ 11,355  | ₩ 5,681      |
| Diluted earnings per share:                                   |       |   |              |
| Common stock  |       | ₩ 11,310  | ₩ 5,632      |
| 1 <sup>st</sup> preferred stock                               |       | ₩ 11,355  | ₩ 5,681      |

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

|   | 2019                        | 2018             |
|---|-----------------------------|------------------|
|   | (In millions of Korean Won) |                  |
| Profit for the year   | ₩ 3,185,646                 | ₩ 1,645,019      |
| Other comprehensive income (loss) :                                 |                             |                  |
| Items that will not be reclassified subsequently to profit or loss: |                             |                  |
| Loss on financial assets measured at FVOCI, net                     | (37,965)                    | (99,125)         |
| Remeasurements of defined benefit plans                             | (53,144)                    | (439,508)        |
| Changes in retained earnings of equity-accounted investees, net     | (108,983)                   | (67,347)         |
| Changes in share of OCI of equity-accounted investees, net          | 16,966                      | (25,826)         |
|   | <u>(183,126)</u>            | <u>(631,806)</u> |
| Items that may be reclassified subsequently to profit or loss:      |                             |                  |
| Profit (loss) on financial assets measured at FVOCI, net            | 15,906                      | (6,534)          |
| Gain (loss) on valuation of cash flow hedge derivatives, net        | 45,051                      | (124,121)        |
| Changes in share of OCI of equity-accounted investees, net          | 271,542                     | (237,547)        |
| Gain on foreign operations translation, net                         | 481,848                     | 3,626            |
|   | <u>814,347</u>              | <u>(364,576)</u> |
| Total other comprehensive income (loss)                             | <u>631,221</u>              | <u>(996,382)</u> |
| Total comprehensive income  | <u>₩ 3,816,867</u>          | <u>₩ 648,637</u> |
| Comprehensive income attributable to:                               |                             |                  |
| Owners of the Company   | 3,520,937                   | 553,869          |
| Non-controlling interests   | 295,930                     | 94,768           |
| Total comprehensive income  | <u>₩ 3,816,867</u>          | <u>₩ 648,637</u> |

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

|   | Capital<br>stock | Capital<br>surplus | Other<br>capital<br>items | Accumulated<br>other<br>comprehensive<br>income (loss) | Retained<br>earnings | Total equity<br>attributable to<br>the owners of<br>the Company | Non-<br>controlling<br>interests | Total<br>equity |
|---|------------------|--------------------|---------------------------|--|----------------------|---|----------------------------------|-----------------|
| (In millions of Korean Won)   |                  |                    |                           |  |                      |   |                                  |                 |
| Balance at<br>January 1, 2018   | ₩ 1,488,993      | ₩ 4,201,214        | ₩ (1,640,096)             | ₩ (2,278,955)  | ₩ 67,332,328         | ₩ 69,103,484  | ₩ 5,653,870                      | ₩ 74,757,354    |
| Changes in<br>accounting standards                                    | -                | -                  | -                         | (340,268)  | 188,665              | (151,603)   | (71,337)                         | (222,940)       |
| Balances after<br>adjustments   | 1,488,993        | 4,201,214          | (1,640,096)               | (2,619,223)  | 67,520,993           | 68,951,881  | 5,582,533                        | 74,534,414      |
| Comprehensive<br>income:  |                  |                    |                           |  |                      |   |                                  |                 |
| Profit for the year   | -                | -                  | -                         | -  | 1,508,084            | 1,508,084   | 136,935                          | 1,645,019       |
| Loss on<br>financial assets<br>measured at<br>FVOCI, net              | -                | -                  | -                         | (93,248)   | (11,510)             | (104,758)   | (901)                            | (105,659)       |
| Loss on<br>valuation of<br>cash flow hedge<br>derivatives, net        | -                | -                  | -                         | (69,896)   | -                    | (69,896)  | (54,225)                         | (124,121)       |
| Changes in valuation<br>of equity-accounted<br>investees, net         | -                | -                  | -                         | (261,658)  | (67,347)             | (329,005)   | (1,715)                          | (330,720)       |
| Remeasurements of<br>defined benefit plans                            | -                | -                  | -                         | -  | (443,505)            | (443,505)   | 3,997                            | (439,508)       |
| Gain (loss) on foreign<br>operations translation,<br>net              | -                | -                  | -                         | (7,051)  | -                    | (7,051)   | 10,677                           | 3,626           |
| Total comprehensive<br>income (loss)                                  | -                | -                  | -                         | (431,853)  | 985,722              | 553,869   | 94,768                           | 648,637         |
| Transactions with<br>owners, recorded<br>directly in equity:          |                  |                    |                           |  |                      |   |                                  |                 |
| Payment of cash<br>dividends  | -                | -                  | -                         | -  | (1,076,734)          | (1,076,734)   | (50,727)                         | (1,127,461)     |
| Increase in paid-in<br>capital of<br>subsidiaries by<br>issuing stock | -                | -                  | -                         | -  | -                    | -   | 10                               | 10              |
| Acquisition of<br>investment of<br>subsidiaries                       | -                | -                  | -                         | -  | -                    | -   | 3,181                            | 3,181           |
| Purchases of<br>treasury stocks                                       | -                | -                  | (454,734)                 | -  | -                    | (454,734)   | -                                | (454,734)       |
| Retirement of<br>treasury stocks                                      | -                | -                  | 939,586                   | -  | (939,586)            | -   | -                                | -               |
| Issue of hybrid bond  | -                | -                  | -                         | -  | -                    | -   | 299,240                          | 299,240         |
| Others  | -                | -                  | -                         | -  | (313)                | (313)   | (6,964)                          | (7,277)         |
| Total transactions with<br>owners, recorded<br>directly in equity     | -                | -                  | 484,852                   | -  | (2,016,633)          | (1,531,781)   | 244,740                          | (1,287,041)     |
| Balance at<br>December 31, 2018                                       | ₩ 1,488,993      | ₩ 4,201,214        | ₩ (1,155,244)             | ₩ (3,051,076)  | ₩ 66,490,082         | ₩ 67,973,969  | ₩ 5,922,041                      | ₩ 73,896,010    |

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

|   | Capital<br>stock | Capital<br>surplus | Other<br>capital<br>items | Accumulated<br>other<br>comprehensive<br>income (loss)<br>(In millions of Korean Won) | Retained<br>earnings | Total equity<br>attributable to<br>the owners of<br>the Company | Non-<br>controlling<br>interests | Total<br>equity |
|---|------------------|--------------------|---------------------------|---|----------------------|---|----------------------------------|-----------------|
| Balance at<br>January 1, 2019   | ₩ 1,488,993      | ₩ 4,201,214        | ₩ (1,155,244)             | ₩ (3,051,076)   | ₩ 66,490,082         | ₩ 67,973,969  | ₩ 5,922,041                      | ₩ 73,896,010    |
| Comprehensive<br>income:  |                  |                    |                           |   |                      |   |                                  |                 |
| Profit for the year   | -                | -                  | -                         | -   | 2,980,049            | 2,980,049   | 205,597                          | 3,185,646       |
| Gain (loss) on<br>financial assets<br>measured at FVOCI,<br>net                     | -                | -                  | -                         | (26,426)  | (1,294)              | (27,720)  | 5,661                            | (22,059)        |
| Gain on valuation of<br>cash flow hedge<br>derivatives, net                         | -                | -                  | -                         | 34,570  | -                    | 34,570  | 10,481                           | 45,051          |
| Changes in valuation<br>of equity-accounted<br>investees, net                       | -                | -                  | -                         | 276,430   | (108,983)            | 167,447   | 12,078                           | 179,525         |
| Remeasurements of<br>defined benefit plans  | -                | -                  | -                         | -   | (46,889)             | (46,889)  | (6,255)                          | (53,144)        |
| Gain on foreign<br>currency translation<br>difference for<br>foreign operation, net | -                | -                  | -                         | 413,480   | -                    | 413,480   | 68,368                           | 481,848         |
| Total comprehensive<br>Income   | -                | -                  | -                         | 698,054   | 2,822,883            | 3,520,937   | 295,930                          | 3,816,867       |
| Transactions with<br>owners, recorded<br>directly in equity:                        |                  |                    |                           |   |                      |   |                                  |                 |
| Payment of cash<br>dividends  | -                | -                  | -                         | -   | (1,063,331)          | (1,063,331)   | (58,503)                         | (1,121,834)     |
| Increase in paid-in<br>capital of<br>subsidiaries<br>by issuing stock               | -                | -                  | -                         | -   | -                    | -   | 4,806                            | 4,806           |
| Acquisitions of<br>investment of<br>subsidiaries                                    | -                | -                  | -                         | -   | -                    | -   | 13,004                           | 13,004          |
| Disposals of<br>investment of<br>subsidiaries                                       | -                | -                  | -                         | -   | -                    | -   | (19,637)                         | (19,637)        |
| Purchases of<br>treasury stocks   | -                | -                  | (458,031)                 | -   | -                    | (458,031)   | -                                | (458,031)       |
| Retirement of<br>treasury stocks  | -                | 2,163              | 96,458                    | -   | -                    | 98,621  | -                                | 98,621          |
| Issue of hybrid bonds   | -                | -                  | -                         | -   | -                    | -   | 150,323                          | 150,323         |
| Others  | -                | (6,362)            | -                         | -   | (1)                  | (6,363)   | (8,012)                          | (14,375)        |
| Total transactions with<br>owners, recorded<br>directly in equity                   | -                | (4,199)            | (361,573)                 | -   | (1,063,332)          | (1,429,104)   | 81,981                           | (1,347,123)     |
| Balance at<br>December 31, 2019   | ₩ 1,488,993      | ₩ 4,197,015        | ₩ (1,516,817)             | ₩ (2,353,022)   | ₩ 68,249,633         | ₩ 70,065,802  | ₩ 6,299,952                      | ₩ 76,365,754    |

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

|  | NOTES | 2019                        | 2018               |
|--|-------|-----------------------------|--------------------|
|  |       | (In millions of Korean Won) |                    |
| Cash flows from operating activities:                        |       |                             |                    |
| Cash generated from operations:                              | 36    |                             |                    |
| Profit for the year  |       | ₩ 3,185,646                 | ₩ 1,645,019        |
| Adjustments  |       | 15,145,995                  | 14,036,476         |
| Changes in operating assets and liabilities                  |       | <u>(15,644,327)</u>         | <u>(9,592,809)</u> |
|  |       | 2,687,314                   | 6,088,686          |
| Interest received  |       | 672,283                     | 696,134            |
| Interest paid  |       | (2,073,310)                 | (1,950,392)        |
| Dividend received  |       | 204,455                     | 206,323            |
| Income tax paid  |       | <u>(1,070,958)</u>          | <u>(1,276,486)</u> |
| Net cash provided by operating activities                    |       | <u>419,784</u>              | <u>3,764,265</u>   |
| Cash flows from investing activities:                        |       |                             |                    |
| Changes in short-term financial instruments                  |       | (5,610)                     | (232,528)          |
| Decreases in other financial assets (current), net           |       | 495,541                     | 2,596,564          |
| Decreases in other financial assets (non-current)            |       | 7,189                       | 141,979            |
| Collection of other receivables                              |       | 51,417                      | 79,241             |
| Disposals of long-term financial instruments                 |       | 2,861                       | 47                 |
| Proceeds from disposals of property, plant and equipment     |       | 85,901                      | 105,116            |
| Proceeds from disposals of intangible assets                 |       | 2,605                       | 4,714              |
| Disposals of investments in joint ventures and associates    |       | 1,404                       | -                  |
| Proceeds from acquisition of investment of subsidiaries      |       | 13,004                      | 5,271              |
| Increases in other financial assets (non-current)            |       | (679,741)                   | (125,123)          |
| Increases in other receivables                               |       | (49,631)                    | (56,755)           |
| Purchases of long-term financial instruments                 |       | (18,759)                    | (16,691)           |
| Acquisitions of property, plant and equipment                |       | (3,586,716)                 | (3,226,486)        |
| Acquisitions of intangible assets                            |       | (1,716,680)                 | (1,632,711)        |
| Acquisitions of investments in joint ventures and associates |       | (588,541)                   | (61,772)           |
| Others   |       | <u>56,572</u>               | <u>4,070</u>       |
| Net cash used in investing activities                        |       | <u>(5,929,184)</u>          | <u>(2,415,064)</u> |

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

|  | NOTES | 2019                        | 2018               |
|--|-------|-----------------------------|--------------------|
|  |       | (In millions of Korean Won) |                    |
| Cash flows from financing activities:                            |       |                             |                    |
| Proceeds from short-term borrowings, net                         | ₩     | 1,418,012                   | ₩ 2,167,765        |
| Proceeds from long-term debt and debentures                      |       | 25,557,933                  | 18,561,982         |
| Proceeds from capital contribution from non-controlling interest |       | 4,806                       | 10                 |
| Repayment of long-term debt and debentures                       |       | (20,433,457)                | (20,228,806)       |
| Repayment of lease liabilities                                   |       | (159,604)                   | -                  |
| Purchases of treasury stocks                                     |       | (458,031)                   | (454,734)          |
| Dividends paid   |       | (1,121,820)                 | (1,127,452)        |
| Issue of hybrid bonds  |       | 150,323                     | 299,240            |
| Others   |       | (83,236)                    | (98,787)           |
| Net cash provided by (used in) financing activities              |       | <u>4,874,926</u>            | <u>(880,782)</u>   |
| Decrease due to transfer to assets classified as held for sale   |       | -                           | (97,050)           |
| Effect of exchange rate changes on cash and cash equivalents     |       | 202,820                     | (79,273)           |
| Net increase (decrease) in cash and cash equivalents             |       | (431,654)                   | 292,096            |
| Cash and cash equivalents, beginning of the year                 |       | <u>9,113,625</u>            | <u>8,821,529</u>   |
| Cash and cash equivalents, end of the year                       | ₩     | <u>8,681,971</u>            | ₩ <u>9,113,625</u> |

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

**1. GENERAL:**

Hyundai Motor Company (the “Company” or “Parent Company”) was incorporated in December 1967, under the laws of the Republic of Korea. The Company and its subsidiaries (the “Group”) manufacture and distribute motor vehicles and parts, operates vehicle financing and credit card processing, and manufacture trains.

The shares of the Company have been listed on the Korea Exchange since June, 1974, and the Global Depositary Receipts issued by the Company have been listed on the London Stock Exchange and Luxembourg Stock Exchange.

As of December 31, 2019, the major shareholders of the Company are Hyundai MOBIS (45,782,023 shares, 21.43%) and Mr. Chung, Mong Koo (11,395,859 shares, 5.33%).

(1) The Group’s consolidated subsidiaries as of December 31, 2019 are as follows.

| Name of subsidiaries                                       | Nature of business | Location | Ownership percentage | Indirect ownership                         |
|--|--------------------|----------|----------------------|--|
| Hyundai Capital Services, Inc.                             | Financing          | Korea    | 59.68%               |  |
| Hyundai Card Co., Ltd. (*1)                                | ”                  | ”        | 36.96%               |  |
| Hyundai Rotem Company (Hyundai Rotem) (*2)                 | Manufacturing      | ”        | 43.36%               |  |
| Hyundai KEFICO Corporation (Hyundai KEFICO)                | ”                  | ”        | 100.00%              |  |
| Green Air Co., Ltd.  | ”                  | ”        | 51.00%               | Hyundai Rotem 51.00%                       |
| Hyundai Auto Electronics Company Ltd.                      | R&D                | ”        | 60.00%               |  |
| Hyundai Partecs Co., Ltd.                                  | Manufacturing      | ”        | 56.00%               |  |
| Hyundai NGV  | Engineering        | ”        | 53.66%               |  |
| Maintrans Company  | Services           | ”        | 80.00%               | Hyundai Rotem 80.00%                       |
| Jeonbuk Hyundai Motors FC Co., Ltd.                        | Football club      | ”        | 100.00%              |  |
| Hyundai Motor America (HMA)                                | Sales              | USA      | 100.00%              |  |
| Hyundai Capital America (HCA)                              | Financing          | ”        | 80.00%               | HMA 80.00%                                 |
| Hyundai Motor Manufacturing Alabama, LLC (HMMA)            | Manufacturing      | ”        | 100.00%              | HMA 100.00%                                |
| Hyundai Translead, Inc. (HT)                               | ”                  | ”        | 100.00%              |  |
| Stamped Metal American Research Technology, Inc. (SMARTI)  | Holding company    | ”        | 72.45%               | HMA 72.45%                                 |
| Stamped Metal American Research Technology LLC             | Manufacturing      | ”        | 100.00%              | SMARTI 100.00%                             |
| Hyundai America Technical Center, Inc. (HATCI)             | R&D                | ”        | 100.00%              |  |
| Genesis Motor America LLC                                  | Sales              | ”        | 100.00%              | HMA 100.00%                                |
| Hyundai Rotem USA Corporation                              | Manufacturing      | ”        | 100.00%              | Hyundai Rotem 100.00%                      |
| Moceanlab Inc.   | Mobility service   | ”        | 100.00%              |  |
| Hyundai Auto Canada Corp. (HACC)                           | Sales              | Canada   | 100.00%              | HMA 100.00%                                |
| Hyundai Auto Canada Captive Insurance Inc. (HACCI)         | Insurance          | ”        | 100.00%              | ”  |
| Hyundai Capital Canada Inc. (HCCA)                         | Financing          | ”        | 70.00%               | Hyundai Capital Services 20.00%            |
| Hyundai Capital Lease Inc. (HCLI)                          | ”                  | ”        | 100.00%              | HCCA 100.00%                               |
| HK Lease Funding LP  | ”                  | ”        | 100.00%              | HCLI 99.99%,<br>HCCA Funding Inc. 0.01%    |
| HCCA Funding Inc.  | ”                  | ”        | 100.00%              | HCLI 100.00%                               |
| HCCA Funding Two Inc.                                      | ”                  | ”        | 100.00%              | HCCA 100.00%                               |
| HK Retail Funding LP                                       | ”                  | ”        | 100.00%              | HCCA 99.99%<br>HCCA Funding Two Inc 0.01%. |
| Hyundai Motor India Limited (HMI)                          | Manufacturing      | India    | 100.00%              |  |
| Hyundai Motor India Engineering Private Limited (HMIE)     | R&D                | ”        | 100.00%              | HMI 100.00%                                |
| Hyundai Capital India Private Limited (HCI)                | Financing          | ”        | 100.00%              | Hyundai Capital Services 100.00%           |
| Hyundai Motor Japan Co., Ltd. (HMJ)                        | Sales              | Japan    | 100.00%              |  |
| Hyundai Motor Japan R&D Center Inc. (HMJ R&D)              | R&D                | ”        | 100.00%              |  |
| Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS) | Sales              | China    | 100.00%              |  |



| Name of subsidiaries   | Nature of business      | Location    | Ownership percentage | Indirect ownership                                |
|--|-------------------------|-------------|----------------------|---|
| Beijing Jingxianronghua Motor Sale Co., Ltd.   | "                       | "           | 100.00%              | BJMSS 100.00%                                     |
| Genesis Motor Sales(Shanghai) Co. Ltd.   | "                       | "           | 100.00%              |   |
| Hyundai Millennium (Beijing) Real Estate Development Co., Ltd.                             | Real estate development | "           | 99.00%               | CMEs 99.00%                                       |
| Rotem Equipments (Beijing) Co., Ltd.   | Sales                   | "           | 100.00%              | Hyundai Rotem 100.00%                             |
| KEFICO Automotive Systems (Beijing) Co., Ltd.  | Manufacturing           | "           | 100.00%              | Hyundai KEFICO 100.00%                            |
| KEFICO Automotive Systems (Chongqing) Co., Ltd.  | "                       | "           | 90.00%               | Hyundai KEFICO 90.00%                             |
| HYUNDAI KEFICO VIETNAM COMPANY LIMITED   | "                       | Vietnam     | 100.00%              | Hyundai KEFICO 100.00%                            |
| HYUNDAI THANH CONG VIETNAM AUTO MANUFACTURING CORPORATION (HTMV) (*1)                      | "                       | "           | 50.00%               |   |
| Hyundai Thanh cong Commercial Vehicle Joint Stock Company (HTCV) (*1)                      | "                       | "           | 50.00%               |   |
| Hyundai Motor Company Australia Pty Limited (HMCA)   | Sales                   | Australia   | 100.00%              |   |
| PT. HYUNDAI MOTOR MANUFACTURING INDONESIA (HMMI)   | Manufacturing           | Indonesia   | 99.99%               |   |
| Hyundai Capital Australia Pty Limited  | Financing               | Australia   | 100.00%              | Hyundai Capital Services 100.00%                  |
| HR Mechanical Services Limited   | Services                | New Zealand | 100.00%              | Hyundai Rotem 100.00%                             |
| Hyundai Motor Manufacturing Czech, s.r.o. (HMMC)   | Manufacturing           | Czech       | 100.00%              |   |
| Hyundai Motor Czech s.r.o (HMCZ)   | Sales                   | "           | 100.00%              |   |
| Hyundai Motor Europe GmbH (HME)  | Marketing and Sales     | Germany     | 100.00%              |   |
| Hyundai Motor Deutschland GmbH (HMD)   | Sales                   | "           | 100.00%              |   |
| Hyundai Motor Europe Technical Center GmbH (HMETC)   | R&D                     | "           | 100.00%              |   |
| Hyundai Motor Sport GmbH (HMSG)  | Marketing               | "           | 100.00%              | HME 100.00%                                       |
| Hyundai Capital Europe GmbH  | Financing               | "           | 100.00%              | Hyundai Capital Services 100.00%                  |
| Hyundai Motor Commonwealth of Independent States B.V (HMCIS B.V)                           | Holding company         | Netherlands | 100.00%              | HMMR 1.65%  |
| Hyundai Motor Netherlands B.V. (HMNL)  | Sales                   | "           | 100.00%              |   |
| Hyundai Motor Manufacturing Rus LLC (HMMR)   | Manufacturing           | Russia      | 70.00%               |   |
| Hyundai Motor Commonwealth of Independent States (HMCIS)                                   | Sales                   | "           | 100.00%              | HMCIS B.V 100.00%                                 |
| Hyundai Mobility Lab (HML)   | R&D                     | "           | 100.00%              | HMCIS 99.00%, HMMR 1.00%                          |
| Hyundai Capital Services Limited Liability Company   | Financing               | "           | 100.00%              | Hyundai Capital Europe 100.00%                    |
| Hyundai Truck And Bus Rus LLC (HTBR)   | Sales                   | "           | 100.00%              |   |
| Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)                                     | Manufacturing           | Turkey      | 70.00%               |   |
| Hyundai EURotem Demiryolu Araclari Sanayi ve Ticaret A.S                                   | "                       | "           | 50.50%               | Hyundai Rotem 50.50%                              |
| Hyundai Rotem Company – Hyundai EURotem Demiryolu Araclari SAN. VE TIC. A.S ORTAK GIRISIMI | Sales                   | "           | 100.00%              | Hyundai Rotem 65.00%, Hyundai EURotem A.S. 35.00% |
| Hyundai Rotem Company – Hyundai EURotem Mahmutbey Projesi ORTAK GIRISIMI                   | "                       | "           | 100.00%              | Hyundai Rotem 85.00%, Hyundai EURotem A.S. 15.00% |
| Hyundai Rotem Malaysia SDN BHD   | "                       | Malaysia    | 100.00%              | Hyundai Rotem 100.00%                             |
| Hyundai Motor UK Limited (HMUK)  | "                       | UK          | 100.00%              |   |
| Hyundai Motor Company Italy S.r.l (HMCI)   | "                       | Italy       | 100.00%              |   |
| Hyundai Motor Espana, S.L.U. (HMES)  | "                       | Spain       | 100.00%              |   |
| Hyundai Motor France SAS (HMF)   | "                       | France      | 100.00%              |   |
| Hyundai Motor Poland Sp. Zo. O (HMP)   | "                       | Poland      | 100.00%              |   |
| Genesis Motor Europe GmbH (GME)  | "                       | Germany     | 100.00%              |   |
| Genesis Motor UK Limited (GMUK)  | "                       | UK          | 100.00%              | GME 100.00%                                       |
| Hyundai Hydrogen Mobility AG (HHM)   | "                       | Switzerland | 75.00%               |   |

| Name of subsidiaries  | Nature of business      | Location       | Ownership percentage | Indirect ownership               |
|---|-------------------------|----------------|----------------------|----------------------------------|
| HYUNDAI MOTOR SINGAPORE PTE. LTD. (HMS)                             | Manufacturing           | Singapore      | 100.00%              |                                  |
| Hyundai Motor DE Mexico S DE RL DE CV (HMM)                         | Sales                   | Mexico         | 100.00%              | HT 0.01%                         |
| Hyundai de Mexico, SA DE C.V., (HYMEX)                              | Manufacturing           | "              | 99.99%               | HT 99.99%                        |
| HYUNDAI KEFICO MEXICO, S. DE R.L.DE C.V.                            | "                       | "              | 100.00%              | Hyundai KEFICO 100.00%           |
| Hyundai Rio Vista, Inc.   | Real estate development | USA            | 100.00%              | HT 100.00%                       |
| Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)             | Manufacturing           | Brazil         | 100.00%              |                                  |
| Hyundai Capital Brasil Servicos De Assistencia Financeira Ltda      | Financing               | "              | 100.00%              | Hyundai Capital Services 100.00% |
| Hyundai Rotem Brasil Industria E Comercio De Trens Ltda.            | Manufacturing           | "              | 100.00%              | Hyundai Rotem 100.00%            |
| HMB Holding Participacoes Financeiras Ltda.                         | Holding company         | "              | 99.99%               | HMB 99.99%                       |
| China Millennium Corporations (CMEs)                                | "                       | Cayman Islands | 59.60%               |                                  |
| China Mobility Fund, L.P.   | Investment              | "              | 73.76%               |                                  |
| KyoboAXA Private Tomorrow Securities Investment Trust No.12         | "                       | Korea          | 100.00%              |                                  |
| Shinhan BNPP Private Corporate Security Investment Trust No.34      | "                       | "              | 100.00%              |                                  |
| KB Leaders Private Securities Fund1(Bond Mixed)(*3)                 | "                       | "              | 100.00%              |                                  |
| Samsung ETF rotation Private Investment Trust 1(*3)                 | "                       | "              | 100.00%              |                                  |
| ZER01NE Accelerator Investment Fund No.1                            | "                       | "              | 99.00%               |                                  |
| Hydrogen Energy Industry Fund Autopia Fifty-seventh ~ Sixty-eighth  | "                       | Hong Kong      | 69.00%               |                                  |
| Asset Securitization Specialty Company (*1)                         | Financing               | Korea          | 0.50%                | Hyundai Capital Services 0.50%   |
| Super Series thrid ~ seventhSecuritization Specialty Co., Ltd. (*1) | "                       | "              | 0.50%                | Hyundai Card 0.50%               |
| Bluewalnut Co., Ltd.  | "                       | "              | 100.00%              | Hyundai Card 100.00%             |
| MOCEAN Co.,Ltd  | Mobility Service        | "              | 80.00%               |                                  |
| Hyundai CHA Funding, LLC  | Financing               | USA            | 100.00%              | HCA 100.00%                      |
| Hyundai Lease Titling Trust   | "                       | "              | 100.00%              | "                                |
| Hyundai HK Funding, LLC   | "                       | "              | 100.00%              | "                                |
| Hyundai HK Funding Two, LLC   | "                       | "              | 100.00%              | "                                |
| Hyundai HK Funding Three, LLC                                       | "                       | "              | 100.00%              | "                                |
| Hyundai HK Funding Four, LLC  | "                       | "              | 100.00%              | "                                |
| Hyundai ABS Funding, LLC  | "                       | "              | 100.00%              | "                                |
| HK Real Properties, LLC   | "                       | "              | 100.00%              | "                                |
| Hyundai Auto Lease Offering, LLC                                    | "                       | "              | 100.00%              | "                                |
| Hyundai HK Lease, LLC   | "                       | "              | 100.00%              | "                                |
| Extended Term Amortizing Program, LLC                               | "                       | "              | 100.00%              | "                                |
| Hyundai Asset Backed Lease, LLC                                     | "                       | "              | 100.00%              | "                                |
| HCA Exchange, LLC   | "                       | "              | 100.00%              | "                                |
| Hyundai Protection Plan, Inc.                                       | Insurance               | "              | 100.00%              | "                                |
| Hyundai Protection Plan Florida, Inc.                               | "                       | "              | 100.00%              | "                                |
| Hyundai Capital Insurance Services, LLC                             | "                       | "              | 100.00%              | "                                |
| Hyundai Capital Insurance Company                                   | "                       | "              | 100.00%              | "                                |
| Power Protect Extended Services, Inc.                               | "                       | "              | 100.00%              | "                                |
| Power Protect Extended Services Florida, Inc.                       | "                       | "              | 100.00%              | "                                |

(\*1) The Group is considered to have substantive control over the entities by virtue of an agreement or relationship with other investors, or relationship with structured entities.

(\*2) Even though the shareholding ratio of ownership is less than half, the Group has de facto control over the entity due to the relative size of the voting rights held and the degree of share dispersion of other voting rights holders.

(\*3) Name of company has been changed due to change of fund management for the year ended December 31, 2019.

- (2) Summarized financial position and results of operations of major consolidated subsidiaries as of and for the year ended December 31, 2019 are as follows.

| Name of subsidiaries               | Assets       | Liabilities  | Sales       | Profit (loss) |
|------------------------------------|--------------|--------------|-------------|---------------|
|                                    |              |              |             | for the year  |
| (In millions of Korean Won)        |              |              |             |               |
| Hyundai Capital Services, Inc. (*) | ₩ 32,160,188 | ₩ 27,708,607 | ₩ 3,077,384 | ₩ 350,867     |
| Hyundai Card Co., Ltd. (*)         | 17,447,394   | 14,140,768   | 2,370,761   | 167,620       |
| Hyundai Rotem Company (*)          | 4,077,838    | 3,201,401    | 2,459,346   | (362,130)     |
| Hyundai KEFICO Corporation (*)     | 1,849,930    | 1,195,591    | 2,127,366   | 60,761        |
| HCA (*)                            | 41,744,129   | 36,905,351   | 10,850,856  | 237,856       |
| HMA                                | 7,573,638    | 6,334,102    | 18,593,212  | (60,971)      |
| HMMA                               | 4,765,383    | 2,265,639    | 7,962,406   | (228,162)     |
| HMMC                               | 3,571,959    | 1,503,799    | 6,268,520   | 400,227       |
| HMI (*)                            | 3,522,372    | 1,410,053    | 7,284,664   | 425,934       |
| HME (*)                            | 2,036,753    | 2,000,415    | 10,292,537  | 8,704         |
| HMMR                               | 1,578,910    | 746,323      | 3,264,093   | 172,960       |
| HACC (*)                           | 1,404,747    | 795,488      | 3,197,018   | 57,951        |
| HAOSVT                             | 1,342,139    | 906,259      | 2,639,797   | 47,640        |
| HMB                                | 1,174,980    | 837,555      | 2,248,610   | (66,055)      |
| HMCA                               | 625,483      | 479,640      | 1,697,387   | (4,529)       |

(\*) Based on the subsidiary's consolidated financial statements.

- Summarized financial position and results of operations of major consolidated subsidiaries as of and for the year ended December 31, 2018 are as follows.

| Name of subsidiaries               | Assets       | Liabilities  | Sales       | Profit (loss) |
|------------------------------------|--------------|--------------|-------------|---------------|
|                                    |              |              |             | for the year  |
| (In millions of Korean Won)        |              |              |             |               |
| Hyundai Capital Services, Inc. (*) | ₩ 30,528,329 | ₩ 26,371,459 | ₩ 3,087,935 | ₩ 311,281     |
| Hyundai Card Co., Ltd. (*)         | 15,945,780   | 12,754,672   | 2,035,229   | 149,822       |
| Hyundai Rotem Company (*)          | 4,002,150    | 2,894,156    | 2,411,924   | (308,035)     |
| Hyundai KEFICO Corporation (*)     | 1,772,026    | 1,161,039    | 1,963,196   | 52,890        |
| HCA (*)                            | 37,413,803   | 32,982,390   | 9,737,579   | 162,842       |
| HMA                                | 6,480,063    | 5,223,678    | 15,292,851  | (330,134)     |
| HMMA                               | 4,511,215    | 1,878,332    | 6,861,578   | 11,682        |
| HMMC                               | 3,744,766    | 1,637,592    | 6,560,181   | 359,575       |
| HMI (*)                            | 3,516,547    | 1,395,005    | 6,791,938   | 408,097       |
| HME (*)                            | 1,825,365    | 1,798,150    | 9,627,777   | 4,975         |
| HAOSVT                             | 1,441,908    | 1,057,673    | 2,893,867   | 11,361        |
| HMMR                               | 1,415,554    | 852,727      | 2,954,780   | 120,979       |
| HACC (*)                           | 1,187,865    | 678,219      | 2,700,501   | 39,059        |
| HMB                                | 1,063,211    | 641,020      | 2,151,032   | 92,994        |
| HMCA                               | 671,059      | 524,866      | 1,837,191   | (7,141)       |

(\*) Based on the subsidiary's consolidated financial statements.

- (3) The financial statements of all subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting periods as the Company's.

(4) Summarized cash flows of non-wholly owned subsidiaries that have material non-controlling interests to the Group and subsidiaries of finance segment for the year ended December 31, 2019 are as follows.

| Description   | Hyundai Capital Services, Inc | Hyundai Card Co., Ltd. | HCA           | HCCA        | Hyundai Rotem Company |
|---|-------------------------------|------------------------|---------------|-------------|-----------------------|
| (In millions of Korean Won)                                 |                               |                        |               |             |                       |
| Used in operating activities                                | ₩ (2,167,469)                 | ₩ (1,304,068)          | ₩ (2,689,416) | ₩ (357,146) | ₩ (203,260)           |
| Provided by (used in) investing activities                  | (119,051)                     | (37,814)               | 178,448       | (945)       | (13,640)              |
| Provided by financing activities                            | 1,764,564                     | 1,205,740              | 2,492,443     | 370,885     | 230,484               |
| Effect of exchange rate changes on cash and cash equivalent | -                             | (228)                  | 5,886         | 3,280       | 1,007                 |
| Net increase (decrease) in cash and cash equivalents        | (521,956)                     | (136,370)              | (12,639)      | 16,074      | 14,591                |
| Beginning balance of cash and cash equivalents              | 873,041                       | 866,456                | 162,238       | 39,193      | 367,895               |
| Ending balance of cash and cash equivalents                 | ₩ 351,085                     | ₩ 730,086              | ₩ 149,599     | ₩ 55,267    | ₩ 382,486             |

Summarized cash flows of non-wholly owned subsidiaries that have material non-controlling interests to the Group and subsidiaries of finance segment for the year ended December 31, 2018 are as follows.

| Description   | Hyundai Capital Services, Inc | Hyundai Card Co., Ltd. | HCA         | HCCA       | Hyundai Rotem Company |
|---|-------------------------------|------------------------|-------------|------------|-----------------------|
| (In millions of Korean Won)                                 |                               |                        |             |            |                       |
| Provided by (used in) operating activities                  | ₩ (2,197,722)                 | ₩ (284,813)            | ₩ 1,373,846 | ₩ (67,908) | ₩ (14,193)            |
| Provided by (used in) investing activities                  | (51,442)                      | (65,961)               | 819,600     | (1,991)    | (38,098)              |
| Provided by (used in) financing activities                  | 2,609,745                     | 562,818                | (3,480,444) | (18,560)   | (19,499)              |
| Effect of exchange rate changes on cash and cash equivalent | -                             | -                      | 40,584      | (1,934)    | 3,899                 |
| Transfer to assets classified as held for sale              | (97,050)                      | -                      | -           | -          | -                     |
| Net increase (decrease) in cash and cash equivalents        | 263,531                       | 212,044                | (1,246,414) | (90,393)   | (67,891)              |
| Beginning balance of cash and cash equivalents              | 609,510                       | 654,412                | 1,408,652   | 129,586    | 435,786               |
| Ending balance of cash and cash equivalents                 | ₩ 873,041                     | ₩ 866,456              | ₩ 162,238   | ₩ 39,193   | ₩ 367,895             |

- (5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of December 31, 2019 are as follows.

| Description   | Hyundai Capital Services, Inc. | Hyundai Card Co., Ltd. | Hyundai Rotem Company |
|---|--------------------------------|------------------------|-----------------------|
|   | (In millions of Korean Won)    |                        |                       |
| Ownership percentage of non-controlling interests       | 40.32%                         | 63.04%                 | 56.64%                |
| Accumulated non-controlling interests                   | ₩ 1,799,627                    | ₩ 2,187,458            | ₩ 619,526             |
| Profit (loss) attributable to non-controlling interests | 139,538                        | 105,669                | (207,940)             |
| Dividends paid to non-controlling interests             | 35,200                         | 19,423                 | 3,833                 |

Details of non-wholly owned subsidiaries of the Company that had material non-controlling interests as of and for the year ended December 31, 2018 are as follows:

| Description   | Hyundai Capital Services, Inc. | Hyundai Card Co., Ltd. | Hyundai Rotem Company |
|---|--------------------------------|------------------------|-----------------------|
|   | (In millions of Korean Won)    |                        |                       |
| Ownership percentage of non-controlling interests       | 40.32%                         | 63.04%                 | 56.64%                |
| Accumulated non-controlling interests                   | ₩ 1,676,205                    | ₩ 2,119,846            | ₩ 689,977             |
| Profit (loss) attributable to non-controlling interests | 124,719                        | 94,454                 | (177,600)             |
| Dividends paid to non-controlling interests             | 34,319                         | 19,099                 | 4,120                 |

- (6) Financial support provided to consolidated structured entities

As of December 31, 2019, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., subsidiaries of the Company, have agreements that provide counterparties with rights of recourse in the event of default on the derivatives relating to asset-backed securities issued by consolidated structured entities, Autopia Fifty-Seventh, Fifty-Ninth, Sixtieth, and Sixty-Eighth Asset Securitization Specialty Company, Super Series Third, Fourth, Fifth, and Sixth Securitization Specialty Co., Ltd..

- (7) Nature and risks associated with interests in unconsolidated structured entities

- 1) Nature of interests in unconsolidated structured entities of the Group as of December 31, 2019 is as follows:

| Description              | Purpose                                   | Nature of business   | Method of funding                     | Total assets (*) |
|--------------------------|---|--|---------------------------------------|------------------|
|                          |   | (In millions of Korean Won)  |                                       |                  |
| Asset securitization SPC | Fund raising through asset-securitization | Fund collection  | Asset Backed Securities and others    | ₩ 3,798,951      |
| Investment fund          | Investment trust and others               | Fund management and operation, distribution of operating profit and others | Beneficiary (Investment) certificates | 10,538,516       |
| Structured Finance       | Fund raising through project financing    | Project financing for construction project and ship investment             | Project financing and others          | 10,697,742       |

(\*) The financial information of unconsolidated structured entity includes unaudited amounts.

Nature of interests in unconsolidated structured entities of the Group as of December 31, 2018 is as follows:

| Description                 | Purpose   | Nature of business  | Method of funding  | Total assets (*) |
|-----------------------------|---|---|--|------------------|
| (In millions of Korean Won) |   |   |  |                  |
| Asset securitization SPC    | Fund raising through asset-securitization   | Fund collection   | Corporate bond and others  | ₩ 2,579,738      |
| Investment fund             | Investment in beneficiary certificate and others, Development trust, Unspecified monetary trust, Principal unsecured trust, Operation of trust investment | Fund management and operation and others, Trust management and operation, Payment of trust fee, Distribution of trust benefit | Sales of beneficiary certificates, Sales of trust investment product | 6,925,448        |
| Structured Finance          | Fund raising through project financing  | Project financing for construction project and ship investment  | Project financing and others   | 6,657,283        |

(\*) The financial information of unconsolidated structured entity includes unaudited amounts.

2) Risks associated with interests in an unconsolidated structured entity of the Group as of December 31, 2019 are as follows:

| Description                 | Book value in the structured entity (*) | Financial support provided to the structured entity |                              | Maximum amount of exposure to loss of the structured entity |
|-----------------------------|---|---|------------------------------|---|
|                             |   | Method  | Purpose                      |   |
| (In millions of Korean Won) |   |   |                              |   |
| Asset securitization SPC    | ₩ 39,487                                | Loan obligations                                    | Loan agreement (Credit line) | ₩ 61,950  |
| Investment fund             | 332,083                                 | Beneficiary certificates, Investment trust          | Invest agreement             | 332,083   |
| Structured Finance          | 384,349                                 | Loan obligations                                    | Loan agreement (Credit line) | 749,300   |

(\*) Interest in structured entities is recognized as financial assets measured at FVPL and others according to K-IFRS 1109.

Risks associated with interests in an unconsolidated structured entity of the Group as of December 31, 2018 are as follows:

| Description                              | Book value in the structured entity (*) | Financial support provided to the structured entity |                              | Maximum amount of exposure to loss of the structured entity |
|--|---|---|------------------------------|---|
|  |   | Method  | Purpose                      |   |
|  |   | (In millions of Korean Won)                         |                              |   |
| Asset securitization SPC Investment fund | ₩ 64,867                                | Loan obligations                                    | Loan agreement (Credit line) | ₩ 124,550   |
|  | 248,254                                 | Beneficiary certificates, Investment trust          | Invest agreement             | 248,254   |
| Structured Finance                       | 525,929                                 | Loan obligations                                    | Loan agreement (Credit line) | 908,750   |

(\*) Interest in structured entities is recognized as financial assets measured at FVTPL and others according to K-IFRS 1109.

#### (8) Significant restrictions on the subsidiaries

As of December 31, 2019, Hyundai Card Co., Ltd., subsidiary of the Company, has significant restrictions that require it to obtain consent from nominated outside director recommended by non-controlling shareholders in the event of acquiring a company, entry into new business, guarantee, investment in stocks or contracts beyond a certain amount and others.

#### (9) Changes in consolidated subsidiaries

Subsidiaries newly included in or excluded from consolidation for the year ended December 31, 2019 are as follows.

| Changes  | Name of subsidiaries   | Description   |
|----------|--|---------------|
| Included | Super Series Sixth Securitization Specialty Co., Ltd         | Acquisition   |
| "        | Super Series Seventh Securitization Specialty Co., Ltd       | "             |
| "        | Autopia Sixty-Sixth Asset Securitization Specialty Company   | "             |
| "        | Autopia Sixty-Seventh Asset Securitization Specialty Company | "             |
| "        | Autopia Sixty-Eighth Asset Securitization Specialty Company  | "             |
| "        | MOCEAN Co.,Ltd   | Establishment |
| "        | Genesis Motor UK Limited (GMUK)                              | "             |
| "        | Hyundai Hydrogen Mobility AG (HHM)                           | "             |
| "        | HYUNDAI MOTOR SINGAPORE PTE. LTD. (HMS)                      | "             |
| "        | HCCA Funding Two Inc.  | "             |
| "        | HK Retail Funding LP   | "             |
| "        | Moceanlab Inc.   | "             |
| "        | Hydrogen Energy Industry Fund                                | "             |
| "        | PT. HYUNDAI MOTOR MANUFACTURING INDONESIA (HMMI)             | "             |
| "        | Genesis Motor Europe GmbH (GME)                              | "             |
| "        | Hyundai Mobility Lab (HML)                                   | "             |
| Excluded | Autopia Fifty-Fifth Asset Securitization Specialty Company   | Liquidation   |
| "        | Autopia Fifty-Sixth Asset Securitization Specialty Company   | "             |
| "        | Super Series First Securitization Specialty Co., Ltd         | "             |
| "        | Super Series Second Securitization Specialty Co., Ltd        | "             |
| "        | Hyundai Capital Bank Europe GmbH                             | Disposition   |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### (1) Basis of consolidated financial statements preparation

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

The consolidated financial statements were approved by the Board of Directors on March 3, 2020 and are expected to be submitted for the Company's annual general meeting of shareholders.

The significant accounting policies used for the preparation of the consolidated financial statements are summarized below. These accounting policies are consistent with those applied to the consolidated financial statements for the year ended December 31, 2018, except for the adoption effect of the new accounting standards and interpretations described below.

#### 1) New and revised standards that have been applied from the year beginning on January 1, 2019 are as follows:

The Group applied K-IFRS 1116 for the first time on January 1, 2019. There are other accounting standards effective from January 1, 2019, but those standards did not have a material impact on the Group's consolidated financial statements.

K-IFRS 1116 introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

#### A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under K-IFRS 2104 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under K-IFRS 1116, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to K-IFRS 1116, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied K-IFRS 1116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under K-IFRS 1017 and K-IFRS 2104 were not reassessed. Therefore, the definition of a lease under K-IFRS 1116 has been applied only to contracts entered into or changed on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

#### B. As a lessee

The Group leases many assets, including land, buildings and others. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under K-IFRS 1116, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets are as below.

| Description                  | Land                        | Buildings and others | Total     |
|------------------------------|-----------------------------|----------------------|-----------|
|                              | (In millions of Korean Won) |                      |           |
| Balance at December 31, 2019 | ₩ 20,487                    | ₩ 714,055            | ₩ 734,542 |



The Group presents right-of-use assets and lease liabilities separately in the consolidated statements of financial position.

#### ① Significant accounting policies

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

#### ② Transition

At transition, for leases classified as operating leases under K-IFRS 1017, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019.

Right-of-use assets are measured at an amount equal to the lease liability (prepaid or accrued lease payments are adjusted). The Group applied this approach to all leases. The comparative financial information has not been restated and is presented in accordance with K-IFRS 1017 as previously reported.

The Group used the following practical expedients when applying K-IFRS 1116 to leases previously classified as operating leases under K-IFRS 1017.

- Applied the exemption not to recognize the right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Not to recognize the right-of-use assets and lease liabilities for leases of low-value assets
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

#### C. As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under K-IFRS 1017. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The Group is not required to make any adjustments on transition to K-IFRS 1116 for leases in which it acts as a lessor.

#### D. Impacts on consolidated financial statements

##### ① Impacts on consolidated financial statements as at the transition date

On transition to K-IFRS 1116, the Group recognized right-of-use assets, lease liabilities and others. There is no impact on retained earnings. The recognized amount of right-of-use assets when transitioning to K-IFRS 1116 is as follows.

| Description              | January 1, 2019             |          |
|--------------------------|-----------------------------|----------|
|                          | (In millions of Korean Won) |          |
| Right-of-use assets      |                             |          |
| Lease liabilities        | ₩                           | 685,018  |
| Lease incentive received |                             | (19,497) |
| Prepaid lease expenses   |                             | 20,564   |
| Deferred lease expenses  |                             | (11,032) |
| Others                   |                             | (357)    |
|                          | ₩                           | 674,696  |

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate applied is 3.91%.

| Description  | January 1, 2019             |          |
|--|-----------------------------|----------|
|  | (In millions of Korean Won) |          |
| Operating lease commitments at December 31, 2018   | ₩                           | 955,351  |
| Amount discounted using incremental borrowing rate at January 1, 2019  |                             | 704,925  |
| Recognition exemption for leases of low-value assets and leases with less than 12 months of lease term at transition |                             | (19,907) |
| Lease liabilities recognized at January 1, 2019  |                             | 685,018  |

##### ② Impacts on consolidated financial statements for 2019

As a result of initially applying K-IFRS 1116, in relation to the leases that were previously classified as operating leases, the Group recognized ₩734,542 million of right-of-use assets and ₩767,984 million of lease liabilities as at December 31, 2019. Also in relation to those leases, under K-IFRS 1116, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the year ended December 31, 2019, the Group recognized ₩179,654 million of depreciation expenses and ₩29,404 million of interest costs from these leases.

2) A number of new standards are effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

The Group is currently evaluating the effect of the following new or amended standards and interpretations, if any, to the consolidated financial statements, however, those standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework.
- Definition of a Business (Amendments to K-IFRS 1103 '*Business Combinations*')
- Definition of Material (Amendments to K-IFRS 1001 '*Presentation of Financial Statements*' and K-IFRS 1008 '*Accounting Policies, Changes in Accounting Estimates and Errors*')
- K-IFRS 1117 '*Insurance Contracts*'

## (2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except as otherwise stated in the accounting policies below. Historical cost is usually measured at the fair value of the consideration given to acquire the assets.

## (3) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (or its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intragroup transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the Group. The carrying amount of non-controlling interests consists of the amount of those non-controlling interests at the initial recognition and the changes in shares of the non-controlling interests in equity since the date of the acquisition. Total comprehensive income is attributed to the owners of the Group and to the non-controlling interests even if the non-controlling interest has a deficit balance.

Changes in the Group's ownership interests in subsidiaries, without a loss of control, are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), liabilities of the subsidiary and any non-controlling interests. The amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings as specified by applicable K-IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under K-IFRS 1109 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

#### (4) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The consideration includes any asset or liability resulting from a contingent consideration arrangement and is measured at fair value.

Acquisition-related costs are recognized in profit or loss as incurred. When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured at its fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Prior to the acquisition date, the amount resulting from changes in the value of its equity interest in the acquiree that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were directly disposed of.

#### (5) Revenue recognition

In accordance with K-IFRS 1115, all types of contracts recognize revenues by the 5-step revenue recognition model (1) identification of contract → (2) identification of performance obligations → (3) calculation of transaction price → ④ allocation of transaction price to performance obligations → (5) recognition of revenue when performance obligation is implemented.

##### 1) Identification of performance obligations

The Group operates businesses such as the manufacture and sale of automobiles and auto parts. In the automobile sales contracts with customers, services other than automobile sales are separately identified as performance obligations.

##### 2) Performance obligations satisfied at a point in time

Revenue is recognized when obligations under the terms of a contract with the Group's customer are satisfied, which generally occurs with the transfer of control of goods or services.

##### 3) Performance obligations satisfied over time

In assessing whether the control over goods or services is transferred over time, the Group evaluates whether the customer simultaneously obtains and consumes the benefits provided by the Group's performance, whether the assets are controlled by the customer, and whether the assets created by the Group have no substitute purpose, and whether the Group is entitled to reimbursement of costs incurred to date, including a reasonable margin.

##### 4) Allocation of transaction price

The Group allocates the transaction price to each of the performance obligations identified in a single contract in proportion to its stand-alone selling price. When the stand-alone selling price is not directly observable, the Group estimates the stand-alone selling price using the adjusted market assessment approach, or the expected cost plus a margin approach.

##### 5) Variable consideration

The Group estimates the amounts of consideration using whichever method (the expected value or the most likely amount) that best predict the amount of consideration to which it will be entitled.

Variable consideration is included in the transaction price only to the extent that it is probable or highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in the future periods.

## 6) Significant financing element

If the period between the transfer of the goods or services promised to the customer and the payment from the customer is within one year, the Group does not adjust the promised amount of consideration for the effects of a significant financing component, as a practical expedient.

## 7) Construction contracts

Where the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs associated with the construction contract are recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the end of reporting period.

The percentage of completion of a contract activity is reliably measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, by surveys of work performed or by completion of a physical proportion of the contract work. Variations in contract work, claim and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

## (6) Foreign currency translation

The individual financial statements of each entity in the Group are prepared and presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions occurring in currencies other than their functional currency (foreign currencies) are recorded using the exchange rate on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated using the exchange rate at the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences resulting from settlement of assets or liabilities and translation of monetary items denominated in foreign currencies are recognized in profit or loss in the period in which they arise except for some exceptions.

Foreign exchange gains or losses are classified in finance income (expenses) or other income (expenses) by the nature of the transaction or event.

For the purpose of presenting the consolidated financial statements, assets and liabilities in the Group's foreign operations are translated into Won, using the exchange rates at the end of reporting period. Income and expense items are translated at the average exchange rate for the period, unless the exchange rate during the period has significantly fluctuated, in which case the exchange rates at the dates of the transactions are used. The exchange differences arising, if any, are recognized in equity as other comprehensive income. Upon the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate at the end of reporting period.

## (7) Financial Assets

The Group classifies financial assets as financial assets measured at fair value through profit or loss, financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income according to the terms and purpose of acquisition. The Group determines the classification of a financial asset at initial recognition.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

## 1) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch

### 1-1) Amortization cost and effective interest rate method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance. Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI.

### 1-2) Debt instruments classified as at FVTOCI

Corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated in investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

### 1-3) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

#### 1-4) Financial assets measured at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are measured at FVTPL. Gains or losses arising from changes in the fair value of FVTPL, dividends and interest income from the financial assets are recognized in profit or loss.

#### 2) Foreign exchange gain / loss

The carrying amount of a financial asset designated as a foreign currency is determined in foreign currencies and is translated at the spot exchange rate at the end of the reporting period.

#### (8) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and valuation of individual assets, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of forecast on present and future conditions reflecting time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### 1) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- other significant increases in credit risk;

#### 2) Definition of default

The Group believes that, based on past experience, if the debtor violates the terms of the contract, it is considered to constitute a default event for internal credit risk management purposes.

#### 3) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event as defined by the Group's internal policy;

#### 4) Measurements and recognition of expected credit losses

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECLs are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECLs in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECLs are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECLs at the current reporting date, except for financial assets for which a simplified approach is used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

#### (9) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

#### (10) Inventory

Inventory is measured at the lower of cost or net realizable value. Inventory cost, including the fixed and variable manufacturing overhead cost, is calculated, using the moving average method, except for the cost for inventory in transit, which is determined by the specific identification method.

#### (11) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence, but not a joint venture or a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The investment in an associate or a joint venture is initially recognized at cost and accounted for using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture.

When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or the joint venture), the Group discontinues recognizing its share of further losses. Additional losses



are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

Investment in associate or joint venture is accounted for using the equity method from the date that the investee becomes the associate or joint venture. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of K-IFRS 1028 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When there is any indication of impairment, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS 1109. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis we would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when it loses significant influence over that associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Group applies K-IFRS 1105 to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

Unrealized gains from transactions between the Group and its associates or joint ventures are eliminated up to the shares in associate (joint venture) stocks. Unrealized losses are also eliminated, unless evidence of impairment in assets transferred is produced. If the accounting policy of associates or joint ventures differs from the Group, financial statements are adjusted accordingly before applying equity method of accounting.

## (12) Property, plant and equipment

Property, plant and equipment is recognized if, and only if it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably. After the initial recognition, property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. In addition, in case the recognition criteria are met, the subsequent costs will be added to the carrying amount of the asset or recognized as a separate asset, and the carrying amount of what was replaced is derecognized.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets. The representative useful lives are as follows:

|                          | <u>Representative useful lives (years)</u> |
|--------------------------|--|
| Buildings and structures | 12 – 50                                    |
| Machinery and equipment  | 6 – 15                                     |
| Vehicles                 | 6 – 15                                     |
| Dies, mold and tools     | 4 – 6                                      |
| Office equipment         | 3 – 15                                     |
| Other                    | 2 – 30                                     |

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

## (13) Investment properties

Investment properties are property held to earn rentals or for capital appreciation or both. Investment properties are measured initially at its cost and transaction costs are included in the initial measurement. After initial recognition, the book value of investment properties is presented at the cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized as the carrying amount of the asset when, and only when it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be measured reliably, or recognized as a separate asset if appropriate. The carrying amount of what was replaced is derecognized.

Land is not depreciated, and other investment properties are depreciated using the straight-line method over the period from 20 to 50 years. The Group reviews the depreciation method, the estimated useful lives and residual values at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

## (14) Intangible assets

### 1) Goodwill

Goodwill arising from a business combination is recognized as an asset at the time of obtaining control (the acquisition date). Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the Group's previously held equity interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortized, but tested for impairment at least annually. For purposes of impairment tests, goodwill is allocated to those cash-generating units ("CGU") of the Group expected to have synergies from the business combination. CGU that goodwill has been allocated is tested for impairment every year or when an event occurs that indicates impairment. If the recoverable amount of a CGU is less than its carrying amount, the impairment will first decrease the goodwill allocated to that CGU and the remaining impairment will be allocated among other assets relative to its carrying value. Impairment recognized for goodwill may not be reversed. When disposing a subsidiary, related goodwill will be included in gain or loss from disposal.

## 2) Development costs

The expenditure on research is recognized as an expense when it is incurred. The expenditure on development is recognized as an intangible asset, and amortization is computed using the straight-line method based on the estimated useful lives of the assets since the asset is available for use or sale.

Research and development activities are conducted in phases of preceding research, development approval, product development and mass production. The Group generally recognizes intangible assets as development activities after the development approval phases which product specification, release schedule, and sales plan are established. Expenditure incurred at the previous phase is recognised as an expense as it is considered as research activities when it is incurred.

## 3) Intangible assets acquired separately

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

Intangible assets are amortized by the straight-line method based on estimated useful lives from the date of availability. The Group reviews the estimated useful life and amortization method at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate. Intangible assets assessed as having indefinite useful life such as club membership are subjected to impairment test at least once a year without amortization.

The representative useful lives are as follows:

|                            | <u>Representative useful lives (years)</u> |
|----------------------------|--|
| Development costs          | 3, 7                                       |
| Industrial property rights | 5 – 10                                     |
| Software                   | 3 – 7                                      |
| Other                      | 5 – 40                                     |

## (15) Impairment of tangible and intangible assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use.

If the cash inflows of an individual asset are largely independent from other assets or group of assets, the recoverable amount is measured for that individual asset; otherwise, it is measured for the cash generating unit (CGU) to which the asset belongs. An impairment loss in respect of goodwill is not reversed. For other assets, impairment loss is reversed if the recoverable amount increases in subsequent years, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Intangible assets with indefinite useful lives or intangible assets not yet available for use are not amortized, but tested for impairment annually.

## (16) Non-current assets classified as held for sale

The Group classifies a non-current asset (or disposal group) as held for sale, if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. The management must be committed to a plan to sell the asset (or disposal group), and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

#### (17) Lease – From January 1, 2019

At contract inception, the Group assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. When assessing whether the contract conveys a right to control the use of an identified asset, definition of a lease under K-IFRS 1116 has been applied.

##### 1) As a lessee

At inception or effective date of change, the Group allocates the consideration in the contract to each lease on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### 2) As a lessor

The accounting policies applicable in the same period to the Group as a lessor are not different from those under K-IFRS 1116. When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease interest income is allocated to accounting periods so as to reflect an effective interest rate on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the carrying amount of investments in operating leases and recognized as expense on a straight-line basis over the lease term.

#### (18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of those assets, until they are ready for their intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### (19) Retirement benefit plans

The retirement benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation, less the fair value of plan assets. Defined benefit obligations are calculated by an actuary using the Projected Unit Credit Method.

The present value of the defined benefit obligations is measured by discounting estimated future cash outflows by the interest rate of high-quality corporate bonds, with similar maturity as the expected post-employment benefit payment date. In countries where there is no deep market in such bonds, the market yields at the end of the reporting period on government bonds are used.

The remeasurements of the net defined benefit liabilities (assets) comprising actuarial gain or loss from changes in actuarial assumptions or differences between actuarial assumptions and actual results, the effect of the changes to the asset ceiling and return on plan assets, excluding amounts included in net interest on the net defined benefit liabilities (assets), are recognized in other comprehensive income of the consolidated statements of comprehensive income, which is immediately recognized as retained earnings. Those recognized in retained earnings will not be reclassified in profit or loss. Past service costs are recognized in profit and loss when the plan amendment occurs, and net interest is calculated by applying the discount rate determined at the beginning of the annual reporting period to the net defined benefit liabilities (assets). Defined benefit costs are composed of service cost (including current service cost, past service cost, as well as gains and losses on settlements), net interest expense (income), and remeasurements.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Contributions to defined contribution retirement benefit plans are recognized as expenses when employees provide services eligible for payment.

#### (20) Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the present value of the cash flows estimated to settle the present obligation. The increase in provision due to passage of time is recognized as interest expense.

The Group recognizes provisions for costs expected to be incurred in the future for the repair of regular parts within the warranty period based on historical experience and compensation for accidents caused by defects in the exported products or parts of the product when such amounts are probable of payment. Also, the Group recognizes provisions for the probable losses of unused loan commitment, construction contracts, pre-contract sale or service contract due to legal or constructive obligations. In addition, the Company recognizes provisions expected to be paid in the future with regard to long-term employee benefits payable to long-term employees.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## (21) Taxation

Income tax expense is composed of current and deferred tax.

### 1) Current tax

The current tax is computed based on the taxable profit for the current year. The taxable profit differs from the profit before income tax as reported in the consolidated statements of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

### 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets shall be generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities shall not be recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except when the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that taxable profit will be available against which the temporary difference can be utilized and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority. Also, they are offset when different taxable entities that intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 3) Recognition of current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, or items arising from initial accounting treatments of a business combination. The tax effect arising from a business combination is included in the accounting for the business combination.

## (22) Treasury stock

When the Group repurchases its equity instruments (treasury stock), the incremental costs and net of tax effect are deducted from equity and recognized as other capital item deducted from the total equity in the consolidated statements of financial position. In addition, profits or losses from purchase, sale or retirement of treasury stocks are directly recognized in equity and not in current profit or loss.

## (23) Financial liabilities and equity instruments

Debt instruments and equity instruments issued by the Group are recognized as financial liabilities or equity depending on the contract and the definitions of financial liability and equity instrument.

### 1) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### 2) Financial guarantee liability

A financial guarantee contract is a contract that the issuer must pay a certain amount of money to compensate for losses incurred by the holder due to the failure of a specific debtor to pay the due date on the original contract or modified terms of the debt instrument. Financial guarantee liabilities are measured initially at fair value and subsequently measured at the greater of the following, unless they are designated as at fair value through profit or loss or arising from the transfer of assets.

- Loss provision calculated in accordance with K-IFRS 1109
- The amount recognized less the accumulated profits recognized in accordance with K-IFRS 1115

### 3) Financial liabilities measured at FVTPL

Financial liabilities are classified as at FVPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVPL as of the date of initial recognition.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability. Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognized in profit or loss.

### 4) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVPL as of the date of initial recognition, are measured subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

### 5) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## (24) Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in such case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedges) and the risk of changes in cash flow of a highly probable forecast transaction and the risk of changes in foreign currency exchange rates of firm commitment (cash flow hedges).

#### 1) Fair value hedges

The Group recognizes the changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it is no longer qualified for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

#### 2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. If the forecast transaction results in the recognition of a non-financial asset or liability, the related gain and loss recognized in other comprehensive income and accumulated in equity are transferred from equity to the initial cost of related non-financial asset or liability.

Cash flow hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or it no longer qualifies for the criteria of hedging. Any gain or loss accumulated in equity at that time remains in equity, and is recognized as profit or loss when the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

#### (25) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of K-IFRS 1116 *Leases*, and measurements that have some similarities to fair value, but are not fair value, such as net realisable value in K-IFRS 1002 *Inventories* or value in use in K-IFRS 1036 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 20.

#### (26) Accounting Treatment related to the Emission Rights Cap and Trade Scheme

The Group classifies the emission rights as intangible assets. Emission rights allowance the government allocated free of charge are measured at nil, and emission rights allowance purchased are measured at cost. No emission liability is recognized if the expected quantity of emission for the performing period does not exceed the emission allowance in possession. The emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession and the unit price for such emission rights in the market at the end of the reporting period.



## (27) Significant accounting estimates and key sources of estimation uncertainties

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that cannot be identified from other sources. The estimation and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimations. The estimates and underlying assumptions are continually evaluated. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about assumptions and estimation uncertainties at December 31, 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is as follows:

### 1) Impairment test for goodwill and non-financial assets

Determining whether goodwill and non-financial asset is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated and value in use of non-financial assets. The value in use calculation requires the management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

### 2) Warranty provision

The Group recognizes provisions for the warranties of its products as described in Note 2.(20). The amounts are recognized based on the best estimate of amounts necessary to settle the present and future warranty obligation.

### 3) Defined benefit plans

The Group operates defined retirement benefit plans. Defined benefit obligations are determined at the end of each reporting period using an actuarial valuation method that requires management assumptions on discount rates, rates of expected future salary increases and mortality rates. The characteristic of post-employment benefit plan that serves for the long term period causes significant uncertainties when the post-employment benefit obligation is estimated.

### 4) Taxation

The Group recognizes current tax and deferred tax based on the best estimates of income tax effect to be charged in the future as the result of operating activities until the end of the reporting period. However, actual final income tax to be charged in the future may differ from the relevant assets and liabilities recognized at the end of the reporting period and the difference may affect income tax charged or credited, or deferred tax assets and liabilities in the period in which the final income tax determined.

### 5) Fair value of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain type of financial instruments. The Group makes judgements on the choice of various valuation methods and assumptions based on the condition of the principal market at the end of the reporting period.

### 6) Measurement and useful lives of property, plant, equipment or intangible assets

If the Group acquires property, plant, equipment or intangible assets from business combination, it is required to estimate the fair value of the assets at the acquisition date and determine the useful lives of such assets for depreciation and amortization.

### 7) Credit loss allowance

The Group sets credit loss allowance upon evaluation of impairment relating to account receivables and financial services receivables as described in Note 2.(8). The precision in loss allowance is based on the estimation of expected cash flow and assumptions and variables of risk measurement model used for the estimation.

### 3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) Trade notes and accounts receivable as of December 31, 2019 and December 31, 2018 are as follows

| Description                         | December 31, 2019           |                  | December 31, 2018  |                  |
|-------------------------------------|-----------------------------|------------------|--------------------|------------------|
|                                     | Current                     | Non-current      | Current            | Non-current      |
|                                     | (In millions of Korean Won) |                  |                    |                  |
| Trade notes and accounts receivable | ₩ 3,580,654                 | ₩ 131,089        | ₩ 3,665,356        | ₩ 143,496        |
| Loss allowance                      | (67,564)                    | -                | (69,363)           | -                |
| Present value discount accounts     | -                           | (3,659)          | -                  | (6,719)          |
|                                     | <u>₩ 3,513,090</u>          | <u>₩ 127,430</u> | <u>₩ 3,595,993</u> | <u>₩ 136,777</u> |

(2) Aging analysis of trade notes and accounts receivable

As of December 31, 2019 aging analysis of total trade notes and accounts receivable that are past due, but not impaired are as follows.

| Description                              | Not due     | Overdue<br>Within<br>90days | Overdue<br>Within<br>180days<br>More than<br>91days | Overdue<br>More than<br>181 days | Total<br>amounts | Amount of<br>impaired<br>receivables |
|--|-------------|-----------------------------|---|----------------------------------|------------------|--------------------------------------|
|  |             |                             |   |                                  |                  |                                      |
| Total trade note and accounts receivable | ₩ 3,071,945 | ₩ 504,725                   | ₩ 17,624  | ₩ 117,449                        | ₩ 3,711,743      | ₩ 67,564                             |

As of December 31, 2018, aging analysis of total trade notes and accounts receivable that are past due, but not impaired are as follows.

| Description                              | Not<br>overdue | Overdue<br>Within<br>90days | Overdue<br>Within<br>180days<br>More than<br>91days | Overdue<br>More than<br>181 days | Total<br>amounts | Amount of<br>impaired<br>receivables |
|--|----------------|-----------------------------|---|----------------------------------|------------------|--------------------------------------|
|  |                |                             |   |                                  |                  |                                      |
| Total trade note and accounts receivable | ₩ 3,460,604    | ₩ 219,070                   | ₩ 41,207  | ₩ 87,971                         | ₩ 3,808,852      | ₩ 69,363                             |

(3) Transferred trade notes and accounts receivable that are not derecognized

As of December 31, 2019 and December 31, 2018, total trade notes and accounts receivable (including inter-company receivables within the Group) which the Group transferred to financial institutions but did not qualify for derecognition, amount to ₩2,898,539 million and ₩2,169,253 million, respectively. Cash and cash equivalents received as consideration for the transfer are recognized as short-term borrowings due to the fact that the risks and rewards were not transferred substantially.

(4) Changes in loss allowance for the years ended December 31, 2019 and December 31, 2018 are as follows

| Description                                       | December 31, 2019           |               | December 31, 2018 |               |
|---|-----------------------------|---------------|-------------------|---------------|
|   | (In millions of Korean Won) |               |                   |               |
| Beginning of the year                             | ₩                           | 69,363        | ₩                 | 65,167        |
| Impairment loss (reversal)                        |                             | (1,983)       |                   | 4,453         |
| Write-off   |                             | (3,133)       |                   | (205)         |
| Effect of foreign exchange differences and others |                             | 3,317         |                   | (52)          |
| End of the year                                   | <u>₩</u>                    | <u>67,564</u> | <u>₩</u>          | <u>69,363</u> |

#### 4. OTHER RECEIVABLES:

(1) Other receivables as of December 31, 2019 and December 31, 2018 are as follows

| Description                          | December 31, 2019           |             | December 31, 2018 |             |
|--------------------------------------|-----------------------------|-------------|-------------------|-------------|
|                                      | Current                     | Non-current | Current           | Non-current |
|                                      | (In millions of Korean Won) |             |                   |             |
| Accounts receivable – others         | ₩ 2,219,810                 | ₩ 345,978   | ₩ 2,161,565       | ₩ 392,400   |
| Due from customers for contract work | 1,171,029                   | -           | 1,110,972         | -           |
| Lease and rental deposits            | 19,259                      | 313,334     | 28,826            | 310,194     |
| Deposits                             | 2,626                       | 41,139      | 2,591             | 42,381      |
| Others                               | 4,738                       | 4,703       | 1,719             | 10,113      |
| Loss allowance                       | (15,403)                    | -           | (13,826)          | -           |
|                                      | ₩ 3,402,059                 | ₩ 705,154   | ₩ 3,291,847       | ₩ 755,088   |

(2) The changes in other allowance for the years ended December 31, 2019 and December 31, 2018 are as follows:

| Description                            | December 31, 2019           |         | December 31, 2018 |        |
|--|-----------------------------|---------|-------------------|--------|
|  | (In millions of Korean Won) |         |                   |        |
| Beginning of the year                  | ₩                           | 13,826  | ₩                 | 11,128 |
| Impairment loss                        |                             | 2,573   |                   | 3,567  |
| Write-off                              |                             | (1,005) |                   | (853)  |
| Effect of foreign exchange differences |                             | 9       |                   | (16)   |
| End of the year                        | ₩                           | 15,403  | ₩                 | 13,826 |

#### 5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of December 31, 2019 are as follows.

| Description  | December 31, 2019           |             |
|--|-----------------------------|-------------|
|  | Current                     | Non-current |
|  | (In millions of Korean Won) |             |
| Financial assets measured at FVTPL                       | ₩ 9,314,383                 | ₩ 623,040   |
| Financial assets measured at FVOCI                       | 37,255                      | 2,241,379   |
| Financial assets measured at amortized cost              | 48,275                      | 61,271      |
| Derivative assets that are effective hedging instruments | 50,000                      | 133,836     |
|  | ₩ 9,449,913                 | ₩ 3,059,526 |

Other financial assets as of December 31, 2018 are as follows.

| Description  | December 31, 2018           |             |
|--|-----------------------------|-------------|
|  | Current                     | Non-current |
|  | (In millions of Korean Won) |             |
| Financial assets measured at FVTPL                       | ₩ 9,644,865                 | ₩ 286,286   |
| Financial assets measured at FVOCI                       | 9,683                       | 1,901,038   |
| Financial assets measured at amortized cost              | 96,322                      | 8,641       |
| Derivative assets that are effective hedging instruments | 4,855                       | 27,393      |
|  | ₩ 9,755,725                 | ₩ 2,223,358 |

(2) Financial assets measured at FVOCI as of December 31, 2019 and December 31, 2018 are as follows.

| Description                 | December 31,<br>2019 |                    | December 31,<br>2018 |            |
|-----------------------------|----------------------|--------------------|----------------------|------------|
|                             | Acquisition<br>cost  | Book value         | Book value           | Book value |
| (In millions of Korean Won) |                      |                    |                      |            |
| Debt instruments            | ₩ 349,026            | ₩ 361,138          | ₩ 236,031            |            |
| Equity instruments (*)      | 1,824,163            | 1,917,496          | 1,674,690            |            |
|                             | <u>₩ 2,173,189</u>   | <u>₩ 2,278,634</u> | <u>₩ 1,910,721</u>   |            |

(\*) The Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading at the date of initial application of K-IFRS 1109.

(3) Equity instruments classified into financial assets measured at FVOCI as of December 31, 2019 and December 31, 2018 are as follows.

| Name of the company   | Ownership<br>percentage<br>(%) | December 31,<br>2019 |                    | December 31,<br>2018 |            |
|---|--------------------------------|----------------------|--------------------|----------------------|------------|
|   |                                | Acquisition<br>cost  | Book value         | Book value           | Book value |
| (In millions of Korean Won)                                 |                                |                      |                    |                      |            |
| Hyundai Steel Company (*1)                                  | 6.87                           | ₩ 903,897            | ₩ 358,697          | ₩ 516,090            |            |
| Hyundai Oilbank Co., Ltd.                                   | 4.35                           | 53,734               | 276,152            | 204,392              |            |
| Hyundai Glovis Co., Ltd.                                    | 4.88                           | 210,688              | 261,824            | 236,191              |            |
| Korea Shipbuilding & Offshore<br>Engineering Co., Ltd. (*2) | 2.31                           | 42,443               | 206,557            | 209,823              |            |
| Korea Aerospace Industries, Ltd. (*3)                       | -                              | 73,331               | 161,092            | 150,920              |            |
| Hyundai Heavy Industries<br>Holdings Co., Ltd.              | 2.13                           | 9,018                | 117,270            | 120,046              |            |
| Hyundai Green Food Co., Ltd.                                | 2.36                           | 15,005               | 27,346             | 33,000               |            |
| NICE Information Service Co., Ltd.                          | 2.25                           | 3,312                | 19,055             | 14,957               |            |
| NICE Holdings Co., Ltd.                                     | 1.30                           | 3,491                | 10,275             | 8,825                |            |
| Hyundai M Partners Co., Ltd.                                | 9.29                           | 9,888                | 9,704              | 12,119               |            |
| KT Corporation  | 0.09                           | 8,655                | 6,482              | 7,155                |            |
| Hyundai Asan Corporation                                    | 1.40                           | 22,500               | 2,117              | 2,117                |            |
| Hyundai Merchant Marine Co., Ltd                            | 0.03                           | 9,161                | 351                | 366                  |            |
| Others  |                                | 459,040              | 460,574            | 158,689              |            |
|   |                                | <u>₩ 1,824,163</u>   | <u>₩ 1,917,496</u> | <u>₩ 1,674,690</u>   |            |

(\*1) The Group entered into a total return swap agreement to transfer 2,231,716 shares out of total 11,405,311 shares with a third party.

(\*2) Hyundai Heavy Industries Co., Ltd. was split into Korea Shipbuilding & Offshore Engineering Co., Ltd. and Hyundai Heavy Industries Co., Ltd. during the year ended December 31, 2019

(\*3) The Group entered into a total return swap agreement to transfer total shares with a third party.

## 6. INVENTORIES:

Inventories as of December 31, 2019 and December 31, 2018 are as follows.

| Description          | December 31, 2019           |            | December 31, 2018 |            |
|----------------------|-----------------------------|------------|-------------------|------------|
|                      | (In millions of Korean Won) |            |                   |            |
| Finished goods       | ₩                           | 6,828,461  | ₩                 | 6,486,616  |
| Merchandise          |                             | 45,235     |                   | 52,717     |
| Semifinished goods   |                             | 550,146    |                   | 515,084    |
| Work in progress     |                             | 424,261    |                   | 400,850    |
| Raw materials        |                             | 1,468,306  |                   | 1,363,298  |
| Supplies             |                             | 305,130    |                   | 306,670    |
| Materials in transit |                             | 690,342    |                   | 665,246    |
| Others(*1)           |                             | 1,351,967  |                   | 924,377    |
| Total (*2)           | ₩                           | 11,663,848 | ₩                 | 10,714,858 |

(\*1) As of December 31, 2019 and December 31, 2018, others include inventories provided by operating lease with repurchase agreement in the amount of ₩558,239 million and ₩284,042 million, respectively.

(\*2) As of December 31, 2019 and December 31, 2018, the Group recognized a valuation allowance in the amount of ₩166,016 million and ₩130,989 million, respectively.

## 7. OTHER ASSETS:

Other assets as of December 31, 2019 and December 31, 2018 are as follows.

| Description                        | December 31, 2019 |             | December 31, 2018 |             |
|------------------------------------|-------------------|-------------|-------------------|-------------|
|                                    | Current           | Non-current | Current           | Non-current |
| (In millions of Korean Won)        |                   |             |                   |             |
| Accrued income                     | ₩ 329,909         | ₩ 1,257     | ₩ 318,306         | ₩ 1,293     |
| Advanced payments                  | 686,785           | -           | 658,460           | -           |
| Prepaid expenses                   | 427,780           | 780,503     | 445,601           | 672,814     |
| Prepaid value-added tax and others | 333,153           | 84,007      | 348,315           | 37,192      |
|                                    | ₩ 1,777,627       | ₩ 865,767   | ₩ 1,770,682       | ₩ 711,299   |

## 8. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE:

Non-current assets classified as held for sale as of December 31, 2019 and December 31, 2018 are as follows.

| Description  | December 31, 2019           |        | December 31, 2018 |         |
|--|-----------------------------|--------|-------------------|---------|
|  | (In millions of Korean Won) |        |                   |         |
| Land (*1)  | ₩                           | 8,169  | ₩                 | 3,454   |
| Building (*1)  |                             | 3,324  |                   | 7,963   |
| Vehicles (*2)  |                             | -      |                   | 16,023  |
| Subsidiary (*3)  |                             | -      |                   | 839,752 |
| Total  | ₩                           | 11,493 | ₩                 | 867,192 |
| Non-current liabilities classified as held for sale (*3) | ₩                           | -      | ₩                 | 719,396 |

(\*1) Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., which are subsidiaries of the Company completed the process of disposal for the office located in Gwang-ju and Hyundai Capital Services, Inc., is in the process of disposal for the office located in Dae-gu during the year ended December 31, 2019.

(\*2) The Group completed the process of disposal during the year ended December 31, 2019. In prior year, the Group recognised an impairment loss of ₩13,045 million, the difference between the expected sale price and the book value.

(\*3) The Company together with Hyundai Capital Services, Inc., a subsidiary of the Company, entered into a disposal contract for a portion of Hyundai Capital Bank Europe GmbH 's shares in August 2018. Accordingly, the Group classified the assets and liabilities related to the Hyundai Capital Bank Europe GmbH to the disposal groups as held for sale and completed the process of disposal of these shares in Hyundai Capital Bank Europe GmbH 's during the year ended December 31, 2019.

## 9. PROPERTY, PLANT AND EQUIPMENT:

(1) Property, plant and equipment (“PP&E”) as of December 31, 2019 and 2018 are as follows.

| Description              | December 31, 2019           |                              |                     | December 31, 2018   |                              |                     |
|--------------------------|-----------------------------|------------------------------|---------------------|---------------------|------------------------------|---------------------|
|                          | Acquisition cost            | Accumulated depreciation (*) | Book value          | Acquisition cost    | Accumulated depreciation (*) | Book value          |
|                          | (In millions of Korean Won) |                              |                     |                     |                              |                     |
| Land                     | ₩ 12,039,472                | ₩ -                          | ₩ 12,039,472        | ₩ 11,802,601        | ₩ -                          | ₩ 11,802,601        |
| Buildings                | 9,701,282                   | (3,471,456)                  | 6,229,826           | 9,289,171           | (3,151,813)                  | 6,137,358           |
| Structures               | 1,488,988                   | (739,417)                    | 749,571             | 1,389,627           | (662,606)                    | 727,021             |
| Machinery and equipment  | 16,246,503                  | (9,712,086)                  | 6,534,417           | 15,558,786          | (9,088,703)                  | 6,470,083           |
| Vehicles                 | 368,948                     | (170,618)                    | 198,330             | 363,338             | (169,354)                    | 193,984             |
| Dies, molds and tools    | 10,995,970                  | (7,961,360)                  | 3,034,610           | 9,820,613           | (7,227,150)                  | 2,593,463           |
| Office equipment         | 1,754,531                   | (1,339,358)                  | 415,173             | 1,655,978           | (1,218,195)                  | 437,783             |
| Others                   | 116,526                     | (73,209)                     | 43,317              | 97,266              | (51,840)                     | 45,426              |
| Construction in progress | 3,586,808                   | -                            | 3,586,808           | 2,137,889           | -                            | 2,137,889           |
|                          | <u>₩ 56,299,028</u>         | <u>₩ (23,467,504)</u>        | <u>₩ 32,831,524</u> | <u>₩ 52,115,269</u> | <u>₩ (21,569,661)</u>        | <u>₩ 30,545,608</u> |

(\*) Accumulated impairment losses are included.

(2) The changes in PP&E for the year ended December 31, 2019 are as follows.

| Description              | Beginning of the year | Acquisitions       | Transfers within PP&E | Disposals          | Depreciation         | Transfer to assets classified as held for sale | Others (*)       | End of the year     |
|--------------------------|-----------------------|--------------------|-----------------------|--------------------|----------------------|--|------------------|---------------------|
|                          |                       |                    |                       |                    |                      |  |                  |                     |
| Land                     | ₩ 11,802,601          | ₩ 182,249          | ₩ 60,010              | ₩ (4,303)          | ₩ -                  | ₩ (8,169)                                      | ₩ 7,084          | ₩ 12,039,472        |
| Buildings                | 6,137,358             | 1,646              | 346,878               | (1,165)            | (296,342)            | (3,324)  | 44,775           | 6,229,826           |
| Structures               | 727,021               | 12,481             | 71,105                | (893)              | (65,842)             | -  | 5,699            | 749,571             |
| Machinery and equipment  | 6,470,083             | 13,382             | 1,223,291             | (149,553)          | (986,467)            | -  | (36,319)         | 6,534,417           |
| Vehicles                 | 193,984               | 41,188             | 82,908                | (54,933)           | (56,089)             | -  | (8,728)          | 198,330             |
| Dies, molds and tools    | 2,593,463             | 6,862              | 1,339,405             | (1,715)            | (936,809)            | -  | 33,404           | 3,034,610           |
| Office equipment         | 437,783               | 41,482             | 109,117               | (1,169)            | (170,977)            | -  | (1,063)          | 415,173             |
| Others                   | 45,426                | 5,884              | 11,529                | (122)              | (21,939)             | -  | 2,539            | 43,317              |
| Construction in progress | 2,137,889             | 4,509,585          | (3,244,243)           | (782)              | -                    | -  | 184,359          | 3,586,808           |
|                          | <u>₩ 30,545,608</u>   | <u>₩ 4,814,759</u> | <u>₩ -</u>            | <u>₩ (214,635)</u> | <u>₩ (2,534,465)</u> | <u>₩ (11,493)</u>                              | <u>₩ 231,750</u> | <u>₩ 32,831,524</u> |

(\*) Others include the effect of foreign exchange differences, transfers from or to other accounts and impairment losses.

The changes in PP&E for the year ended December 31, 2018 are as follows.

| Description              | Beginning of the year | Acquisitions       | Transfers within PP&E | Disposals          | Depreciation         | Transfer to assets classified as held for sale | Others (*)       | End of the year     |
|--------------------------|-----------------------|--------------------|-----------------------|--------------------|----------------------|--|------------------|---------------------|
|                          |                       |                    |                       |                    |                      |  |                  |                     |
| Land                     | ₩ 11,794,842          | ₩ 536              | ₩ 43,888              | ₩ (35,186)         | ₩ -                  | ₩ (3,454)                                      | ₩ 1,975          | ₩ 11,802,601        |
| Buildings                | 5,979,344             | 10,957             | 466,495               | (27,764)           | (277,115)            | (7,963)  | (6,596)          | 6,137,358           |
| Structures               | 655,732               | 6,513              | 125,295               | (4,360)            | (62,303)             | -  | 6,144            | 727,021             |
| Machinery and equipment  | 6,092,817             | 12,221             | 1,393,296             | (60,561)           | (924,923)            | -  | (42,767)         | 6,470,083           |
| Vehicles                 | 190,756               | 35,005             | 79,676                | (48,019)           | (52,324)             | -  | (11,110)         | 193,984             |
| Dies, molds and tools    | 2,516,521             | 512                | 1,020,614             | (65,972)           | (837,721)            | -  | (40,491)         | 2,593,463           |
| Office equipment         | 473,001               | 59,875             | 82,898                | (1,422)            | (175,959)            | (2,299)  | 1,689            | 437,783             |
| Others                   | 47,223                | 4,639              | 11,914                | (141)              | (16,750)             | -  | (1,459)          | 45,426              |
| Construction in progress | 2,076,906             | 3,201,634          | (3,224,076)           | (6,015)            | -                    | -  | 89,440           | 2,137,889           |
|                          | <u>₩ 29,827,142</u>   | <u>₩ 3,331,892</u> | <u>₩ -</u>            | <u>₩ (249,440)</u> | <u>₩ (2,347,095)</u> | <u>₩ (13,716)</u>                              | <u>₩ (3,175)</u> | <u>₩ 30,545,608</u> |

(\*) Others include the effect of foreign exchange differences and transfers from or to other accounts.

## 10. INVESTMENT PROPERTIES:

(1) Investment properties as of December 31, 2019 and December 31, 2018 are as follows.

| Description | December 31, 2019           |                          |                  | December 31, 2018 |                          |                  |
|-------------|-----------------------------|--------------------------|------------------|-------------------|--------------------------|------------------|
|             | Acquisition cost            | Accumulated depreciation | Book value       | Acquisition cost  | Accumulated depreciation | Book value       |
|             | (In millions of Korean Won) |                          |                  |                   |                          |                  |
| Land        | ₩ 56,046                    | ₩ -                      | ₩ 56,046         | ₩ 58,669          | ₩ -                      | ₩ 58,669         |
| Buildings   | 298,245                     | (194,127)                | 104,118          | 303,191           | (184,262)                | 118,929          |
| Structures  | 18,630                      | (7,300)                  | 11,330           | 18,630            | (6,894)                  | 11,736           |
|             | <u>₩ 372,921</u>            | <u>₩ (201,427)</u>       | <u>₩ 171,494</u> | <u>₩ 380,490</u>  | <u>₩ (191,156)</u>       | <u>₩ 189,334</u> |

(2) The changes in Investment properties for the year ended December 31, 2019 are as follows.

| Description | Beginning of the year       |                  | Disposals         | Depreciation | Effect of foreign exchange differences | End of the year  |
|-------------|-----------------------------|------------------|-------------------|--------------|--|------------------|
|             |                             |                  |                   |              |  |                  |
|             | (In millions of Korean Won) |                  |                   |              |  |                  |
| Land        | ₩ 58,669                    | ₩ (2,623)        | ₩ -               | ₩ -          | ₩ -                                    | ₩ 56,046         |
| Buildings   | 118,929                     | (4,980)          | (10,312)          | 481          |  | 104,118          |
| Structures  | 11,736                      | -                | (406)             | -            |  | 11,330           |
|             | <u>₩ 189,334</u>            | <u>₩ (7,603)</u> | <u>₩ (10,718)</u> | <u>₩ 481</u> |  | <u>₩ 171,494</u> |

The changes in Investment properties for the year ended December 31, 2018 are as follows.

| Description | Beginning of the year       |              | Transfers(*) | Disposals         | Depreciation  | Effect of foreign exchange differences | End of the year  |
|-------------|-----------------------------|--------------|--------------|-------------------|---------------|--|------------------|
|             |                             |              |              |                   |               |  |                  |
|             | (In millions of Korean Won) |              |              |                   |               |  |                  |
| Land        | ₩ 58,669                    | ₩ -          | ₩ -          | ₩ -               | ₩ -           | ₩ -                                    | ₩ 58,669         |
| Buildings   | 128,685                     | 657          | -            | (10,384)          | (29)          |  | 118,929          |
| Structures  | 12,144                      | -            | -            | (408)             | -             |  | 11,736           |
|             | <u>₩ 199,498</u>            | <u>₩ 657</u> | <u>₩ -</u>   | <u>₩ (10,792)</u> | <u>₩ (29)</u> |  | <u>₩ 189,334</u> |

(\*) Transferred amount from PP&E.

(3) The fair value of Investment properties as of December 31, 2019 and December 31, 2018 are as follows.

| Description | December 31, 2019           |                | December 31, 2018 |                |
|-------------|-----------------------------|----------------|-------------------|----------------|
|             |                             |                |                   |                |
|             | (In millions of Korean Won) |                |                   |                |
| Land        | ₩                           | 56,046         | ₩                 | 58,669         |
| Buildings   |                             | 314,506        |                   | 316,215        |
| Structures  |                             | 15,496         |                   | 15,496         |
|             | <u>₩</u>                    | <u>386,048</u> | <u>₩</u>          | <u>390,380</u> |

The fair value measurement of the Investment properties was performed by an independent third party. The Group deems the change in fair value from the fair value measurement performed at the initial recognition of the Investment properties is not material.

The fair value of the Investment properties is classified as Level 3, based on the inputs used in the valuation techniques. The fair value has been determined based on the cost approach and the market approach. The cost approach measures fair value as current replacement cost considering building structures and design, supplementary installation, depreciation period.

(4) Income and expenses related to Investment properties for the years ended December 31, 2019 and 2018 are as follows.

| Description                        | 2019                        |        | 2018 |        |
|------------------------------------|-----------------------------|--------|------|--------|
|                                    | (In millions of Korean Won) |        |      |        |
| Rental income                      | ₩                           | 50,308 | ₩    | 47,907 |
| Operating and maintenance expenses |                             | 16,943 |      | 17,091 |

## 11. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2019 and December 31, 2018 are as follows.

| Description                 | December 31, 2019   |                              |                    | December 31, 2018   |                              |                    |
|-----------------------------|---------------------|------------------------------|--------------------|---------------------|------------------------------|--------------------|
|                             | Acquisition cost    | Accumulated amortization (*) | Book value         | Acquisition cost    | Accumulated amortization (*) | Book value         |
| (In millions of Korean Won) |                     |                              |                    |                     |                              |                    |
| Goodwill                    | ₩ 296,095           | ₩ (34,570)                   | ₩ 261,525          | ₩ 293,382           | ₩ (33,975)                   | ₩ 259,407          |
| Development costs           | 9,349,676           | (5,273,333)                  | 4,076,343          | 8,256,046           | (4,471,703)                  | 3,784,343          |
| Industrial property rights  | 310,908             | (177,633)                    | 133,275            | 283,056             | (154,193)                    | 128,863            |
| Software                    | 1,242,304           | (924,315)                    | 317,989            | 1,105,754           | (786,766)                    | 318,988            |
| Others                      | 514,273             | (264,325)                    | 249,948            | 483,323             | (237,692)                    | 245,631            |
| Construction in progress    | 249,787             | (22,371)                     | 227,416            | 212,933             | (28,782)                     | 184,151            |
|                             | <u>₩ 11,963,043</u> | <u>₩ (6,696,547)</u>         | <u>₩ 5,266,496</u> | <u>₩ 10,634,494</u> | <u>₩ (5,713,111)</u>         | <u>₩ 4,921,383</u> |

(\*) Accumulated impairment losses are included.

(2) The changes in intangible assets for the year ended December 31, 2019 are as follows.

| Description                | Beginning of the year | Internal developments | External acquisition | Transfers within intangible assets | Disposals        |
|----------------------------|-----------------------|-----------------------|----------------------|------------------------------------|------------------|
|                            |                       |                       |                      |                                    |                  |
| Goodwill                   | ₩ 259,407             | ₩ -                   | ₩ -                  | ₩ -                                | ₩ -              |
| Development Costs          | 3,784,343             | 1,514,478             | 18,177               | 58,275                             | (36)             |
| Industrial property rights | 128,863               | 42                    | 1,958                | 24,748                             | (173)            |
| Software                   | 318,988               | 1,782                 | 22,867               | 30,443                             | (2,041)          |
| Others                     | 245,631               | -                     | 4,059                | 19,932                             | (4,337)          |
| Construction in progress   | 184,151               | 42,539                | 135,142              | (133,398)                          | -                |
|                            | <u>₩ 4,921,383</u>    | <u>₩ 1,558,841</u>    | <u>₩ 182,203</u>     | <u>₩ -</u>                         | <u>₩ (6,587)</u> |

| Description                 | Amortization         | Impairment loss/gain |                 | End of the year    |
|-----------------------------|----------------------|----------------------|-----------------|--------------------|
|                             |                      | (*1)                 | Others (*2)     |                    |
| (In millions of Korean Won) |                      |                      |                 |                    |
| Goodwill                    | ₩ -                  | ₩ -                  | ₩ 2,118         | ₩ 261,525          |
| Development Costs           | (1,101,505)          | (187,163)            | (10,226)        | 4,076,343          |
| Industrial property rights  | (23,737)             | -                    | 1,574           | 133,275            |
| Software                    | (139,908)            | -                    | 85,858          | 317,989            |
| Others                      | (21,539)             | 31                   | 6,171           | 249,948            |
| Construction in progress    | -                    | -                    | (1,018)         | 227,416            |
|                             | <u>₩ (1,286,689)</u> | <u>₩ (187,132)</u>   | <u>₩ 84,477</u> | <u>₩ 5,266,496</u> |

(\*1) Development costs and others were recognized as impairment losses due to the discontinued sales and development projects for the year ended December 31, 2019.

(\*2) Others include the effect of foreign exchange differences and transfer from or to other accounts and others.



The changes in intangible assets for the year ended December 31, 2018 are as follows.

| Description                 | Beginning of the year | Internal developments and separate acquisitions | External acquisition | Transfers within intangible assets | Disposals |
|-----------------------------|-----------------------|---|----------------------|------------------------------------|-----------|
| (In millions of Korean Won) |                       |   |                      |                                    |           |
| Goodwill                    | ₩ 291,429             | ₩ -   | ₩ -                  | ₩ -                                | ₩ -       |
| Development Costs           | 3,582,114             | 1,455,817                                       | 19,234               | 73,977                             | (4,688)   |
| Industrial property rights  | 113,400               | 57  | 2,268                | 33,115                             | (12)      |
| Software                    | 346,933               | -   | 25,912               | 31,015                             | (818)     |
| Others                      | 276,075               | -   | 3,679                | 2,798                              | (2,146)   |
| Construction in progress    | 199,385               | 7,423   | 108,712              | (140,905)                          | -         |
|                             | ₩ 4,809,336           | ₩ 1,463,297                                     | ₩ 159,805            | ₩ -                                | ₩ (7,664) |

| Description                 | Amortization  | Impairment loss/gain(*1) | Transfer to assets classified as held for sale | Others (*2) | End of the year |
|-----------------------------|---------------|--------------------------|--|-------------|-----------------|
| (In millions of Korean Won) |               |                          |  |             |                 |
| Goodwill                    | ₩ -           | ₩ (32,125)               | ₩ -  | ₩ 103       | ₩ 259,407       |
| Development Costs           | (1,225,225)   | (109,977)                | -  | (6,909)     | 3,784,343       |
| Industrial property rights  | (20,846)      | -                        | -  | 881         | 128,863         |
| Software                    | (134,905)     | (1,687)                  | -  | 52,538      | 318,988         |
| Others                      | (22,606)      | 69                       | (8,696)  | (3,542)     | 245,631         |
| Construction in progress    | -             | -                        | (1,987)  | 11,523      | 184,151         |
|                             | ₩ (1,403,582) | ₩ (143,720)              | ₩ (10,683)                                     | ₩ 54,594    | ₩ 4,921,383     |

(\*1) Development costs and others were recognized as impairment losses due to the discontinued sales and development projects for the year ended December 31, 2018.

(\*2) Others include the effect of foreign exchange differences and transfer from or to other accounts and others.

(3) Development costs of intangible assets as of December 31, 2019 consist of as follows.

| Description                 | Book value  | Remaining amortization period (*) |
|-----------------------------|-------------|-----------------------------------|
| (In millions of Korean Won) |             |                                   |
| Automobile                  | ₩ 1,946,181 | -                                 |
| "                           | Amortizing  | 34 months                         |
| Powertrain                  | 182,753     | -                                 |
| "                           | Amortizing  | 28 months                         |
| Others                      | 30,870      | -                                 |
| "                           | Amortizing  | 33 months                         |
|                             | ₩ 4,076,343 |                                   |

(\* ) Since the remaining amortization period differs for each project, the weighted average remaining useful lives of the development costs at the end of reporting period are disclosed.

Development costs of intangible assets as of December 31, 2018 consist of as follows.

| Description |            | Book value                  | Residual useful lives (*) |
|-------------|------------|-----------------------------|---------------------------|
|             |            | (In millions of Korean Won) |                           |
| Automobile  | Developing | ₩ 1,314,742                 | -                         |
| "           | Amortizing | 1,851,453                   | 38 months                 |
| Powertrain  | Developing | 195,715                     | -                         |
| "           | Amortizing | 188,215                     | 33 months                 |
| Others      | Developing | 3,190                       | -                         |
| "           | Amortizing | 231,028                     | 40 months                 |
|             |            | <u>₩ 3,784,343</u>          |                           |

(\*) Since the remaining amortization period differs for each project, the weighted average remaining useful lives of the development costs at the end of reporting period are disclosed.

(4) Research and development expenditures for the years ended December 31, 2019 and 2018 are as follows.

| Description                           | 2019                        | 2018               |
|---------------------------------------|-----------------------------|--------------------|
|                                       | (In millions of Korean Won) |                    |
| Development costs (intangible assets) | ₩ 1,532,655                 | ₩ 1,475,051        |
| Research and development costs (*1)   | 1,489,028                   | 1,267,327          |
| Total (*2)                            | <u>₩ 3,021,683</u>          | <u>₩ 2,742,378</u> |

(\*1) Presented in manufacturing costs, administrative expenses and other expenses.

(\*2) Amortization of development costs is not included.

(5) Impairment test of goodwill

The allocation of goodwill amongst the Group's CGU as of December 31, 2019 and December 31, 2018 are as follows.

| Segment | December 31, 2019           | December 31, 2018 |
|---------|-----------------------------|-------------------|
|         | (In millions of Korean Won) |                   |
| Vehicle | ₩ 160,563                   | ₩ 158,955         |
| Finance | 482                         | 482               |
| Others  | 100,480                     | 99,970            |
|         | <u>₩ 261,525</u>            | <u>₩ 259,407</u>  |

The recoverable amounts of the Group's CGUs are measured as their value-in-use calculated based on cash flow projections of financial budgets for the next five years approved by management. The pre-tax discount rate applied to the cash flow projections for the years ended December 31, 2019 and 2018, are 12.5% and 13.8% respectively. Cash flow projections beyond the next five-year period are extrapolated by using the estimated growth rate which does not exceed the long-term average growth rate of the region and industry to which the CGU belongs. Impairment losses recognized for the years ended December 31, 2019 and 2018 are nil and ₩32,125 million, respectively.

## 12. LEASES (AS A LESSEE):

(1) The changes in right-of-use assets for the year ended December 31, 2019 are as follows.

| Description | Beginning of the year | Impact on                 | Acquisitions | Disposals | Depreciation | Others(*) | End of the year |
|-------------|-----------------------|---------------------------|--------------|-----------|--------------|-----------|-----------------|
|             |                       | transition to K-IFRS 1116 |              |           |              |           |                 |
| Land        | ₩ -                   | ₩ 22,356                  | ₩ 2,805      | ₩ (501)   | ₩ (4,437)    | ₩ 264     | ₩ 20,487        |
| Buildings   | -                     | 620,661                   | 217,028      | (2,518)   | (158,828)    | 13,220    | 689,563         |
| Structures  | -                     | 3,445                     | 1,831        | (62)      | (2,141)      | 14        | 3,087           |
| Others      | -                     | 28,234                    | 6,612        | (18)      | (14,248)     | 825       | 21,405          |
|             | ₩ -                   | ₩ 674,696                 | ₩ 228,276    | ₩ (3,099) | ₩ (179,654)  | ₩ 14,323  | ₩ 734,542       |

(\*) Others include the effect of foreign exchange differences and others.

(2) Lease liabilities as of December 31, 2019 and December 31, 2018 are as follows.

| Description                    | December 31, 2019           | December 31, 2018 |
|--------------------------------|-----------------------------|-------------------|
|                                | (In millions of Korean Won) |                   |
| Undiscounted lease liabilities | ₩ 979,101                   | ₩ -               |
| Discounted lease liabilities   | 767,984                     | -                 |
| Current                        | 132,388                     | -                 |
| Non-current                    | 635,596                     | -                 |

(3) Expenses recognized in relation to leases for the years ended December 31, 2019 and 2018 are as follows.

| Description   | December 31, 2019           | December 31, 2018 |
|---|-----------------------------|-------------------|
|   | (In millions of Korean Won) |                   |
| Interest on lease liabilities                                     | ₩ 29,404                    | ₩ -               |
| Expenses in relation to leases of short-term and low-value assets | 21,617                      | -                 |

### 13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

(1) Investments in joint ventures and associates as of December 31, 2019 and December 31, 2018 are as follows.

| Name of the company <sup>f</sup>                         | Nature of business   | Location | Ownership percentage (%) | December 31,                |              |
|--|----------------------|----------|--------------------------|-----------------------------|--------------|
|  |                      |          |                          | 2019                        | 2018         |
|  |                      |          |                          | Book value                  | Book value   |
|  |                      |          |                          | (In millions of Korean Won) |              |
| Beijing-Hyundai Motor Company (BHMC) (*1)                | Manufacturing        | China    | 50.00                    | ₩ 1,256,925                 | ₩ 1,484,794  |
| Beijing Hyundai Qiche Financing Company (Bhaf) (*1,3)    | Financing            | China    | 53.00                    | 577,810                     | 530,161      |
| Hyundai WIA Automotive Engine (Shandong) Company (WAE)   | Manufacturing        | China    | 22.00                    | 154,136                     | 151,248      |
| Hyundai Capital Bank Europe GmbH (HCBE)(*6)              | Financing            | Germany  | 49.00                    | 159,948                     | -            |
| Kia Motors Corporation                                   | Manufacturing        | Korea    | 33.88                    | 9,655,017                   | 9,001,505    |
| Hyundai Engineering & Construction Co., Ltd.             | Construction         | Korea    | 20.95                    | 2,859,169                   | 2,801,084    |
| Hyundai Transys Inc. (Formerly. Hyundai Dymos Inc.) (*4) | Manufacturing        | Korea    | 41.13                    | 1,026,563                   | 430,571      |
| Hyundai WIA Corporation                                  | Manufacturing        | Korea    | 25.35                    | 682,526                     | 674,651      |
| Hyundai Motor Securities Co., Ltd.                       | Securities brokerage | Korea    | 27.49                    | 283,446                     | 265,711      |
| Hyundai Commercial Inc.                                  | Financing            | Korea    | 37.50                    | 255,800                     | 218,983      |
| Eukor Car Carriers Inc. (*2)                             | Transportation       | Korea    | 12.00                    | 173,212                     | 159,699      |
| Hyundai Autoever Corp.                                   | IT service           | Korea    | 28.48                    | 145,076                     | 129,173      |
| Haevichi Hotels & Resorts Co., Ltd.                      | Hotelkeeping         | Korea    | 41.90                    | 101,578                     | 104,009      |
| Hyundai Powertech Co., Ltd.(*4)                          | Manufacturing        | Korea    | -                        | -                           | 561,688      |
| Others (*5)  |                      |          |                          | 1,044,084                   | 629,962      |
|  |                      |          |                          | ₩ 18,375,290                | ₩ 17,143,239 |

(\*1) Each of the joint arrangements in which the Group retains joint control is structured through a separate entity and there are no contractual terms stating that the parties retain rights to the assets and obligations for the liabilities relating to the joint arrangement or other relevant facts and circumstances. As a result, the Group considers that the parties that retain joint control in the arrangement have rights to the net assets and classifies the joint arrangements as joint ventures.

Also, there are restrictions, which require consent from the director who is designated by the other investors, for certain transactions, such as payment of dividend.

(\*2) As the Group is considered to be able to exercise significant influence by representation on the board of directors of the investee and other reasons, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.

(\*3) The entity is categorized as a joint venture although the Group's total ownership percentage is a majority share of 53%, because the Group does not have control over the entity by virtue of an agreement with the other investors.

(\*4) Hyundai Dymos Inc. merged with Hyundai Powertech Co., Ltd., and changed the name of company to Hyundai Transys Co., Ltd. as of January 1, 2019.

(\*5) The Group has stopped recognising its share of losses of the Sichuan Hyundai Motor Company (CHMC) and unrecognized share of losses of a joint venture, after the capital increase in 2019, for the year ended December 31, 2019 and cumulatively as of December 31, 2019 are ₩35,692 million and ₩35,692 million, respectively.

(\*6) The Group reclassified this former subsidiary to an associate due to the partial disposal of its shares which resulted in a loss of control during the year ended December 31, 2019.

(2) The changes in investments in joint ventures and associates for the year ended December 31, 2019 are as follows.

| Name of the company                          | Beginning of the year | Acquisitions (disposals) | Share of profits (losses) for the period | Dividends          | Others (*1)      | End of the year     |
|--|-----------------------|--------------------------|--|--------------------|------------------|---------------------|
| (In millions of Korean Won)                  |                       |                          |  |                    |                  |                     |
| BHMC   | ₩ 1,484,794           | ₩ -                      | ₩ (260,290)                              | ₩ -                | ₩ 32,421         | ₩ 1,256,925         |
| BHAF   | 530,161               | -                        | 41,008                                   | -                  | 6,641            | 577,810             |
| WAE  | 151,248               | 10,138                   | 121                                      | (10,138)           | 2,767            | 154,136             |
| HCBE(*3)                                     | -                     | 38,570                   | (7,178)                                  | -                  | 128,556          | 159,948             |
| Kia Motors Corporation                       | 9,001,505             | -                        | 596,660                                  | (123,586)          | 180,438          | 9,655,017           |
| Hyundai Engineering & Construction Co., Ltd. | 2,801,084             | -                        | 66,070                                   | (11,664)           | 3,679            | 2,859,169           |
| Hyundai Transys Inc. (*2)                    | 992,259               | 334                      | 37,459                                   | -                  | (3,489)          | 1,026,563           |
| Hyundai WIA Corporation                      | 674,651               | -                        | 9,646                                    | (4,136)            | 2,365            | 682,526             |
| Hyundai Motor Securities Co., Ltd.           | 265,711               | -                        | 20,043                                   | (3,630)            | 1,322            | 283,446             |
| Hyundai Commercial Inc.                      | 218,983               | -                        | 33,381                                   | -                  | 3,436            | 255,800             |
| Eukor Car Carriers Inc.                      | 159,699               | -                        | 7,232                                    | -                  | 6,281            | 173,212             |
| Hyundai Autoever Corp.                       | 129,173               | -                        | 15,928                                   | (4,126)            | 4,101            | 145,076             |
| Haevichi Hotels & Resorts Co., Ltd.          | 104,009               | -                        | (2,333)                                  | -                  | (98)             | 101,578             |
| Others(*4)                                   | 629,962               | 538,095                  | 12,988                                   | (12,412)           | (124,549)        | 1,044,084           |
|  | <u>₩ 17,143,239</u>   | <u>₩ 587,137</u>         | <u>₩ 570,735</u>                         | <u>₩ (169,692)</u> | <u>₩ 243,871</u> | <u>₩ 18,375,290</u> |

(\*1) Others consist of changes in accumulated other comprehensive income (loss) and others.

(\*2) Hyundai Dymos Inc. merged with Hyundai Powertech Co., Ltd. to become Hyundai Transys Co., Ltd. as of January 1, 2019.

(\*3) Others include ₩98,179 million which represents the estimated fair value of the remaining interest in the investment after the partial disposal during the year ended December 31, 2019.

(\*4) The changes in others include increase in capital of the Sichuan Hyundai Motor Company (CHMC), recognition of unrecognized cumulative loss and the impairment loss in the amount of ₩29,751 million for the year ended December 31, 2019.

The changes in investments in joint ventures and associates for the year ended December 31, 2018 are as follows.

| Name of the company                              | Beginning of the year | Acquisitions (disposals) | Share of                        | Dividends          | Others (*1)        | End of the year     |
|--|-----------------------|--------------------------|---------------------------------|--------------------|--------------------|---------------------|
|  |                       |                          | profits (losses) for the period |                    |                    |                     |
| (In millions of Korean Won)                      |                       |                          |                                 |                    |                    |                     |
| BHMC   | ₩ 1,456,579           | ₩ -                      | ₩ 37,495                        | ₩ -                | ₩ (9,280)          | ₩ 1,484,794         |
| BHAF   | 480,353               | -                        | 50,461                          | (6,211)            | 5,558              | 530,161             |
| WAE  | 167,805               | -                        | (15,994)                        | -                  | (563)              | 151,248             |
| PTS  | 120,256               | -                        | (19,270)                        | -                  | (232)              | 100,754             |
| Kia Motors Corporation                           | 8,882,325             | -                        | 365,561                         | (109,855)          | (136,526)          | 9,001,505           |
| Hyundai Engineering & Construction Co., Ltd.(*2) | 2,959,910             | -                        | 58,357                          | (11,664)           | (205,519)          | 2,801,084           |
| Hyundai WIA Corporation (*3)                     | 794,150               | -                        | (16,133)                        | (4,136)            | (99,230)           | 674,651             |
| Hyundai Powertech Co., Ltd.                      | 547,295               | -                        | 15,021                          | -                  | (628)              | 561,688             |
| Hyundai Dymos Inc.                               | 399,724               | -                        | 25,951                          | -                  | 4,896              | 430,571             |
| Hyundai Motor Securities Co., Ltd.               | 254,766               | -                        | 13,422                          | (3,226)            | 749                | 265,711             |
| Hyundai Commercial Inc.                          | 373,797               | -                        | 35,302                          | (10,000)           | (180,116)          | 218,983             |
| Eukor Car Carriers Inc.                          | 160,255               | -                        | 3,010                           | (8,976)            | 5,410              | 159,699             |
| Hyundai Autoever Corp.                           | 119,162               | -                        | 15,634                          | (4,126)            | (1,497)            | 129,173             |
| Haevichi Hotels & Resorts Co., Ltd.              | 106,531               | -                        | (2,435)                         | -                  | (87)               | 104,009             |
| Others   | 429,430               | 61,772                   | 33,140                          | (12,009)           | 16,875             | 529,208             |
|  | <u>₩ 17,252,338</u>   | <u>₩ 61,772</u>          | <u>₩ 599,522</u>                | <u>₩ (170,203)</u> | <u>₩ (600,190)</u> | <u>₩ 17,143,239</u> |

(\*1) Others consist of changes in accumulated other comprehensive income (loss) and others.

(\*2) The recoverable amount was less than the carrying amount and the impairment loss amounting to ₩ 103,459 million was recognized. The recoverable amount is determined based on the value of use, and the discount rate applied to measure the value of use is 8% per annum.

(\*3) The recoverable amount was less than the carrying amount and the impairment loss amounting to ₩ 90,031 million was recognized. The recoverable amount is determined based on the value of use, and the discount rate applied to measure the value of use is 7.95% per annum.

(3) Summarized financial information of the Group's major joint ventures and associates as of and for the year ended December 31, 2019 is as follows.

| Name of the company                          | Current assets              | Non-current assets | Current liabilities | Non-current liabilities |
|--|-----------------------------|--------------------|---------------------|-------------------------|
|  | (In millions of Korean Won) |                    |                     |                         |
| BHMC   | ₩ 4,422,983                 | ₩ 4,152,989        | ₩ 5,419,197         | ₩ 551,122               |
| BHAF (*)                                     | 5,726,446                   | -                  | 4,636,239           | -                       |
| WAE  | 622,033                     | 639,984            | 375,474             | 185,923                 |
| HCBE (*)                                     | 1,942,896                   | -                  | 1,662,886           | -                       |
| Kia Motors Corporation                       | 21,555,416                  | 33,789,382         | 17,276,646          | 9,090,014               |
| Hyundai Engineering & Construction Co., Ltd. | 13,324,399                  | 4,902,573          | 6,770,867           | 2,741,123               |
| Hyundai Transys Inc.                         | 3,001,430                   | 2,771,473          | 2,096,044           | 1,208,858               |
| Hyundai WIA Corporation                      | 3,569,098                   | 3,205,241          | 1,861,396           | 1,821,134               |
| Hyundai Motor Securities Co., Ltd (*)        | 7,030,730                   | -                  | 6,041,487           | -                       |
| Hyundai Commercial Inc. (*)                  | 8,987,344                   | -                  | 7,718,158           | -                       |
| Eukor Car Carriers Inc.                      | 251,544                     | 3,206,206          | 421,384             | 1,595,119               |
| Hyundai Autoever Corp.                       | 739,052                     | 287,644            | 398,794             | 112,892                 |
| Haevichi Hotels & Resorts Co., Ltd.          | 40,502                      | 420,673            | 220,157             | 63,063                  |

| Name of the company | Sales        | Profit (loss) for the period from continuing operations | Other comprehensive income (loss) | Total comprehensive income (loss) |
|---------------------|--------------|---|-----------------------------------|-----------------------------------|
|                     |              | (In millions of Korean Won)                             |                                   |                                   |
| BHMC                | ₩ 10,205,560 | ₩ (523,419)   | ₩ -                               | ₩ (523,419)                       |
| BHAF (*)            | 220,102      | 78,067  | -                                 | 78,067                            |

| Name of the company                          | Sales      | Profit (loss) for | Other         | Total         |
|--|------------|-------------------|---------------|---------------|
|  |            | the period from   | comprehensive | comprehensive |
|  |            | continuing        | income (loss) | income (loss) |
|  |            | operations        |               |               |
| (In millions of Korean Won)                  |            |                   |               |               |
| WAE  | 1,313,265  | 551               | 58,339        | 58,890        |
| HCBE (*)                                     | 75,416     | (11,175)          | 3,667         | (7,508)       |
| Kia Motors Corporation                       | 58,145,959 | 1,826,659         | 268,853       | 2,095,512     |
| Hyundai Engineering & Construction Co., Ltd. | 17,278,792 | 573,331           | (33,165)      | 540,166       |
| Hyundai Transys Inc.                         | 7,678,085  | 135,769           | 19,571        | 155,340       |
| Hyundai WIA Corporation                      | 7,314,626  | 55,207            | 15,608        | 70,815        |
| Hyundai Motor Securities Co., Ltd. (*)       | 716,183    | 71,844            | 4,808         | 76,652        |
| Hyundai Commercial Inc. (*)                  | 477,666    | 87,760            | 26,654        | 114,414       |
| Eukor Car Carriers Inc.                      | 1,747,310  | 64,695            | 47,725        | 112,420       |
| Hyundai Autoever Corp.                       | 1,571,818  | 56,873            | 5,196         | 62,069        |
| Haevichi Hotels & Resorts Co., Ltd.          | 126,935    | 2,025             | (185)         | 1,840         |

(\*) The companies operate financial business and their total assets (liabilities) are included in current assets (liabilities) as the companies do not distinguish current and non-current portion in their separate financial statements.

Summarized financial information of the Group's major joint ventures and associates as of and for the year ended December 31, 2018 is as follows.

| Name of the company                          | Current     |             | Non-current |             |
|--|-------------|-------------|-------------|-------------|
|  | assets      | assets      | liabilities | liabilities |
| (In millions of Korean Won)                  |             |             |             |             |
| BHMC   | ₩ 5,203,650 | ₩ 4,024,905 | ₩ 5,787,864 | ₩ 376,529   |
| BHAF (*)                                     | 5,143,183   | -           | 4,142,880   | -           |
| WAE  | 731,486     | 689,637     | 347,052     | 386,581     |
| PTS  | 621,193     | 358,711     | 368,791     | 275,267     |
| Kia Motors Corporation                       | 19,711,791  | 32,074,814  | 14,834,739  | 9,708,402   |
| Hyundai Engineering & Construction Co., Ltd. | 13,336,768  | 4,717,841   | 6,860,875   | 2,901,878   |
| Hyundai WIA Corporation                      | 3,890,796   | 3,216,651   | 1,862,772   | 2,207,744   |
| Hyundai Powertech Co., Ltd.                  | 1,238,501   | 1,666,490   | 905,338     | 500,382     |
| Hyundai Dymos Inc.                           | 1,484,098   | 1,095,745   | 1,058,852   | 616,655     |
| Hyundai Motor Securities Co., Ltd. (*)       | 6,686,423   | -           | 5,799,504   | -           |
| Hyundai Commercial Inc. (*)                  | 8,544,662   | -           | 7,362,296   | -           |
| Eukor Car Carriers Inc.                      | 341,809     | 2,574,091   | 462,933     | 1,124,327   |
| Hyundai Autoever Corp.                       | 689,504     | 139,568     | 367,985     | 9,498       |
| Haevichi Hotels & Resorts Co., Ltd.          | 28,328      | 425,126     | 213,245     | 64,093      |

| Name of the company                          | Sales        | Profit (loss) for the period from continuing operations |           | Other comprehensive income (loss) | Total comprehensive income (loss) |
|--|--------------|---|-----------|-----------------------------------|-----------------------------------|
|  |              |   |           |                                   |                                   |
|  |              | (In millions of Korean Won)                             |           |                                   |                                   |
| BHMC   | ₩ 11,043,756 | ₩ 12,315  | ₩ -       | ₩ -                               | ₩ 12,315                          |
| BHAF (*)                                     | 238,694      | 95,210  | -         | -                                 | 95,210                            |
| WAE  | 1,346,039    | (72,700)  | (48,319)  | -                                 | (121,019)                         |
| PTS  | 1,108,875    | (64,233)  | -         | -                                 | (64,233)                          |
| Kia Motors Corporation                       | 54,169,813   | 1,155,943   | (452,911) | -                                 | 703,032                           |
| Hyundai Engineering & Construction Co., Ltd. | 16,730,894   | 535,303   | (207,137) | -                                 | 328,166                           |
| Hyundai WIA Corporation                      | 7,880,481    | (55,561)  | (31,669)  | -                                 | (87,230)                          |
| Hyundai Powertech Co., Ltd.                  | 2,953,249    | 30,704  | (1,627)   | -                                 | 29,077                            |
| Hyundai Dymos Inc.                           | 4,266,845    | 52,914  | (7,436)   | -                                 | 45,478                            |
| Hyundai Motor Securities Co., Ltd. (*)       | 618,986      | 50,572  | 3,137     | -                                 | 53,709                            |
| Hyundai Commercial Inc. (*)                  | 466,766      | 68,648  | 8,497     | -                                 | 77,145                            |
| Eukor Car Carriers Inc.                      | 1,736,826    | 19,412  | 49,850    | -                                 | 69,262                            |
| Hyundai Autoever Corp.                       | 1,424,859    | 55,228  | (4,956)   | -                                 | 50,272                            |
| Haevichi Hotels & Resorts Co., Ltd.          | 117,067      | 1,711   | (357)     | -                                 | 1,354                             |

(\*) The companies operate financial business and their total assets (liabilities) are included in current assets (liabilities) as the companies do not distinguish current and non-current portion in their separate financial statements.

(4) Summarized additional financial information of the Group's major joint ventures as of and for the year ended December 31, 2019 is as follows.

| Name of the company | Cash and cash equivalents   | Current financial liabilities | Non-current financial liabilities | Depreciation and amortization | Interest income | Interest expenses | Income tax expense |
|---------------------|-----------------------------|-------------------------------|-----------------------------------|-------------------------------|-----------------|-------------------|--------------------|
|                     | (In millions of Korean Won) |                               |                                   |                               |                 |                   |                    |
| BHMC                | ₩ 722,736                   | ₩ 4,026,911                   | ₩ 135,907                         | ₩ 420,282                     | ₩ 25,683        | ₩ 125,423         | ₩ (25)             |
| BHAF(*)             | 849,360                     | 4,150,917                     | -                                 | 5,358                         | 413,321         | 188,151           | 25,974             |

(\*) Operating finance business of which total assets (liabilities) are included in current financial liabilities as BHAF does not distinguish current and non-current portion in its separate financial statements.

Summarized additional financial information of the Group's major joint ventures as of and for the year ended December 31, 2018 is as follows.

| Name of the company | Cash and cash equivalents   | Current financial liabilities | Non-current financial liabilities | Depreciation and amortization | Interest income | Interest expenses | Income tax expense |
|---------------------|-----------------------------|-------------------------------|-----------------------------------|-------------------------------|-----------------|-------------------|--------------------|
|                     | (In millions of Korean Won) |                               |                                   |                               |                 |                   |                    |
| BHMC                | ₩ 534,602                   | ₩ 1,009,469                   | ₩ 56,966                          | ₩ 423,303                     | ₩ 18,851        | ₩ 108,913         | ₩ (2,025)          |
| BHAF(*)             | 834,118                     | 3,674,564                     | -                                 | 4,948                         | 427,317         | 190,968           | 30,963             |

(\*) Operating finance business of which total assets (liabilities) are included in current financial liabilities as BHAF does not distinguish current and non-current portion in its separate financial statements.



(5) Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of December 31, 2019 is as follows.

| Name of the company                              | Group's share of net assets |          | Unrealised profit (loss) and others |             | Carrying amounts |
|--|-----------------------------|----------|-------------------------------------|-------------|------------------|
|  |                             | Goodwill |                                     |             |                  |
|  | (In millions of Korean Won) |          |                                     |             |                  |
| BHMC   | ₩ 1,302,827                 | ₩ -      | ₩ (45,902)                          | ₩ 1,256,925 |                  |
| BHAF   | 577,810                     | -        | -                                   | 577,810     |                  |
| WAE  | 154,136                     | -        | -                                   | 154,136     |                  |
| HCBE   | 137,205                     | 22,341   | 402                                 | 159,948     |                  |
| Kia Motors Corporation                           | 9,544,369                   | 197,089  | (86,441)                            | 9,655,017   |                  |
| Hyundai Engineering & Construction Co., Ltd. (*) | 2,127,795                   | 731,362  | 12                                  | 2,859,169   |                  |
| Hyundai Transys Inc.                             | 1,011,928                   | -        | 14,635                              | 1,026,563   |                  |
| Hyundai WIA Corporation                          | 776,412                     | -        | (93,886)                            | 682,526     |                  |
| Hyundai Motor Securities Co., Ltd.               | 243,394                     | 40,052   | -                                   | 283,446     |                  |
| Hyundai Commercial Inc.                          | 255,800                     | -        | -                                   | 255,800     |                  |
| Eukor Car Carriers Inc.                          | 172,950                     | -        | 262                                 | 173,212     |                  |
| Hyundai Autoever Corp.                           | 145,076                     | -        | -                                   | 145,076     |                  |
| Haevichi Hotels & Resorts Co., Ltd. (*)          | 98,002                      | 3,576    | -                                   | 101,578     |                  |

(\*) The difference between the carrying amount and the fair value of the investee's identifiable assets and liabilities as of the acquisition date is included in the amount of net assets.

Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of December 31, 2018 is as follows.

| Name of the company                              | Group's share of net assets |          | Unrealised profit (loss) and others |             | Carrying amounts |
|--|-----------------------------|----------|-------------------------------------|-------------|------------------|
|  |                             | Goodwill |                                     |             |                  |
|  | (In millions of Korean Won) |          |                                     |             |                  |
| BHMC   | ₩ 1,531,042                 | ₩ -      | ₩ (46,248)                          | ₩ 1,484,794 |                  |
| BHAF   | 530,161                     | -        | -                                   | 530,161     |                  |
| WAE  | 151,248                     | -        | -                                   | 151,248     |                  |
| PTS  | 100,754                     | -        | -                                   | 100,754     |                  |
| Kia Motors Corporation                           | 8,874,379                   | 197,089  | (69,963)                            | 9,001,505   |                  |
| Hyundai Engineering & Construction Co., Ltd. (*) | 2,069,714                   | 731,362  | 8                                   | 2,801,084   |                  |
| Hyundai WIA Corporation                          | 767,679                     | -        | (93,028)                            | 674,651     |                  |
| Hyundai Powertech Co., Ltd.                      | 562,551                     | -        | (863)                               | 561,688     |                  |
| Hyundai Dymos Inc.                               | 432,944                     | -        | (2,373)                             | 430,571     |                  |
| Hyundai Motor Securities Co., Ltd.               | 225,659                     | 40,052   | -                                   | 265,711     |                  |
| Hyundai Commercial Inc.                          | 218,983                     | -        | -                                   | 218,983     |                  |
| Eukor Car Carriers Inc.                          | 159,437                     | -        | 262                                 | 159,699     |                  |
| Hyundai Autoever Corp.                           | 129,173                     | -        | -                                   | 129,173     |                  |
| Haevichi Hotels & Resorts Co., Ltd. (*)          | 100,433                     | 3,576    | -                                   | 104,009     |                  |

(\*) The difference between the carrying amount and the fair value of the investee's identifiable assets and liabilities as of the acquisition date is included in the amount of net assets.

(6) The market price of listed equity securities as of December 31, 2019 is as follows.

| Name of the company                          | Price per share<br>(In millions of Korean Won, except ₩) | Total number of | Market value<br>(In millions of Korean Won, except ₩) |
|--|--|-----------------|---|
|  |  | shares          |   |
| Kia Motors Corporation                       | ₩ 44,300   | 137,318,251     | ₩ 6,083,199   |
| Hyundai Engineering & Construction Co., Ltd. | 42,300   | 23,327,400      | 986,749   |
| Hyundai WIA Corporation                      | 50,200   | 6,893,596       | 346,059   |
| Hyundai Motor Securities Co., Ltd            | 10,050   | 8,065,595       | 81,059  |
| Hyundai Autoever Corp.                       | 50,400   | 5,980,000       | 301,392   |

#### 14. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of December 31, 2019 and December 31, 2018 are as follows.

| Description                     | December 31, |             | December 31, |             |
|---------------------------------|--------------|-------------|--------------|-------------|
|                                 | 2019         |             | 2018         |             |
| (In millions of Korean Won)     |              |             |              |             |
| Loans                           | ₩            | 46,523,263  | ₩            | 40,075,564  |
| Card receivables                |              | 15,266,417  |              | 13,311,195  |
| Financial lease receivables     |              | 2,706,819   |              | 2,588,890   |
| Others                          |              | 36,217      |              | 43,775      |
|                                 |              | 64,532,716  |              | 56,019,424  |
| Loss allowance                  |              | (1,480,555) |              | (1,368,759) |
| Loan origination fee            |              | (771,405)   |              | (133,394)   |
| Present value discount accounts |              | (22,130)    |              | (15,607)    |
|                                 | ₩            | 62,258,626  | ₩            | 54,501,664  |

(2) Transfer of financial services receivables

As of December 31, 2019 and December 31, 2018, the Group has issued asset-backed securities with loan obligations for which card receivables are underlying assets and related asset-backed securities have the right of recourse. As of December 31, 2019, the carrying amount of financial assets that were transferred but not derecognized (including inter-company bonds) amounted to ₩17,957,555 million and its fair value is ₩17,899,262 million. The carrying amount of related liabilities is ₩11,477,650 million and its fair value is ₩11,538,647 million, thus, net position of fair value is ₩6,360,615 million. As of December 31, 2018, the carrying amount of financial assets that were transferred but not derecognized (including inter-company bonds) amounted to ₩17,252,202 million and its fair value is ₩17,146,156 million. The carrying amount of related liabilities is ₩11,064,518 million and its fair value is ₩10,871,371 million, thus net position of fair value is ₩6,274,785 million.

(3) The changes in loss allowance of financial services receivables for the year ended December 31, 2019 are as follows.

| Description                                  | Loan Obligations                |                                 |           |   | Total loan obligations |
|--|---------------------------------|---------------------------------|-----------|---|------------------------|
|  | 12-Month expected credit losses | Lifetime expected credit losses |           |   |                        |
|  |                                 | Not Impaired                    | Impaired  |   |                        |
| (In millions of Korean Won)                  |                                 |                                 |           |   |                        |
| Beginning of the year                        | ₩ 359,176                       | ₩ 225,981                       | ₩ 312,493 | ₩ | 897,650                |
| Transfer to 12-Month expected credit losses  | 47,731                          | (44,546)                        | (3,185)   |   | -                      |
| Transfer to lifetime expected credit losses  | (30,242)                        | 31,370                          | (1,128)   |   | -                      |
| Transfer to credit-impaired financial assets | (4,653)                         | (9,278)                         | 13,931    |   | -                      |
| Impairment loss (reversal)                   | 1,189                           | 308,183                         | 363,678   |   | 673,050                |
| Collection (write-off)                       | (61)                            | (247,843)                       | (69,213)  |   | (317,117)              |
| Disposals and others                         | (21,577)                        | 21,505                          | (297,160) |   | (297,232)              |
| Effect of foreign exchange differences       | 4,719                           | 4,092                           | 303       |   | 9,114                  |
| End of the year                              | ₩ 356,282                       | ₩ 289,464                       | ₩ 319,719 | ₩ | 965,465                |

| Description                                     | Card receivables                      |                                 |           |                           |          |
|---|---------------------------------------|---------------------------------|-----------|---------------------------|----------|
|   | 12-Month<br>expected<br>credit losses | Lifetime expected credit losses |           | Total card<br>receivables |          |
|   |                                       | Not Impaired                    | Impaired  |                           |          |
|   |                                       | (In millions of Korean Won)     |           |                           |          |
| Beginning of the year                           | ₩ 144,556                             | ₩ 142,490                       | ₩ 112,245 | ₩                         | 399,291  |
| Transfer to 12-Month<br>expected credit losses  | 43,790                                | (43,637)                        | (153)     |                           | -        |
| Transfer to lifetime expected<br>credit losses  | (12,540)                              | 12,747                          | (207)     |                           | -        |
| Transfer to credit-impaired<br>financial assets | (17,948)                              | (8,163)                         | 26,111    |                           | -        |
| Impairment loss (reversal)                      | 63,226                                | 70,453                          | 34,287    |                           | 167,966  |
| Collection (write-off)                          | -                                     | -                               | (29,053)  |                           | (29,053) |
| Disposals and others                            | (55,382)                              | (27,998)                        | (12,029)  |                           | (95,409) |
| End of the year                                 | ₩ 165,702                             | ₩ 145,892                       | ₩ 131,201 | ₩                         | 442,795  |

| Description                                     | Others                                |                                 |          |              |                     |
|---|---------------------------------------|---------------------------------|----------|--------------|---------------------|
|   | 12-Month<br>expected<br>credit losses | Lifetime expected credit losses |          | Total others | Total<br>Allowances |
|   |                                       | Not Impaired                    | Impaired |              |                     |
|   |                                       | (In millions of Korean Won)     |          |              |                     |
| Beginning of the year                           | ₩ 16,903                              | ₩ 8,764                         | ₩ 46,151 | ₩ 71,818     | ₩ 1,368,759         |
| Transfer to 12-Month<br>expected credit losses  | 6,651                                 | (3,136)                         | (3,515)  | -            | -                   |
| Transfer to lifetime expected<br>credit losses  | (1,701)                               | 2,315                           | (614)    | -            | -                   |
| Transfer to credit-impaired<br>financial assets | (290)                                 | (815)                           | 1,105    | -            | -                   |
| Impairment loss (reversal)                      | (5,984)                               | 1,918                           | 5,904    | 1,838        | 842,854             |
| Collection (write-off)                          | -                                     | -                               | (1,228)  | (1,228)      | (347,398)           |
| Disposals and others                            | (71)                                  | -                               | (62)     | (133)        | (392,774)           |
| Effect of foreign exchange<br>differences       | -                                     | -                               | -        | -            | 9,114               |
| End of the year                                 | ₩ 15,508                              | ₩ 9,046                         | ₩ 47,741 | ₩ 72,295     | ₩ 1,480,555         |

The changes in allowance for doubtful accounts of financial services receivables for the year ended December 31, 2018 are as follows.

| Description  | Loan Obligations                |                                 |           |   | Total loan obligations |
|--|---------------------------------|---------------------------------|-----------|---|------------------------|
|  | 12-Month expected credit losses | Lifetime expected credit losses |           |   |                        |
|  |                                 | Not Impaired                    | Impaired  |   |                        |
| (In millions of Korean Won)                        |                                 |                                 |           |   |                        |
| Beginning of the year                              | ₩                               | ₩                               | ₩         | ₩ | 765,008                |
| Impact on transition to K-IFRS 1109                | -                               | -                               | -         |   | 84,519                 |
| Balances after adjustments                         | 335,232                         | 267,893                         | 246,402   |   | 849,527                |
| Transfer to 12-Month expected credit losses        | 45,247                          | (43,458)                        | (1,789)   |   | -                      |
| Transfer to lifetime expected credit losses        | (23,692)                        | 26,100                          | (2,408)   |   | -                      |
| Transfer to credit-impaired financial assets       | (4,544)                         | (7,526)                         | 12,070    |   | -                      |
| Impairment loss (reversal)                         | 21,247                          | 329,125                         | 255,393   |   | 605,765                |
| Collection (write-off)                             | 19,231                          | (303,200)                       | (79,605)  |   | (363,574)              |
| Transfer to the assets classified as held for sale | (3,143)                         | -                               | -         |   | (3,143)                |
| Disposals and others                               | (35,867)                        | (49,095)                        | (117,688) |   | (202,650)              |
| Effect of foreign exchange differences             | 5,465                           | 6,142                           | 118       |   | 11,725                 |
| End of the year                                    | ₩ 359,176                       | ₩ 225,981                       | ₩ 312,493 | ₩ | 897,650                |

| Description                                  | Card receivables                |                                 |           |   | Total card receivables |
|--|---------------------------------|---------------------------------|-----------|---|------------------------|
|  | 12-Month expected credit losses | Lifetime expected credit losses |           |   |                        |
|  |                                 | Not Impaired                    | Impaired  |   |                        |
| (In millions of Korean Won)                  |                                 |                                 |           |   |                        |
| Beginning of the year                        | ₩                               | ₩                               | ₩         | ₩ | 297,155                |
| Impact on transition to K-IFRS 1109          | -                               | -                               | -         |   | 81,069                 |
| Balances after adjustments                   | 138,377                         | 156,080                         | 83,767    |   | 378,224                |
| Transfer to 12-Month expected credit losses  | 46,624                          | (46,467)                        | (157)     |   | -                      |
| Transfer to lifetime expected credit losses  | (13,622)                        | 13,776                          | (154)     |   | -                      |
| Transfer to credit-impaired financial assets | (436)                           | (803)                           | 1,239     |   | -                      |
| Impairment loss (reversal)                   | 34,650                          | 44,855                          | 36,795    |   | 116,300                |
| Collection (write-off)                       | (8,440)                         | (3,933)                         | (2,019)   |   | (14,392)               |
| Disposals and others                         | (52,597)                        | (21,018)                        | (7,226)   |   | (80,841)               |
| End of the year                              | ₩ 144,556                       | ₩ 142,490                       | ₩ 112,245 | ₩ | 399,291                |

| Description  | Others                          |                                 |          |              |        | Total Allowances |
|--|---------------------------------|---------------------------------|----------|--------------|--------|------------------|
|  | 12-Month expected credit losses | Lifetime expected credit losses |          | Total others |        |                  |
|  |                                 | Not Impaired                    | Impaired |              |        |                  |
| (In millions of Korean Won)                        |                                 |                                 |          |              |        |                  |
| Beginning of the year                              | ₩                               | ₩                               | ₩        | ₩            | 71,804 | ₩ 1,133,967      |
| Impact on transition to K-IFRS 1109                |                                 |                                 |          |              | 3,285  | 168,873          |
| Balances after adjustments                         | 22,188                          | 8,625                           | 44,276   | 75,089       |        | 1,302,840        |
| Transfer to 12-Month expected credit losses        | 7,571                           | (3,349)                         | (4,222)  | -            |        | -                |
| Transfer to lifetime expected credit losses        | (2,059)                         | 2,332                           | (273)    | -            |        | -                |
| Transfer to credit-impaired financial assets       | (227)                           | (819)                           | 1,046    | -            |        | -                |
| Impairment loss (reversal)                         | (9,716)                         | 2,294                           | 5,517    | (1,905)      |        | 720,160          |
| Collection (write-off)                             | (60)                            | (319)                           | (182)    | (561)        |        | (378,527)        |
| Transfer to the assets classified as held for sale | (757)                           | -                               | -        | (757)        |        | (3,900)          |
| Disposals and others                               | (37)                            | -                               | (11)     | (48)         |        | (283,539)        |
| Effect of foreign exchange differences             | -                               | -                               | -        | -            |        | 11,725           |
| End of the year                                    | ₩ 16,903                        | ₩ 8,764                         | ₩ 46,151 | ₩ 71,818     |        | ₩ 1,368,759      |

(4) Gross investments in financial leases and their present value of minimum lease payment receipts as of December 31, 2019 and December 31, 2018 are as follows.

| Description                                       | December 31, 2019                     |   | December 31, 2018                     |   |
|---|---------------------------------------|---|---------------------------------------|---|
|   | Gross investments in financial leases | Present value of minimum lease payment receivable | Gross investments in financial leases | Present value of minimum lease payment receivable |
|   | (In millions of Korean Won)           |   |                                       |   |
| Not later than one year                           | ₩ 1,145,339                           | ₩ 1,014,549                                       | ₩ 1,182,648                           | ₩ 1,055,082                                       |
| Later than one year and not later than five years | 1,808,521                             | 1,682,796   | 1,648,493                             | 1,528,204   |
| Later than five years                             | 5,225                                 | 5,030   | 3,045                                 | 2,986   |
|   | ₩ 2,959,085                           | ₩ 2,702,375                                       | ₩ 2,834,186                           | ₩ 2,586,272                                       |

(5) Unearned interest income of financial leases as of December 31, 2019 and December 31, 2018 are as follows.

| Description                                       | December 31, 2019           |           | December 31, 2018 |           |
|---|-----------------------------|-----------|-------------------|-----------|
|   | (In millions of Korean Won) |           |                   |           |
| Gross investments in financial lease              | ₩                           | 2,959,085 | ₩                 | 2,834,186 |
| Net lease investments:                            |                             |           |                   |           |
| Present value of minimum lease payment receivable |                             | 2,702,375 |                   | 2,586,272 |
| Present value of unguaranteed residual value      |                             | 4,444     |                   | 2,618     |
|   |                             | 2,706,819 |                   | 2,588,890 |
| Unearned interest income                          | ₩                           | 252,266   | ₩                 | 245,296   |

## 15. INVESTMENTS IN OPERATING LEASES (AS A LESSOR):

(1) Investments in operating leases as of December 31, 2019 and December 31, 2018 are as follows.

| Description                 | December 31, 2019           | December 31, 2018 |
|-----------------------------|-----------------------------|-------------------|
|                             | (In millions of Korean Won) |                   |
| Acquisition cost            | ₩ 25,143,563                | ₩ 24,686,189      |
| Accumulated depreciation    | (3,945,005)                 | (4,126,513)       |
| Accumulated impairment loss | (130,218)                   | (133,910)         |
|                             | ₩ 21,068,340                | ₩ 20,425,766      |

(2) Future minimum lease payment receivable related to investments in operating leases as of December 31, 2019 and December 31, 2018 is as follows.

| Description                                       | December 31, 2019           | December 31, 2018 |
|---|-----------------------------|-------------------|
|   | (In millions of Korean Won) |                   |
| Not later than one year                           | ₩ 3,856,057                 | ₩ 3,801,164       |
| Later than one year and not later than five years | 4,027,982                   | 3,574,970         |
| Later than five years                             | 3                           | 8                 |
|   | ₩ 7,884,042                 | ₩ 7,376,142       |

## 16. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of December 31, 2019 and December 31, 2018 are as follows.

| Description                                    | Lender                   | Annual interest rate (%) | December 31, 2019           | December 31, 2018 |
|--|--------------------------|--------------------------|-----------------------------|-------------------|
|  |                          |                          | (In millions of Korean Won) |                   |
| Overdrafts                                     | Citi Bank and others     | 0.10~3.30                | ₩ 256,616                   | ₩ 271,814         |
| General borrowings                             | Woori Bank and others    | 0.40~5.60                | 3,736,689                   | 4,687,667         |
| Borrowings collateralized by trade receivables | KEB Hana Bank and others | 0.00001~2.48             | 2,898,539                   | 2,169,253         |
| Banker's Usance                                | KEB Hana Bank and others | 0.13~3.59                | 504,769                     | 210,398           |
| Commercial paper                               | Shinhan Bank and others  | 1.80~2.65                | 4,429,668                   | 4,332,409         |
| Asset-backed securities                        | RBC and others           | 1.93~1.94                | 744,412                     | 578,309           |
|  |                          |                          | ₩ 12,570,693                | ₩ 12,249,850      |

(2) Long-term debt as of December 31, 2019 and December 31, 2018 is as follows.

| Description                   | Lender                                 | Annual interest rate (%) | December 31, 2019   | December 31, 2018  |
|-------------------------------|--|--------------------------|---------------------|--------------------|
| (In millions of Korean Won)   |  |                          |                     |                    |
| General borrowings            | Mizuho Bank and others                 | 0.34~14.20               | ₩ 7,088,777         | ₩ 5,814,705        |
| Credit facilities             | NH Bank and others                     | 1.20~5.01                | 160,463             | 215,052            |
| Commercial paper              | KTB Investment & Securities and others | 1.62~2.55                | 2,380,000           | 2,620,000          |
| Asset-backed securities       | HSBC and others                        | 2.20~2.67                | 5,885,638           | 4,337,962          |
| Others(*)                     | NH Investment & Securities and others  |                          | 435,607             | 435,607            |
|                               |  |                          | <u>15,950,485</u>   | <u>13,423,326</u>  |
| Less: present value discounts |  |                          | (106,883)           | (112,977)          |
| Less: current maturities      |  |                          | (4,626,514)         | (3,325,099)        |
|                               |  |                          | <u>₩ 11,217,088</u> | <u>₩ 9,985,250</u> |

(\*) The Group transferred a portion of its voting shares to a third party with the total revenue swap agreement. However, the Group still recognizes it as the financial asset because the group still own to the majority of the risks and rewards of ownership of the transferred shares. Also the Group recognized the amount received from disposal as borrowing.

(3) Debentures as of December 31, 2019 and December 31, 2018 are as follows.

| Description                       | Latest maturity date | Annual interest rate (%) | December 31, 2019   | December 31, 2018   |
|-----------------------------------|----------------------|--------------------------|---------------------|---------------------|
| (In millions of Korean Won)       |                      |                          |                     |                     |
| Non-guaranteed public debentures  | October 30, 2029     | 1.44~4.04                | ₩ 23,691,000        | ₩ 25,853,095        |
| Non-guaranteed private debentures | August 29, 2027      | 1.83~4.30                | 17,872,007          | 10,901,475          |
| Asset-backed securities           | June 15, 2026        | 1.29~3.31                | 11,486,855          | 11,070,462          |
|                                   |                      |                          | <u>53,049,862</u>   | <u>47,825,032</u>   |
| Less: discount on debentures      |                      |                          | (92,004)            | (89,090)            |
| Less: current maturities          |                      |                          | (11,152,044)        | (10,779,828)        |
|                                   |                      |                          | <u>₩ 41,805,814</u> | <u>₩ 36,956,114</u> |

## 17. PROVISIONS:

(1) Provisions as of December 31, 2019 and December 31, 2018 are as follows.

| Description                       | December 31, 2019  | December 31, 2018  |
|-----------------------------------|--------------------|--------------------|
| (In millions of Korean Won)       |                    |                    |
| Warranty                          | ₩ 5,447,307        | ₩ 5,177,128        |
| Other long-term employee benefits | 726,356            | 703,526            |
| Others                            | 971,266            | 919,250            |
|                                   | <u>₩ 7,144,929</u> | <u>₩ 6,799,904</u> |

(2) The changes in provisions for the year ended December 31, 2019 are as follows.

| Description                            | Warranty                    |             | Other long-term employee benefits |          | Others |           |
|--|-----------------------------|-------------|-----------------------------------|----------|--------|-----------|
|  | (In millions of Korean Won) |             |                                   |          |        |           |
| Beginning of the year                  | ₩                           | 5,177,128   | ₩                                 | 703,526  | ₩      | 919,250   |
| Charged                                |                             | 2,477,648   |                                   | 90,939   |        | 711,615   |
| Utilized                               |                             | (2,261,010) |                                   | (68,092) |        | (704,813) |
| Effect of foreign exchange differences |                             | 53,541      |                                   | (17)     |        | 45,214    |
| End of the year                        | ₩                           | 5,447,307   | ₩                                 | 726,356  | ₩      | 971,266   |

The changes in provisions for the year ended December 31, 2018 are as follows.

| Description                            | Warranty                    |             | Other long-term employee benefits |          | Others |           |
|--|-----------------------------|-------------|-----------------------------------|----------|--------|-----------|
|  | (In millions of Korean Won) |             |                                   |          |        |           |
| Beginning of the year                  | ₩                           | 5,226,297   | ₩                                 | 636,380  | ₩      | 791,764   |
| Changes in accounting standards (*)    |                             | -           |                                   | -        |        | 128,266   |
| Charged                                |                             | 1,703,173   |                                   | 129,038  |        | 535,054   |
| Utilized                               |                             | (1,765,815) |                                   | (61,827) |        | (539,716) |
| Effect of foreign exchange differences |                             | 13,473      |                                   | (65)     |        | 3,882     |
| End of the year                        | ₩                           | 5,177,128   | ₩                                 | 703,526  | ₩      | 919,250   |

(\*) The effect by reclassification of provision for construction loss from due to customers related to construction contract as a result of the adoption of K-IFRS 1115.

## 18. OTHER FINANCIAL LIABILITIES:

(1) Other financial liabilities as of December 31, 2019 are as follows.

| Description   | December 31, 2019           |       |             |         |
|---|-----------------------------|-------|-------------|---------|
|   | Current                     |       | Non-current |         |
|   | (In millions of Korean Won) |       |             |         |
| Financial liabilities measured at FVPL                        | ₩                           | 4,532 | ₩           | 31,625  |
| Derivative liabilities that are effective hedging instruments |                             | 5,438 |             | 143,571 |
|   | ₩                           | 9,970 | ₩           | 175,196 |

(2) Other financial liabilities as of December 31, 2018 are as follows.

| Description   | December 31, 2018           |        |             |         |
|---|-----------------------------|--------|-------------|---------|
|   | Current                     |        | Non-current |         |
|   | (In millions of Korean Won) |        |             |         |
| Financial liabilities measured at FVPL                        | ₩                           | 151    | ₩           | 9,060   |
| Derivative liabilities that are effective hedging instruments |                             | 44,137 |             | 288,446 |
|   | ₩                           | 44,288 | ₩           | 297,506 |



## 19. OTHER LIABILITIES:

Other liabilities as of December 31, 2019 and December 31, 2018 are as follows.

| Description                        | December 31, 2019           |                    | December 31, 2018  |                    |
|------------------------------------|-----------------------------|--------------------|--------------------|--------------------|
|                                    | Current                     | Non-current        | Current            | Non-current        |
|                                    | (In millions of Korean Won) |                    |                    |                    |
| Advances received                  | ₩ 1,482,982                 | ₩ 22,559           | ₩ 796,552          | ₩ 21,701           |
| Withholdings                       | 1,020,551                   | 197,722            | 1,005,768          | 233,297            |
| Accrued expenses                   | 2,850,091                   | -                  | 2,669,315          | -                  |
| Unearned income                    | 608,090                     | 1,455,882          | 393,405            | 1,280,571          |
| Due to customers for contract work | 775,972                     | -                  | 546,256            | -                  |
| Others                             | 523,143                     | 876,656            | 384,897            | 1,264,941          |
|                                    | <u>₩ 7,260,829</u>          | <u>₩ 2,552,819</u> | <u>₩ 5,796,193</u> | <u>₩ 2,800,510</u> |

## 20. FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of December 31, 2019 are as follows.

| Description                                    | Financial assets measured at FVPL | Financial assets measured at amortised cost | Financial assets measured at FVOCI | Derivative assets that are effective hedging instruments | Book value          | Fair value          |
|--|-----------------------------------|---|------------------------------------|--|---------------------|---------------------|
|  | (In millions of Korean Won)       |   |                                    |  |                     |                     |
| Cash and cash equivalents                      | ₩ -                               | ₩ 8,681,971                                 | ₩ -                                | ₩ -  | ₩ 8,681,971         | ₩ 8,681,971         |
| Short-term and long-term financial instruments | -                                 | 8,095,888                                   | -                                  | -  | 8,095,888           | 8,095,888           |
| Trade notes and accounts receivable            | -                                 | 3,640,520                                   | -                                  | -  | 3,640,520           | 3,640,520           |
| Other receivables                              | -                                 | 2,567,688                                   | -                                  | -  | 2,567,688           | 2,567,688           |
| Other financial assets                         | 9,937,423                         | 109,546                                     | 2,278,634                          | 183,836  | 12,509,439          | 12,509,439          |
| Other assets                                   | 18,406                            | 312,760                                     | -                                  | -  | 331,166             | 331,166             |
| Financial services receivables                 | -                                 | 62,258,626                                  | -                                  | -  | 62,258,626          | 62,014,023          |
|  | <u>₩ 9,955,829</u>                | <u>₩ 85,666,999</u>                         | <u>₩ 2,278,634</u>                 | <u>₩ 183,836</u>   | <u>₩ 98,085,298</u> | <u>₩ 97,840,695</u> |

Financial assets by categories as of December 31, 2018 are as follows.

| Description                                    | Financial assets measured at FVPL | Financial assets measured at amortised cost | Financial assets measured at FVOCI | Derivative assets that are effective hedging instruments | Book value          | Fair value          |
|--|-----------------------------------|---|------------------------------------|--|---------------------|---------------------|
|  | (In millions of Korean Won)       |   |                                    |  |                     |                     |
| Cash and cash equivalents                      | ₩ -                               | ₩ 9,113,625                                 | ₩ -                                | ₩ -  | ₩ 9,113,625         | ₩ 9,113,625         |
| Short-term and long-term financial instruments | -                                 | 8,048,713                                   | -                                  | -  | 8,048,713           | 8,048,713           |
| Trade notes and accounts receivable            | -                                 | 3,732,770                                   | -                                  | -  | 3,732,770           | 3,732,770           |
| Other receivables                              | -                                 | 2,925,850                                   | -                                  | -  | 2,925,850           | 2,925,850           |
| Other financial assets                         | 9,931,151                         | 104,963                                     | 1,910,721                          | 32,248   | 11,979,083          | 11,979,083          |
| Other assets                                   | -                                 | 319,599                                     | -                                  | -  | 319,599             | 319,599             |
| Financial services receivables                 | -                                 | 54,501,664                                  | -                                  | -  | 54,501,664          | 54,800,473          |
|  | <u>₩ 9,931,151</u>                | <u>₩ 78,747,184</u>                         | <u>₩ 1,910,721</u>                 | <u>₩ 32,248</u>  | <u>₩ 90,621,304</u> | <u>₩ 90,920,113</u> |

(2) Financial liabilities by categories as of December 31, 2019 are as follows.

| Description                      | Financial liabilities measured at FVPL |        | Financial liabilities measured at amortised cost |            | Derivative liabilities that are effective hedging instruments |         | Book value   | Fair value   |
|----------------------------------|--|--------|--|------------|---|---------|--------------|--------------|
|                                  |  |        |  |            |   |         |              |              |
|                                  | (In millions of Korean Won)            |        |  |            |   |         |              |              |
| Trade notes and accounts payable | ₩                                      | -      | ₩  | 7,669,424  | ₩   | -       | ₩ 7,669,424  | ₩ 7,669,424  |
| Other payables                   |  | -      |  | 5,300,043  |   | -       | 5,300,043    | 5,300,043    |
| Borrowings and debentures        |  | -      |  | 81,372,153 |   | -       | 81,372,153   | 81,912,936   |
| Other financial liabilities      |  | 36,157 |  | -          |   | 149,009 | 185,166      | 185,166      |
| Lease liabilities                |  | -      |  | 767,984    |   | -       | 767,984      | 767,984      |
| Other liabilities                |  | -      |  | 2,432,607  |   | -       | 2,432,607    | 2,432,607    |
|                                  | ₩                                      | 36,157 | ₩  | 97,542,211 | ₩   | 149,009 | ₩ 97,727,377 | ₩ 98,268,160 |

Financial liabilities by categories as of December 31, 2018 are as follows.

| Description                      | Financial liabilities measured at FVPL |       | Financial liabilities measured at amortised cost |            | Derivative liabilities that are effective hedging instruments |         | Book value   | Fair value   |
|----------------------------------|--|-------|--|------------|---|---------|--------------|--------------|
|                                  |  |       |  |            |   |         |              |              |
|                                  | (In millions of Korean Won)            |       |  |            |   |         |              |              |
| Trade notes and accounts payable | ₩                                      | -     | ₩  | 7,655,630  | ₩   | -       | ₩ 7,655,630  | ₩ 7,655,630  |
| Other payables                   |  | -     |  | 5,445,779  |   | -       | 5,445,779    | 5,445,779    |
| Borrowings and debentures        |  | -     |  | 73,296,141 |   | -       | 73,296,141   | 73,296,748   |
| Other financial liabilities      |  | 9,211 |  | -          |   | 332,583 | 341,794      | 341,794      |
| Other liabilities                |  | -     |  | 2,723,827  |   | -       | 2,723,827    | 2,723,827    |
|                                  | ₩                                      | 9,211 | ₩  | 89,121,377 | ₩   | 332,583 | ₩ 89,463,171 | ₩ 89,463,778 |

(3) Fair value estimation

The Group categorizes the assets and liabilities measured at fair value into the following three-level fair value hierarchy in accordance with the inputs used for fair value measurement.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Fair value measurements of financial instruments by fair value hierarchy levels as of December 31, 2019 are as follows.

| Description   | December 31, 2019           |                    |                    | Total               |
|---|-----------------------------|--------------------|--------------------|---------------------|
|   | Level 1                     | Level 2            | Level 3            |                     |
|   | (In millions of Korean Won) |                    |                    |                     |
| Financial assets:   |                             |                    |                    |                     |
| Financial assets measured at FVPL                             | ₩ 94,656                    | ₩ 9,288,555        | ₩ 572,618          | ₩ 9,955,829         |
| Derivative assets that are effective hedging instruments      | -                           | 183,836            | -                  | 183,836             |
| Financial assets measured at FVOCI                            | 1,180,739                   | 349,804            | 748,091            | 2,278,634           |
|   | <u>₩ 1,275,395</u>          | <u>₩ 9,822,195</u> | <u>₩ 1,320,709</u> | <u>₩ 12,418,299</u> |
| Financial liabilities:  |                             |                    |                    |                     |
| Financial liabilities measured at FVPL                        | ₩ -                         | ₩ 36,157           | ₩ -                | ₩ 36,157            |
| Derivative liabilities that are effective hedging instruments | -                           | 149,009            | -                  | 149,009             |
|   | <u>₩ -</u>                  | <u>₩ 185,166</u>   | <u>₩ -</u>         | <u>₩ 185,166</u>    |

Fair value measurements of financial instruments by fair value hierarchy levels as of December 31, 2018 are as follows.

| Description   | December 31, 2018           |                    |                  | Total               |
|---|-----------------------------|--------------------|------------------|---------------------|
|   | Level 1                     | Level 2            | Level 3          |                     |
|   | (In millions of Korean Won) |                    |                  |                     |
| Financial assets:   |                             |                    |                  |                     |
| Financial assets measured at FVPL                             | ₩ 90,292                    | ₩ 9,612,287        | ₩ 228,572        | ₩ 9,931,151         |
| Derivative assets that are effective hedging instruments      | -                           | 32,248             | -                | 32,248              |
| Financial assets measured at FVOCI                            | 1,306,912                   | 226,823            | 376,986          | 1,910,721           |
|   | <u>₩ 1,397,204</u>          | <u>₩ 9,871,358</u> | <u>₩ 605,558</u> | <u>₩ 11,874,120</u> |
| Financial liabilities:  |                             |                    |                  |                     |
| Financial liabilities measured at FVPL                        | ₩ -                         | ₩ 9,211            | ₩ -              | ₩ 9,211             |
| Derivative liabilities that are effective hedging instruments | -                           | 332,583            | -                | 332,583             |
|   | <u>₩ -</u>                  | <u>₩ 341,794</u>   | <u>₩ -</u>       | <u>₩ 341,794</u>    |

The changes in financial instruments classified as Level 3 for the year ended December 31, 2019 are as follows.

| Description                        | Beginning of the period | Purchases | Disposals  | Valuation | Transfers | Others   | End of the period |
|------------------------------------|-------------------------|-----------|------------|-----------|-----------|----------|-------------------|
| (In millions of Korean Won)        |                         |           |            |           |           |          |                   |
| Financial assets measured at FVPL  | ₩ 228,572               | ₩ 206,352 | ₩ (10,775) | ₩ 73,227  | ₩ -       | ₩ 75,242 | ₩ 572,618         |
| Financial assets measured at FVOCI | 376,986                 | 371,350   | (506)      | 75,119    | -         | (74,858) | 748,091           |

The changes in financial instruments classified as Level 3 for the year ended December 31, 2018 are as follows.

| Description                        | Beginning of the period(*) | Purchases | Disposals  | Valuation | Transfers | Transfer to the assets classified as held for sale | End of the period |
|------------------------------------|----------------------------|-----------|------------|-----------|-----------|--|-------------------|
| (In millions of Korean Won)        |                            |           |            |           |           |  |                   |
| Financial assets measured at FVPL  | ₩ 210,162                  | ₩ 11,884  | ₩ (13,009) | ₩ 19,535  | ₩ -       | ₩ -  | ₩ 228,572         |
| Financial assets measured at FVOCI | 273,883                    | 77,044    | (8,880)    | 35,008    | -         | (69)   | 376,986           |

(\*) The beginning amount consists of AFS financial assets and financial assets measured at FVPL, due to changes in accounting standards.

(4) Financial assets and liabilities subject to offsetting, and financial instruments subject to an enforceable master netting arrangement or similar agreement as of December 31, 2019 are as follows.

| Description   | Gross amounts of recognized financial assets and liabilities | Gross amounts of recognized financial assets and liabilities set off in the consolidated statement of financial position | Net amounts of financial assets and liabilities presented in the consolidated statement of financial position | Related amounts not set off in the consolidated statement of financial position - financial instruments | Related amounts not set off in the statement of financial position - collateral received (pledged) | Net amounts         |
|---|--|--|---|---|--|---------------------|
| (In millions of Korean Won)                                       |  |  |   |   |  |                     |
| Financial assets:   |  |  |   |   |  |                     |
| Trade notes and accounts receivable                               | ₩ 3,821,865  | ₩ 181,345  | ₩ 3,640,520   | ₩ -   | ₩ -  | ₩ 3,640,520         |
| Other receivables   | 2,631,465  | 63,777   | 2,567,688   | -   | -  | 2,567,688           |
| Financial assets measured at FVTPL                                | 258,505  | -  | 258,505   | -   | -  | 258,505             |
| Derivative assets that are effective hedging instruments (*)      | 183,836  | -  | 183,836   | 71,764  | -  | 112,072             |
|   | <u>₩ 6,895,671</u>   | <u>₩ 245,122</u>   | <u>₩ 6,650,549</u>  | <u>₩ 71,764</u>   | <u>₩ -</u>   | <u>₩ 6,578,785</u>  |
| Financial liabilities:  |  |  |   |   |  |                     |
| Trade notes and accounts payable                                  | ₩ 7,738,185  | ₩ 68,761   | ₩ 7,669,424   | ₩ -   | ₩ -  | ₩ 7,669,424         |
| Other payables  | 5,476,404  | 176,361  | 5,300,043   | -   | -  | 5,300,043           |
| Financial liabilities measured at FVTPL                           | 36,157   | -  | 36,157  | -   | -  | 36,157              |
| Derivative liabilities that are effective hedging instruments (*) | 149,009  | -  | 149,009   | 71,764  | -  | 77,245              |
|   | <u>₩ 13,399,755</u>  | <u>₩ 245,122</u>   | <u>₩ 13,154,633</u>   | <u>₩ 71,764</u>   | <u>₩ -</u>   | <u>₩ 13,082,869</u> |

(\*) These are derivative assets and liabilities that the Group may have the right to offset in the event of default, insolvency or bankruptcy of the counterparty although these do not meet the criteria of offsetting under K-IFRS 1032.

Financial assets and liabilities, subject to offsetting, and financial instruments subject to an enforceable master netting arrangement or similar agreement as of December 31, 2018 are as follows.

| Description   | Gross amounts of recognized financial assets and liabilities | Gross amounts of recognized financial assets and liabilities set off in the consolidated statement of financial position | Net amounts of financial assets and liabilities presented in the consolidated statement of financial position | Related amounts not set off in the consolidated statement of financial position - financial instruments | Related amounts not set off in the statement of financial position - collateral received (pledged) | Net amounts         |
|---|--|--|---|---|--|---------------------|
|   |  |  |   |   |  |                     |
| Financial assets:   |  |  |   |   |  |                     |
| Trade notes and accounts receivable                               | ₩ 3,892,885  | ₩ 160,115  | ₩ 3,732,770   | ₩ -   | ₩ -  | ₩ 3,732,770         |
| Other receivables   | 3,118,981  | 193,131  | 2,925,850   | -   | -  | 2,925,850           |
| Financial assets measured at FVTPL                                | 204,576  | -  | 204,576   | -   | -  | 204,576             |
| Derivative assets that are effective hedging instruments (*)      | 32,248   | -  | 32,248  | 22,431  | -  | 9,817               |
|   | <u>₩ 7,248,690</u>   | <u>₩ 353,246</u>   | <u>₩ 6,895,444</u>  | <u>₩ 22,431</u>   | <u>₩ -</u>   | <u>₩ 6,873,013</u>  |
| Financial liabilities:  |  |  |   |   |  |                     |
| Trade notes and accounts payable                                  | ₩ 7,862,431  | ₩ 206,801  | ₩ 7,655,630   | ₩ -   | ₩ -  | ₩ 7,655,630         |
| Other payables  | 5,592,224  | 146,445  | 5,445,779   | -   | -  | 5,445,779           |
| Financial liabilities measured at FVTPL                           | 9,211  | -  | 9,211   | -   | -  | 9,211               |
| Derivative liabilities that are effective hedging instruments (*) | 332,583  | -  | 332,583   | 22,431  | -  | 310,152             |
|   | <u>₩ 13,796,449</u>  | <u>₩ 353,246</u>   | <u>₩ 13,443,203</u>   | <u>₩ 22,431</u>   | <u>₩ -</u>   | <u>₩ 13,420,772</u> |

(\*) These are derivative assets and liabilities that the Group may have the right to offset in the event of default, insolvency or bankruptcy of the counterparty although these do not meet the criteria of offsetting under K-IFRS 1032.

(5) Interest income, dividend income and interest expenses by categories of financial instruments for the year ended December 31, 2019 are as follows.

| Description                                      | 2019               |                 |                    |
|--|--------------------|-----------------|--------------------|
|  | Interest income    | Dividend income | Interest expenses  |
| (In millions of Korean Won)                      |                    |                 |                    |
| Non-financial services:                          |                    |                 |                    |
| Financial assets measured at amortised cost      | ₩ 394,137          | ₩ -             | ₩ -                |
| Financial assets measured at FVPL                | 118,459            | -               | -                  |
| Financial assets measured at FVOCI               | -                  | 32,504          | -                  |
| Financial liabilities measured at amortised cost | -                  | -               | 291,041            |
|  | <u>₩ 512,596</u>   | <u>₩ 32,504</u> | <u>₩ 291,041</u>   |
| Financial services:                              |                    |                 |                    |
| Financial assets measured at amortised cost      | ₩ 3,786,608        | ₩ -             | ₩ -                |
| Financial assets measured at FVPL                | 7,893              | 2,458           | -                  |
| Financial assets measured at FVOCI               | 828                | -               | -                  |
| Financial liabilities measured at amortised cost | -                  | -               | 1,795,905          |
|  | <u>₩ 3,795,329</u> | <u>₩ 2,458</u>  | <u>₩ 1,795,905</u> |

Interest income, dividend income and interest expenses by categories of financial instruments for the year ended December 31, 2018 are as follows.

| Description                                      | 2018                        |                 |                    |
|--|-----------------------------|-----------------|--------------------|
|  | Interest income             | Dividend income | Interest expenses  |
|  | (In millions of Korean Won) |                 |                    |
| Non-financial services:                          |                             |                 |                    |
| Financial assets measured at amortised cost      | ₩ 339,182                   | ₩ -             | ₩ -                |
| Financial assets(liabilities) measured at FVPL   | 175,921                     | -               | 18,497             |
| Financial assets measured at FVOCI               | -                           | 29,065          | -                  |
| Financial liabilities measured at amortised cost | -                           | -               | 236,817            |
|  | <u>₩ 515,103</u>            | <u>₩ 29,065</u> | <u>₩ 255,314</u>   |
| Financial services:                              |                             |                 |                    |
| Financial assets measured at amortised cost      | ₩ 3,614,502                 | ₩ -             | ₩ -                |
| Financial assets measured at FVPL                | 32,886                      | 7,949           | -                  |
| Financial assets measured at FVOCI               | 2,310                       | -               | -                  |
| Financial liabilities measured at amortised cost | -                           | -               | 1,587,053          |
|  | <u>₩ 3,649,698</u>          | <u>₩ 7,949</u>  | <u>₩ 1,587,053</u> |

- (6) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities measured at FVPL for the years ended December 31, 2019 and 2018 are ₩841,525 million and ₩893,473 million, respectively. In addition, the fee expenses (cost of sales from financial services) related to financial assets or liabilities other than financial assets or liabilities measured at FVPL for the years ended December 31, 2019 and 2018 are ₩409,039 million and ₩365,790 million, respectively.
- (7) The Group recognizes transfers between levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There are no significant transfers between Level 1 and Level 2 for the year ended December 31, 2019.
- (8) Descriptions of the valuation techniques and the inputs used in the fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy are as follows.

- Currency forwards, options and swap

Fair value of currency forwards, options and swap is measured based on forward exchange rate quoted in the current market at the end of the reporting period, which has the same remaining period of derivatives to be measured. If the forward exchange rate, which has the same remaining period of currency forwards, options and swap, is not quoted in the current market, fair value is measured using estimates of similar period of forward exchange rate by applying interpolation method with quoted forward exchange rates.

As the inputs used to measure fair value of currency forwards, options and swap are supported by observable market data, such as forward exchange rates, the Group classifies the estimates of fair value measurements of the currency forwards, options and swap as Level 2 of the fair value hierarchy.

- Interest rate swap

The discount rate and forward interest rate used to measure the fair value of interest rate swap are determined based on an applicable yield curve derived from interest quoted in the current market at the end of the reporting period. The fair value of interest rate swap was measured as a discount on the estimated future cash flows of interest rate swap based on forward interest rates derived from the above method at an appropriate discount rate.

As the inputs used to measure fair value of interest rate swap are supported by observable market data, such as yield curves, the Group classifies the estimates of fair value measurements of the interest rate swap as Level 2 of the fair value hierarchy.

- Debt instruments including corporate bonds

Fair value of debt instruments including corporate bonds is measured applying discounted cash flow method. The rate used to discount cash flows is determined based on swap rate and credit spreads of debt instruments, which have the similar credit rating and period quoted in the current market with those of debt instruments including corporate bonds that should be measured. The Group classifies fair value measurements of debt instruments including corporate bonds as Level 2 of the fair-value hierarchy since the rate, which has significant effects on fair value of debt instruments including corporate bonds, is based on observable market data.

- Unlisted equity securities

Fair value of unlisted equity securities is measured using discounted cash flow projection and others, and certain assumptions not based on observable market prices or rate, such as sales growth rate, pre-tax operating income ratio and discount rate based on business plan and circumstance of industry are used to estimate the future cash flow. The discount rate used to discount the future cash flows, is calculated by applying the Capital Asset Pricing Model, using the data of similar listed companies. The Group determines that the effect of estimation and assumptions referred above affecting fair value of unlisted equity securities is significant and classifies fair value measurements of unlisted securities as Level 3 of the fair value hierarchy.

- Total return swap (Derivatives)

The fair value of total revenue swaps (derivatives) is measured based on the stock price volatility up to the fair value, exercise price, maturity and maturity of the underlying asset, using the binomial option pricing model. The discount rate used in the binomial option pricing model is based on the risk-free interest rate, which corresponds to the remaining maturity, and the stock price volatility up to maturity uses the historical volatility of the financial sector over the past one year. The fair value of the underlying assets is measured using the cash flow discount model. In order to estimate the future cash flows, assumptions reflecting the business plan and current industry such as sales growth rate, pre-tax operating profit margin or discount rates etc. and estimates such as observable market price or rates are partially used. The discount rate used to discount future cash flows was calculated by applying the capital asset pricing model (CAPM) using data from similar listed companies. The Group classifies the fair value measurement of total revenue swap (derivatives) as Level 3 in the fair value hierarchy based on the assumption that the effect of the above assumptions and estimates on the fair value of the total revenue swap classified.

- (9) The quantitative information about significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy and the description of relationships of significant unobservable inputs to the fair value are as follows:

| Description  | Fair value at December 31, 2019<br>(In millions of Korean Won) | Valuation techniques            | Unobservable inputs   | Range                                      | Description of relationship   |
|--|--|---------------------------------|---|--|---|
| Unlisted equity securities, total return swap and others | ₩ 1,320,709  | Discounted cash flow and others | Sales growth rate<br>Pre-tax operating income margin ratio<br>Discount rate | -3.0% ~6.2%<br>2.3% ~ 12.2%<br>7.3% ~ 8.6% | If the sales growth rate and the pretax operating income margin ratio rise or the discount rate declines, the fair value increases. |

The Group does not expect changes in significant unobservable inputs that are used for reflecting alternative assumptions would have significant impact on the fair value.

## 21. CAPITAL STOCK:

The Company's number of shares authorized is 600,000,000 shares. Common stock and preferred stock as of December 31, 2019 and December 31, 2018 are as follows.

### (1) Common stock

| Description   | December 31, 2019                             |                    | December 31, 2018 |                    |
|---------------|---|--------------------|-------------------|--------------------|
|               | (In millions of Korean Won, except par value) |                    |                   |                    |
| Issued        |   | 213,668,187 shares |                   | 213,668,187 shares |
| Par value     | ₩   | 5,000              | ₩                 | 5,000              |
| Capital stock |   | 1,157,982          |                   | 1,157,982          |

The Company completed stock retirement of 10,000,000 common shares, 1,320,000 common shares and 6,608,292 common shares as of March 5, 2001, May 4, 2004 and July 27, 2018 respectively. Due to these stock retirements, the total face value of outstanding stock differs from the capital stock amount.

### (2) Preferred stock

| Description                     | Par value | Issued            | Korean Won                  | Dividend rate                            |
|---------------------------------|-----------|-------------------|-----------------------------|--|
|                                 |           |                   | (In millions of Korean Won) |  |
| 1 <sup>st</sup> preferred stock | ₩ 5,000   | 24,356,685 shares | ₩ 125,550                   | Dividend rate of common stock + 1%       |
| 2 <sup>nd</sup> preferred stock | "         | 36,485,451 shares | 193,069                     | The lowest stimulated dividend rate : 2% |
| 3 <sup>rd</sup> preferred stock | "         | 2,428,735 shares  | 12,392                      | The lowest stimulated dividend rate : 1% |
|                                 |           | 63,270,871 shares | ₩ 331,011                   |  |

As of March 5, 2001, the Company retired 1,000,000 second preferred shares and as of July 27, 2018, the Company retired 753,297 first preferred shares, 1,128,414 second preferred shares and 49,564 third preferred shares. Due to the stock retirement, the total face value of outstanding stock differs from the capital stock amount.



## 22. CAPITAL SURPLUS:

Capital surplus as of December 31, 2019 and December 31, 2018 are as follows.

| Description                            | December 31, 2019           | December 31, 2018 |
|--|-----------------------------|-------------------|
|  | (In millions of Korean Won) |                   |
| Paid-in capital in excess of par value | ₩ 3,321,334                 | ₩ 3,321,334       |
| Others                                 | 875,681                     | 879,880           |
|  | ₩ 4,197,015                 | ₩ 4,201,214       |

## 23. OTHER CAPITAL ITEMS:

Other capital items consist of treasury stocks purchased for the stabilization of stock price. Number of treasury stocks as of December 31, 2019 and December 31, 2018 are as follows.

| Description                     | December 31, 2019  | December 31, 2018 |
|---------------------------------|--------------------|-------------------|
|                                 | (Number of shares) |                   |
| Common stock                    | 11,835,151         | 9,387,581         |
| 1 <sup>st</sup> preferred stock | 2,046,959          | 1,759,942         |
| 2 <sup>nd</sup> preferred stock | 1,142,140          | 696,445           |
| 3 <sup>rd</sup> preferred stock | 34,545             | 9,050             |

## 24. ACCUMULATED OTHER COMPREHENSIVE LOSS:

(1) Accumulated other comprehensive loss as of December 31, 2019 is as follows.

| Description   | December 31, 2019           |
|---|-----------------------------|
|   | (In millions of Korean Won) |
| Gain on valuation of financial assets measured at FVOCI                       | ₩ 489,235                   |
| Loss on valuation of financial assets measured at FVOCI                       | (419,160)                   |
| Gain on valuation of cash flow hedge derivatives                              | 17,117                      |
| Loss on valuation of cash flow hedge derivatives                              | (45,500)                    |
| Gain on share of the other comprehensive income of equity-accounted investees | 34,967                      |
| Loss on share of the other comprehensive income of equity-accounted investees | (714,955)                   |
| Loss on foreign operations translation, net                                   | (1,714,726)                 |
|   | ₩ (2,353,022)               |

(2) Accumulated other comprehensive loss as of December 31, 2018 is as follows.

| Description   | December 31, 2018           |
|---|-----------------------------|
|   | (In millions of Korean Won) |
| Gain on valuation of financial assets measured at FVOCI (*)                       | ₩ 406,191                   |
| Loss on valuation of financial assets measured at FVOCI (*)                       | (309,690)                   |
| Gain on valuation of cash flow hedge derivatives                                  | 3,153                       |
| Loss on valuation of cash flow hedge derivatives                                  | (66,106)                    |
| Gain on share of the other comprehensive income of equity-accounted investees (*) | 22,632                      |
| Loss on share of the other comprehensive income of equity-accounted investees (*) | (979,050)                   |
| Loss on foreign operations translation, net                                       | (2,128,206)                 |
|   | (3,051,076)                 |
| Transfer from the assets classified as held for sale                              | (1,122)                     |
|   | ₩ (3,052,198)               |

(\*) It is cumulative gain or loss excluding the amount reclassified to retained earnings at the time of disposal. In accordance with initial application of K-IFRS 1109, it reflects ₩340,268 million, the effect of adjustment in opening balance as of January 1, 2018 including the reclassification of the impairment recognized in the past.

## 25. RETAINED EARNINGS:

Retained earnings as of December 31, 2019 and December 31, 2018 are as follows.

| Description           | December 31,<br>2019        | December 31,<br>2018 |
|-----------------------|-----------------------------|----------------------|
|                       | (In millions of Korean Won) |                      |
| Legal reserve (*)     | ₩ 744,836                   | ₩ 744,836            |
| Discretionary reserve | 46,591,396                  | 48,328,847           |
| Unappropriated        | 20,913,401                  | 17,416,399           |
|                       | ₩ 68,249,633                | ₩ 66,490,082         |

(\*) The Commercial Code of the Republic of Korea requires the Company to appropriate as a legal reserve, a minimum of 10% of annual cash dividends declared, until such reserve equals 50% of its capital stock issued. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

Appraisal gains, amounting to ₩1,852,871 million, derived from asset revaluation pursuant to the Asset Revaluation Law of Korea are included in retained earnings. It may be only transferred to capital stock or used to reduce accumulated deficit, if any.

(2) The computation of the interim dividends for the year ended December 31, 2019 is as follows.

| Description                    | Common<br>stock                                       | 1 <sup>st</sup> Preferred<br>stock | 2 <sup>nd</sup> Preferred<br>stock | 3 <sup>rd</sup> Preferred<br>stock |
|--------------------------------|---|------------------------------------|------------------------------------|------------------------------------|
|                                | (In millions of Korean Won, except per share amounts) |                                    |                                    |                                    |
| Par value per share            | ₩ 5,000   | ₩ 5,000                            | ₩ 5,000                            | ₩ 5,000                            |
| Shares, net of treasury stocks | 202,714,520   | 22,413,258                         | 35,496,735                         | 2,404,448                          |
| Dividends per share            | ₩ 1,000   | ₩ 1,000                            | ₩ 1,000                            | ₩ 1,000                            |
| Dividend rate                  | 20%   | 20%                                | 20%                                | 20%                                |
| Dividends declared             | 202,715   | 22,413                             | 35,497                             | 2,404                              |

The computation of the interim dividends for the year ended December 31, 2018 is as follows.

| Description                    | Common<br>stock                                       | 1 <sup>st</sup> Preferred<br>stock | 2 <sup>nd</sup> Preferred<br>stock | 3 <sup>rd</sup> Preferred<br>stock |
|--------------------------------|---|------------------------------------|------------------------------------|------------------------------------|
|                                | (In millions of Korean Won, except per share amounts) |                                    |                                    |                                    |
| Par value per share            | ₩ 5,000   | ₩ 5,000                            | ₩ 5,000                            | ₩ 5,000                            |
| Shares, net of treasury stocks | 204,916,661   | 22,663,998                         | 35,873,010                         | 2,429,482                          |
| Dividends per share            | ₩ 1,000   | ₩ 1,000                            | ₩ 1,000                            | ₩ 1,000                            |
| Dividend rate                  | 20%   | 20%                                | 20%                                | 20%                                |
| Dividends declared             | 204,917   | 22,664                             | 35,873                             | 2,429                              |

(3) The computation of the proposed dividends for the year ended December 31, 2019 is as follows.

| Description                    | Common<br>stock                                       | 1 <sup>st</sup> Preferred<br>stock | 2 <sup>nd</sup> Preferred<br>stock | 3 <sup>rd</sup> Preferred<br>stock |
|--------------------------------|---|------------------------------------|------------------------------------|------------------------------------|
|                                | (In millions of Korean Won, except per share amounts) |                                    |                                    |                                    |
| Par value per share            | ₩ 5,000   | ₩ 5,000                            | ₩ 5,000                            | ₩ 5,000                            |
| Shares, net of treasury stocks | 201,853,036   | 22,312,726                         | 35,346,311                         | 2,394,390                          |
| Dividends per share            | ₩ 3,000   | ₩ 3,050                            | ₩ 3,100                            | ₩ 3,050                            |
| Dividend rate                  | 60%   | 61%                                | 62%                                | 61%                                |
| Dividends declared             | 605,559   | 68,054                             | 109,573                            | 7,303                              |

The computation of the dividends for the year ended December 31, 2018 is as follows.

| Description                    | Common<br>stock                                       | 1 <sup>st</sup> Preferred<br>stock | 2 <sup>nd</sup> Preferred<br>stock | 3 <sup>rd</sup> Preferred<br>stock |
|--------------------------------|---|------------------------------------|------------------------------------|------------------------------------|
|                                | (In millions of Korean Won, except per share amounts) |                                    |                                    |                                    |
| Par value per share            | ₩ 5,000   | ₩ 5,000                            | ₩ 5,000                            | ₩ 5,000                            |
| Shares, net of treasury stocks | 204,280,606   | 22,596,743                         | 35,789,006                         | 2,419,685                          |

| Description         | Common stock | 1 <sup>st</sup> Preferred stock | 2 <sup>nd</sup> Preferred stock | 3 <sup>rd</sup> Preferred stock |
|---------------------|--------------|---------------------------------|---------------------------------|---------------------------------|
| Dividends per share | ₩ 3,000      | ₩ 3,050                         | ₩ 3,100                         | ₩ 3,050                         |
| Dividend rate       | 60%          | 61%                             | 62%                             | 61%                             |
| Dividends declared  | 613,016      | 68,929                          | 110,973                         | 7,383                           |

## 26. HYBRID BOND:

- (1) Hyundai Card Co., Ltd., a subsidiary of the Company, issued hybrid bond and the Group classified it as equity (non-controlling interests). As of December 31, 2019, hybrid bond is as follows.

| Description                       | Issue date   | Maturity date | Annual interest rate (%) | December 31, 2019<br>(In millions of Korean Won) |
|-----------------------------------|--------------|---------------|--------------------------|--|
| The 731st Hybrid Tier 1 (Private) | July 5, 2018 | July 5, 2048  | 4.70                     | ₩ 300,000  |
| Issue cost                        |              |               |                          | (760)  |
|                                   |              |               |                          | ₩ 299,240  |

Hyundai Rotem Company, a subsidiary of the Company, issued hybrid bond and the Group classified it as equity (non-controlling interests). As of December 31, 2019, hybrid bond is as follows.

| Description                     | Issue date        | Maturity date     | Annual interest rate (%) | December 31, 2019<br>(In millions of Korean Won) |
|---------------------------------|-------------------|-------------------|--------------------------|--|
| The 1st Hybrid Tier 1 (Private) | November 8, 2019  | November 8, 2049  | 4.50                     | ₩ 106,000  |
| The 2nd Hybrid Tier 1 (Private) | December 23, 2019 | December 23, 2049 | 4.50                     | 45,000   |
| Issue cost                      |                   |                   |                          | (677)  |
|                                 |                   |                   |                          | ₩ 150,323  |

- (2) As of December 31, 2019, the conditions of hybrid bond that Hyundai Card Co., Ltd., a subsidiary of the Company issued are as follows.

|                            | Description  |
|----------------------------|--|
| Maturity                   | Thirty years (Maturity extension is possible according to the issuer's decision upon maturity)   |
| Interest rate              | Issue date ~ July 5, 2023 : An annual fixed interest rate 4.7%<br>Increase of 2% after five years in accordance with Step-up clause at one time only |
| Interest payment condition | Three months, optional postponement of payment   |
| Others                     | Repayment before maturity by issuer is available after five years from issue date  |

As of December 31, 2019, the conditions of hybrid bond that H yundai Rotem Company, a subsidiary of the Company issued are as follows.

|                            | Description  |
|----------------------------|--|
| Maturity                   | Thirty years (Maturity extension is possible according to the issuer's decision upon maturity)   |
| Interest rate              | Issue date to two years : An annual fixed interest rate 4.5%<br>Two to three years : Initial interest rate + 2.5 % + adjusted interest rate(*)<br>After three years: Interest rate at the day before each anniversary + 0.5% |
| Interest payment condition | Three months, optional postponement of payment   |
| Others                     | Repayment before maturity by issuer is available after two years from issue date   |

(\*) The interest rates, which deducts the interest rate of two years maturity treasury bond at 2 working dates before the issue date (zero when it is minus) from the interest rate of two years maturity treasury bond at 2 working days before 2<sup>nd</sup> anniversary of the issue date.

## 27. SALES:

(1) Sales for the years ended December 31, 2019 and 2018 are as follows.

| Description                               | 2019                        | 2018         |
|---|-----------------------------|--------------|
|   | (In millions of Korean Won) |              |
| Sales of goods                            | ₩ 89,820,812                | ₩ 81,502,831 |
| Rendering of services                     | 2,659,058                   | 2,223,538    |
| Royalties                                 | 96,935                      | 104,813      |
| Financial services revenue                | 10,529,505                  | 10,236,363   |
| Revenue related to construction contracts | 2,218,890                   | 2,360,807    |
| Others                                    | 421,222                     | 384,257      |
|   | ₩ 105,746,422               | ₩ 96,812,609 |

(2) As of December 31, 2019, the aggregate transaction price allocated to the unrealized (or partially unrealized) performance obligation that is expected to be recognised as revenue in future periods is as follows.

| Description                 | Within a year               | After a year |
|-----------------------------|-----------------------------|--------------|
|                             | (In millions of Korean Won) |              |
| Deferred revenue and others | ₩ 986,734                   | ₩ 1,360,682  |

**28. SELLING AND ADMINISTRATIVE EXPENSES:**

Selling and administrative expenses for the years ended December 31, 2019 and 2018 are as follows.

| Description                        | 2019                        | 2018                |
|------------------------------------|-----------------------------|---------------------|
|                                    | (In millions of Korean Won) |                     |
| Selling expenses:                  |                             |                     |
| Export expenses                    | ₩ 77,962                    | ₩ 88,246            |
| Overseas market expenses           | 382,220                     | 403,541             |
| Advertisements and sales promotion | 2,551,347                   | 2,308,527           |
| Sales commissions                  | 801,798                     | 726,265             |
| Expenses for warranties            | 2,609,744                   | 1,998,143           |
| Transportation expenses            | 122,997                     | 116,791             |
|                                    | <u>6,546,068</u>            | <u>5,641,513</u>    |
| Administrative expenses:           |                             |                     |
| Payroll                            | 2,713,209                   | 2,633,437           |
| Post-employment benefits           | 183,357                     | 171,504             |
| Welfare expenses                   | 428,622                     | 403,564             |
| Service charges                    | 1,388,469                   | 1,351,919           |
| Research                           | 1,289,715                   | 1,125,603           |
| Others                             | 1,500,068                   | 1,392,425           |
|                                    | <u>7,503,440</u>            | <u>7,078,452</u>    |
|                                    | <u>₩ 14,049,508</u>         | <u>₩ 12,719,965</u> |

**29. GAIN (LOSS) ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:**

Gain and loss on investments in joint ventures and associates for the years ended December 31, 2019 and 2018 is as follows.

| Description  | 2019                        | 2018             |
|--|-----------------------------|------------------|
|  | (In millions of Korean Won) |                  |
| Gain on share of earnings of equity-accounted investees, net | ₩ 570,735                   | ₩ 599,522        |
| Gain on disposals of investments in associates               | 14,266                      | (1,491)          |
| Impairment loss on investments in associates                 | (42,175)                    | (193,490)        |
|  | <u>₩ 542,826</u>            | <u>₩ 404,541</u> |

### 30. FINANCE INCOME AND EXPENSES:

(1) Finance income for the years ended December 31, 2019 and 2018 are as follows.

| Description                           | 2019                        | 2018             |
|---------------------------------------|-----------------------------|------------------|
|                                       | (In millions of Korean Won) |                  |
| Interest income                       | ₩ 512,596                   | ₩ 515,103        |
| Gain on foreign exchange transactions | 69,689                      | 86,033           |
| Gain on foreign currency translation  | 119,282                     | 105,060          |
| Dividend income                       | 32,504                      | 29,065           |
| Gain on derivatives                   | 85,663                      | 69,227           |
| Others                                | 7,386                       | 19,011           |
|                                       | <u>₩ 827,120</u>            | <u>₩ 823,499</u> |

(2) Finance expenses for the years ended December 31, 2019 and 2018 are as follows.

| Description                           | 2019                        | 2018             |
|---------------------------------------|-----------------------------|------------------|
|                                       | (In millions of Korean Won) |                  |
| Interest expenses                     | ₩ 316,979                   | ₩ 307,070        |
| Loss on foreign exchange transactions | 32,142                      | 51,310           |
| Loss on foreign currency translation  | 100,282                     | 229,497          |
| Loss on derivatives and others        | 25,815                      | 12,990           |
|                                       | <u>₩ 475,218</u>            | <u>₩ 600,867</u> |

### 31. OTHER INCOME AND EXPENSES:

(1) Other income for the years ended December 31, 2019 and 2018 are as follows.

| Description                           | 2019                        | 2018             |
|---------------------------------------|-----------------------------|------------------|
|                                       | (In millions of Korean Won) |                  |
| Gain on foreign exchange transactions | ₩ 404,363                   | ₩ 329,399        |
| Gain on foreign currency translation  | 184,211                     | 159,899          |
| Gain on disposals of PP&E             | 30,742                      | 19,518           |
| Commission income                     | 108,154                     | 119,920          |
| Rental income                         | 87,283                      | 77,974           |
| Others                                | 306,205                     | 260,571          |
|                                       | <u>₩ 1,120,958</u>          | <u>₩ 967,281</u> |

(2) Other expenses for the years ended December 31, 2019 and 2018 are as follows.

| Description   | 2019                        | 2018               |
|---|-----------------------------|--------------------|
|   | (In millions of Korean Won) |                    |
| Loss on foreign exchange transactions                             | ₩ 364,593                   | ₩ 433,694          |
| Loss on foreign currency translation                              | 158,369                     | 203,994            |
| Loss on disposals of PP&E   | 159,484                     | 163,594            |
| Impairment loss on non-current assets classified as held for sale | -                           | 13,045             |
| Donations   | 65,807                      | 85,482             |
| Others  | 709,172                     | 587,228            |
|   | <u>₩ 1,457,425</u>          | <u>₩ 1,487,037</u> |

### 32. EXPENSES BY NATURE:

Expenses by nature for the years ended December 31, 2019 and 2018 are as follows.

| Description                        | 2019                        | 2018         |
|------------------------------------|-----------------------------|--------------|
|                                    | (In millions of Korean Won) |              |
| Changes in inventories             | ₩ (400,318)                 | ₩ (310,180)  |
| Raw materials and merchandise used | 62,258,658                  | 56,845,459   |
| Employee benefits                  | 9,396,921                   | 8,893,878    |
| Depreciation                       | 2,545,183                   | 2,357,887    |
| Amortization                       | 1,286,689                   | 1,403,582    |
| Others                             | 28,511,209                  | 26,686,855   |
| Total (*)                          | ₩ 103,598,342               | ₩ 95,877,481 |

(\*) Sum of cost of sales, selling and administrative expenses and other expenses in the consolidated statements of income.

### 33. EARNINGS PER COMMON STOCK AND PREFERRED STOCK:

Basic earnings per common stock and preferred stock are computed by dividing profit available to common stock and preferred stock by the weighted-average number of common stock and preferred stock outstanding during the year. The Group does not compute diluted earnings per common stock for the years ended December 31, 2019 and 2018, since there are no dilutive items during the years.

Basic earnings per common stock and preferred stock for the years ended December 31, 2019 and 2018 are computed as follows.

| Description                          | For the year ended December 31, 2019                  |  |                          | For the year ended December 31, 2018 |  |                          |
|--------------------------------------|---|--|--------------------------|--------------------------------------|--|--------------------------|
|                                      | Profit attributable to share                          | Weighted-average number of shares outstanding (*1) | Basic earnings per share | Profit attributable to share         | Weighted-average number of shares outstanding (*1) | Basic earnings per share |
|                                      | (In millions of Korean Won, except per share amounts) |  |                          |                                      |  |                          |
| Common stock                         | ₩ 2,293,070   | 202,742,139  | ₩ 11,310                 | ₩ 1,158,437                          | 205,697,075  | ₩ 5,632                  |
| 1 <sup>st</sup> Preferred stock (*2) | 254,581   | 22,420,995   | 11,355                   | 129,272                              | 22,753,974   | 5,681                    |
| 2 <sup>nd</sup> Preferred stock      | 405,077   | 35,511,588   | 11,407                   | 206,532                              | 36,008,052   | 5,736                    |
| 3 <sup>rd</sup> Preferred stock      | 27,321  | 2,404,883  | 11,360                   | 13,843                               | 2,438,169  | 5,677                    |

(\*1) Weighted-average number of shares outstanding includes the effects of treasury stock transactions.

(\*2) 1<sup>st</sup> preferred stock meets the definition of 'ordinary shares' as defined in K-IFRS 1033 'Earnings per Share'.

### 34. INCOME TAX EXPENSE:

(1) The components of income tax expense for the years ended December 31, 2019 and 2018 are as follows.

| Description   | 2019                        | 2018      |
|---|-----------------------------|-----------|
|   | (In millions of Korean Won) |           |
| Current tax expense   | ₩ 1,302,225                 | ₩ 802,201 |
| Adjustments recognized in the current year in relation to the prior years | 1,684                       | 475,666   |
| Changes in deferred taxes relating to                                     |                             |           |
| Temporary differences   | 133,459                     | (506,925) |
| Tax losses and tax credits  | (444,494)                   | (129,864) |
| Items that are charged or credited directly to equity                     | 1,937                       | 225,581   |
| Effect of foreign exchange differences and others                         | (16,691)                    | 17,904    |
| Income tax expense  | ₩ 978,120                   | ₩ 884,563 |

- (2) The reconciliation from profit before income tax to income tax expense for the years ended December 31, 2019 and 2018 are as follows.

| Description  | 2019                        |                  | 2018 |                |
|--|-----------------------------|------------------|------|----------------|
|  | (In millions of Korean Won) |                  |      |                |
| Profit before income tax   | ₩                           | 4,163,766        | ₩    | 2,529,582      |
| Income tax expense calculated at the applicable tax rates of 33.8% in 2019 and 28.0% in 2018 |                             | 1,406,867        |      | 707,993        |
| Adjustments:   |                             |                  |      |                |
| Non-taxable income   |                             | (65,019)         |      | (204,614)      |
| Non-deductible expenses  |                             | 141,309          |      | 150,243        |
| Tax credits  |                             | (532,420)        |      | (83,025)       |
| Others   |                             | 27,383           |      | 313,966        |
|  |                             | <u>(428,747)</u> |      | <u>176,570</u> |
| Income tax expense   | ₩                           | 978,120          | ₩    | 884,563        |
| Effective tax rate   |                             | 23.5%            |      | 35.0%          |

- (3) The changes in deferred tax assets (liabilities) for the year ended December 31, 2019 are as follows.

| Description   | Beginning of the year       |                    | Changes |                  | End of the year |                    |
|---|-----------------------------|--------------------|---------|------------------|-----------------|--------------------|
|   | (In millions of Korean Won) |                    |         |                  |                 |                    |
| Provisions  | ₩                           | 1,894,732          | ₩       | 109,681          | ₩               | 2,004,413          |
| Financial assets measured at FVPL                         |                             | 3,287              |         | (1,380)          |                 | 1,907              |
| Financial assets measured at FVOCI                        |                             | (160,472)          |         | 35,974           |                 | (124,498)          |
| Investment of subsidiaries, associates and joint ventures |                             | (1,520,164)        |         | (45,321)         |                 | (1,565,485)        |
| Derivatives   |                             | (11,609)           |         | (23,975)         |                 | (35,584)           |
| PP&E  |                             | (4,816,432)        |         | (349,176)        |                 | (5,165,608)        |
| Accrued income  |                             | 88,318             |         | 48,761           |                 | 137,079            |
| Gain (loss) on foreign currency translation, net          |                             | (4)                |         | (15)             |                 | (19)               |
| Others  |                             | 795,016            |         | 91,992           |                 | 887,008            |
|   |                             | <u>(3,727,328)</u> |         | <u>(133,459)</u> |                 | <u>(3,860,787)</u> |
| Carryforward of tax losses and tax credits                |                             | 2,253,312          |         | 444,494          |                 | 2,697,806          |
|   | ₩                           | <u>(1,474,016)</u> | ₩       | <u>311,035</u>   | ₩               | <u>(1,162,981)</u> |

The changes in deferred tax assets (liabilities) for the year ended December 31, 2018 are as follows.

| Description   | Beginning of the year       |                    | Changes |                | End of the year |                    |
|---|-----------------------------|--------------------|---------|----------------|-----------------|--------------------|
|   | (In millions of Korean Won) |                    |         |                |                 |                    |
| Provisions  | ₩                           | 1,876,177          | ₩       | 18,555         | ₩               | 1,894,732          |
| Financial assets measured at FVPL                         |                             | -                  |         | 3,287          |                 | 3,287              |
| Financial assets measured at FVOCI                        |                             | -                  |         | (160,472)      |                 | (160,472)          |
| AFS financial assets                                      |                             | (187,795)          |         | 187,795        |                 | -                  |
| Investment of subsidiaries, associates and joint ventures |                             | (1,507,832)        |         | (12,332)       |                 | (1,520,164)        |
| Reserve for research and manpower development             |                             | (30,588)           |         | 30,588         |                 | -                  |
| Derivatives   |                             | (32,118)           |         | 20,509         |                 | (11,609)           |
| PP&E  |                             | (4,503,211)        |         | (313,221)      |                 | (4,816,432)        |
| Accrued income  |                             | 70,711             |         | 17,607         |                 | 88,318             |
| Gain (loss) on foreign currency translation, net          |                             | (59)               |         | 55             |                 | (4)                |
| Others  |                             | 80,462             |         | 714,554        |                 | 795,016            |
|   |                             | <u>(4,234,253)</u> |         | <u>506,925</u> |                 | <u>(3,727,328)</u> |
| Carryforward of tax losses and tax credits                |                             | 2,123,448          |         | 129,864        |                 | 2,253,312          |
|   | ₩                           | <u>(2,110,805)</u> | ₩       | <u>636,789</u> | ₩               | <u>(1,474,016)</u> |



- (4) Income taxes relating to items that are charged or credited directly to equity for the years ended December 31, 2019 and 2018 are as follows.

| Description   | 2019                        | 2018      |
|---|-----------------------------|-----------|
|   | (In millions of Korean Won) |           |
| Gain on disposal of treasury stocks                             | ₩ (821)                     | ₩ -       |
| Loss on financial assets measured at FVOCI, net                 | 16,770                      | 43,432    |
| Loss (gain) on valuation of cash flow hedge derivatives, net    | (15,118)                    | 39,557    |
| Remeasurements of defined benefit plans                         | 18,028                      | 155,777   |
| Changes in retained earnings of equity-accounted investees, net | (16,922)                    | (13,185)  |
|   | ₩ 1,937                     | ₩ 225,581 |

- (5) The amount of temporary differences associated with investments in subsidiaries, joint ventures and associates, for which deferred tax liabilities are not recognized, are ₩ 6,852,098 million and ₩ 8,328,950 million as of December 31, 2019 and 2018, respectively.

### 35. RETIREMENT BENEFIT PLAN:

- (1) Expenses recognized in relation to defined contribution plans for the years ended December 31, 2019 and 2018 are as follows.

| Description          | 2019                        | 2018     |
|----------------------|-----------------------------|----------|
|                      | (In millions of Korean Won) |          |
| Paid-in cash         | ₩ 10,103                    | ₩ 8,322  |
| Recognized liability | 3,591                       | 1,969    |
|                      | ₩ 13,694                    | ₩ 10,291 |

- (2) The significant actuarial assumptions used by the Group as of December 31, 2019 and December 31, 2018 are as follows.

| Description                             | December 31, 2019 | December 31, 2018 |
|---|-------------------|-------------------|
| Discount rate (*)                       | 2.95%             | 3.39%             |
| Rate of expected future salary increase | 4.15%             | 4.29%             |

- (\*) The Group applied the market yields of high-quality corporate bonds (AA+) and others as the discount rate at December 31, 2019, to discount the defined benefit obligation to the present value, and the same discount rate was applied as the expected return rate when calculating interest income on plan assets.

Employee turnover and mortality assumptions used for actuarial valuation are based on the economic conditions and statistical data of each country where entities within the Group are located.

- (3) The amounts recognized in the consolidated statements of financial position related to defined benefit plans as of December 31, 2019 and December 31, 2018 are as follows.

| Description                                  | December 31, 2019           | December 31, 2018 |
|--|-----------------------------|-------------------|
|  | (In millions of Korean Won) |                   |
| Present value of defined benefit obligations | ₩ 6,321,408                 | ₩ 5,931,464       |
| Fair value of plan assets                    | (5,913,514)                 | (5,508,329)       |
|  | ₩ 407,894                   | ₩ 423,135         |
| Net defined benefit liabilities              | 412,598                     | 433,247           |
| Net defined benefit assets                   | (4,704)                     | (10,112)          |

(4) Changes in net defined benefit assets and liabilities for the year ended December 31, 2019 are as follows.

| Description  | Present value of defined benefit obligations |                  | Fair value of plan assets |                    | Net defined benefit liabilities |                  |
|--|--|------------------|---------------------------|--------------------|---------------------------------|------------------|
|  | (In millions of Korean Won)                  |                  |                           |                    |                                 |                  |
| Beginning of the year  | ₩  | 5,931,464        | ₩                         | (5,508,329)        | ₩                               | 423,135          |
| Current service cost   |  | 608,498          |                           | -                  |                                 | 608,498          |
| Interest expenses (income)   |  | 157,018          |                           | (150,606)          |                                 | 6,412            |
|  |  | <u>6,696,980</u> |                           | <u>(5,658,935)</u> |                                 | <u>1,038,045</u> |
| Remeasurements:  |  |                  |                           |                    |                                 |                  |
| Return on plan assets  |  | -                |                           | (20,121)           |                                 | (20,121)         |
| Actuarial gains and losses arising from changes in demographic assumptions |  | (47,602)         |                           | -                  |                                 | (47,602)         |
| Actuarial gains and losses arising from changes in financial assumptions   |  | 232,237          |                           | -                  |                                 | 232,237          |
| Actuarial gains and losses arising from experience adjustments and others  |  | (93,342)         |                           | -                  |                                 | (93,342)         |
|  |  | <u>91,293</u>    |                           | <u>(20,121)</u>    |                                 | <u>71,172</u>    |
| Contributions  |  | -                |                           | (629,774)          |                                 | (629,774)        |
| Benefits paid  |  | (489,495)        |                           | 401,629            |                                 | (87,866)         |
| Transfers in (out)   |  | 1,967            |                           | (196)              |                                 | 1,771            |
| Effect of foreign exchange differences and others                          |  | 20,663           |                           | (6,117)            |                                 | 14,546           |
| End of the year  | ₩  | <u>6,321,408</u> | ₩                         | <u>(5,913,514)</u> | ₩                               | <u>407,894</u>   |

Changes in net defined benefit assets and liabilities for the year ended December 31, 2018 are as follows.

| Description  | Present value of defined benefit obligations |                  | Fair value of plan assets |                    | Net defined benefit liabilities |                |
|--|--|------------------|---------------------------|--------------------|---------------------------------|----------------|
|  | (In millions of Korean Won)                  |                  |                           |                    |                                 |                |
| Beginning of the year  | ₩  | 5,321,580        | ₩                         | (5,179,426)        | ₩                               | 142,154        |
| Current service cost   |  | 554,868          |                           | -                  |                                 | 554,868        |
| Interest expenses (income)   |  | 164,547          |                           | (159,013)          |                                 | 5,534          |
| Past service cost  |  | 2,447            |                           | -                  |                                 | 2,447          |
|  |  | <u>6,043,442</u> |                           | <u>(5,338,439)</u> |                                 | <u>705,003</u> |
| Remeasurements:  |  |                  |                           |                    |                                 |                |
| Return on plan assets  |  | -                |                           | 119,254            |                                 | 119,254        |
| Actuarial gains and losses arising from changes in demographic assumptions |  | 95,599           |                           | -                  |                                 | 95,599         |
| Actuarial gains and losses arising from changes in financial assumptions   |  | 200,651          |                           | -                  |                                 | 200,651        |
| Actuarial gains and losses arising from experience adjustments and others  |  | 179,780          |                           | -                  |                                 | 179,780        |
|  |  | <u>476,030</u>   |                           | <u>119,254</u>     |                                 | <u>595,284</u> |
| Contributions  |  | -                |                           | (698,631)          |                                 | (698,631)      |
| Benefits paid  |  | (610,301)        |                           | 418,485            |                                 | (191,816)      |
| Transfers in (out)   |  | 5,099            |                           | (1,421)            |                                 | 3,678          |
| Effect of foreign exchange differences and others                          |  | 17,194           |                           | (7,577)            |                                 | 9,617          |
| End of the year  | ₩  | <u>5,931,464</u> | ₩                         | <u>(5,508,329)</u> | ₩                               | <u>423,135</u> |

- (5) The sensitivity analysis based on reasonably possible changes of the significant assumptions as of December 31, 2019 and December 31, 2018, while all the other assumptions are retained, are as follows.

| Description                             | Effect on the net defined benefit liabilities |                |                             |                |
|---|---|----------------|-----------------------------|----------------|
|   | December 31, 2019                             |                | December 31, 2018           |                |
|   | Increase by 1%                                | Decrease by 1% | Increase by 1%              | Decrease by 1% |
|   | (In millions of Korean Won)                   |                | (In millions of Korean Won) |                |
| Discount rate                           | ₩ (488,706)                                   | ₩ 569,850      | ₩ (516,424)                 | ₩ 604,045      |
| Rate of expected future salary increase | 522,318                                       | (460,796)      | 571,913                     | (500,355)      |

- (6) The fair value of the plan assets as of December 31, 2019 and December 31, 2018 is as follows.

| Description           | December 31, 2019           |           | December 31, 2018 |           |
|-----------------------|-----------------------------|-----------|-------------------|-----------|
|                       | (In millions of Korean Won) |           |                   |           |
| Insurance instruments | ₩                           | 5,909,102 | ₩                 | 5,503,122 |
| Others                |                             | 4,412     |                   | 5,207     |
|                       | ₩                           | 5,913,514 | ₩                 | 5,508,329 |

- (7) The Group expects to pay contribution of approximately ₩ 722,190 million to the plan in 2020 and the weighted average duration of the defined benefit obligation as of December 31, 2019 is 8.67 years.

### 36. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the years ended December 31, 2019 and 2018 are as follows.

| Description  | 2019                        | 2018        |
|--|-----------------------------|-------------|
|  | (In millions of Korean Won) |             |
| Profit for the year  | ₩ 3,185,646                 | ₩ 1,645,019 |
| Adjustments:   |                             |             |
| Retirement benefit costs                                     | 618,501                     | 564,830     |
| Depreciation   | 2,545,183                   | 2,357,887   |
| Amortization of intangible assets                            | 1,286,689                   | 1,403,582   |
| Provision for warranties                                     | 2,417,953                   | 1,805,607   |
| Income tax expense   | 978,120                     | 884,563     |
| Loss (gain) on foreign currency translation, net             | (44,842)                    | 168,532     |
| Loss on disposals of PP&E, net                               | 128,742                     | 144,076     |
| Interest income, net   | (195,617)                   | (208,033)   |
| Gain on share of earnings of equity-accounted investees, net | (570,735)                   | (599,522)   |
| Cost of sales from financial services, net                   | 6,832,433                   | 6,623,857   |
| Impairment loss on investments in associates                 | 42,175                      | 193,490     |
| Others   | 1,107,393                   | 697,607     |
|  | 15,145,995                  | 14,036,476  |
| Changes in operating assets and liabilities:                 |                             |             |
| Decrease in trade notes and accounts receivable              | 240,973                     | 144,965     |
| Decrease (increase) in other receivables                     | 20,004                      | (49,614)    |
| Decrease (increase) in other financial assets                | (156,683)                   | 582,163     |
| Increase in inventories                                      | (1,107,426)                 | (686,275)   |
| Increase in other assets                                     | (208,333)                   | (232,079)   |
| Increase (decrease) in trade notes and accounts payable      | (277,383)                   | 1,250,595   |
| Increase in other payables                                   | 328,290                     | 371,821     |
| Increase (decrease) in other liabilities                     | 1,600,044                   | (318,944)   |
| Decrease in other financial liabilities                      | (11,946)                    | (5,774)     |
| Changes in net defined benefit liabilities                   | (617,864)                   | (685,658)   |
| Payment of severance benefits                                | (87,866)                    | (191,816)   |
| Decrease in provisions                                       | (3,033,915)                 | (2,367,358) |
| Changes in financial services receivables                    | (8,493,115)                 | (4,552,802) |
| Investment in operating leases                               | (3,812,572)                 | (2,920,535) |
| Others   | (26,535)                    | 68,502      |
|  | (15,644,327)                | (9,592,809) |
| Cash generated from operations                               | ₩ 2,687,314                 | ₩ 6,088,686 |

(2) Major non-cash transactions not stated on the consolidated statements of cash flows from investing and financing activities for the years ended December 31, 2019 and 2018 are as follows.

| Description   | 2019                        | 2018         |
|---|-----------------------------|--------------|
|   | (In millions of Korean Won) |              |
| Reclassification of the current portion of long-term debt and debentures  | ₩ 16,462,173                | ₩ 13,198,648 |
| Reclassification of construction-in-progress to PP&E  | 3,244,243                   | 3,224,076    |
| Reclassification of construction-in-progress to intangible assets   | 133,398                     | 140,905      |
| Increase in long-term and short-term other payables for public contributions under the new construction project | 950,745                     | -            |

(3) Changes in liabilities arising from financial activities for the year ended December 31, 2019 are as follows.

| Description                                       | Beginning of the year | Cash flows from financing activities | Changes from non-cash transactions |                                 |                         |           | End of the year |
|---|-----------------------|--------------------------------------|------------------------------------|---------------------------------|-------------------------|-----------|-----------------|
|   |                       |                                      | Reclassified to current portion    | Effect of exchange rate changes | Present value discounts | Others(*) |                 |
| (In millions of Korean Won)                       |                       |                                      |                                    |                                 |                         |           |                 |
| Short-term borrowings (including current portion) | ₩ 26,354,777          | ₩ (15,027,248)                       | ₩ 16,462,173                       | ₩ 443,419                       | ₩ 89,217                | ₩ 26,913  | ₩ 28,349,251    |
| Long-term debts                                   | 9,985,250             | 6,212,410                            | (5,219,946)                        | 224,316                         | 15,039                  | 19        | 11,217,088      |
| Debentures  | 36,956,114            | 15,357,326                           | (11,242,227)                       | 695,624                         | 38,977                  | -         | 41,805,814      |

(\*) Others include transfers from or to other accounts and others.

Changes in liabilities arising from financial activities for the year ended December 31, 2018 are as follows.

| Description                                       | Beginning of the year | Cash flows from financing activities | Changes from non-cash transactions |                                 |                         |             | End of the year |
|---|-----------------------|--------------------------------------|------------------------------------|---------------------------------|-------------------------|-------------|-----------------|
|   |                       |                                      | Reclassified to current portion    | Effect of exchange rate changes | Present value discounts | Others(*)   |                 |
| (In millions of Korean Won)                       |                       |                                      |                                    |                                 |                         |             |                 |
| Short-term borrowings (including current portion) | ₩ 23,058,201          | ₩ (10,137,072)                       | ₩ 13,198,648                       | ₩ 408,544                       | ₩ 82,553                | ₩ (256,097) | ₩ 26,354,777    |
| Long-term debts                                   | 12,488,137            | 439,697                              | (2,669,011)                        | 237,897                         | (5,242)                 | (506,228)   | 9,985,250       |
| Debentures  | 36,454,192            | 10,198,316                           | (10,529,637)                       | 794,741                         | 38,502                  | -           | 36,956,114      |

(\*) Others include liabilities classified as held for sale and others.

### 37. RISK MANAGEMENT:

#### (1) Capital risk management

The Group manages its capital to maintain an optimal capital structure for maximizing profit of its shareholder and reducing the cost of capital. Debt to equity ratio calculated as total liabilities divided by total equity is used as an index to manage the Group's capital. The overall capital risk management policy is consistent with that of the prior period. Debt to equity ratios as of December 31, 2019 and December 31, 2018 are as follows.

| Description          | December 31, 2019           |             | December 31, 2018 |             |
|----------------------|-----------------------------|-------------|-------------------|-------------|
|                      | (In millions of Korean Won) |             |                   |             |
| Total liabilities    | ₩                           | 118,146,466 | ₩                 | 106,759,742 |
| Total equity         |                             | 76,365,754  |                   | 73,896,010  |
| Debt-to-equity ratio |                             | 154.7%      |                   | 144.5%      |

## (2) Financial risk management

The Group is exposed to various financial risks such as market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk related to its financial instruments. The purpose of risk management of the Group is to identify potential risks related to financial performance and reduce, eliminate and evade those risks to an acceptable level of risks to the Group. Overall, the Group's financial risk management policy is consistent with the prior period policy.

### 1) Market risk

The Group is mainly exposed to financial risks arising from changes in foreign exchange rates and interest rates. Accordingly, the Group uses financial derivative contracts to hedge and to manage its interest rate risk and foreign currency risk.

#### a) Foreign exchange risk management

The Group is exposed to various foreign exchange risks by making transactions in foreign currencies. The Group is mainly exposed to foreign exchange risk in USD, EUR, JPY and others

The Group manages foreign exchange risk by matching the inflow and the outflow of foreign currencies according to each currency and maturity, and by adjusting the foreign currency settlement date based on its exchange rate forecast. The Group uses foreign exchange derivatives, such as currency forward, currency swap, and currency option; as hedging instruments. However, speculative foreign exchange trade on derivative financial instruments is prohibited.

Sensitivity analysis for a 5% change in exchange rate of the functional currency against each foreign currency on profit before income tax as of December 31, 2019 is as follows.

| Foreign Currency | Foreign Exchange Rate Sensitivity |                |
|------------------|-----------------------------------|----------------|
|                  | Increase by 5%                    | Decrease by 5% |
|                  | (In millions of Korean Won)       |                |
| USD              | ₩ 1,315                           | ₩ (1,315)      |
| EUR              | (20,852)                          | 20,852         |
| JPY              | (8,319)                           | 8,319          |

#### b) Interest rate risk management

The Group has borrowings with fixed or variable interest rates. Also, the Group is exposed to interest rate risk arising from financial instruments with variable interest rates. To manage the interest rate risk, the Group maintains an appropriate balance between borrowings with fixed and variable interest rates for short-term borrowings and has a policy to borrow funds with fixed interest rates to avoid the future cash flow fluctuation risk for long-term debt if possible. The Group manages its interest rate risk through regular assessments of the change in market conditions and the adjustments in nature of its interest rates.

Sensitivity analysis for a 1% change in interest rates on profit before income tax as of December 31, 2019 is as follows.

| Accounts                                       | Interest Rate Sensitivity   |                |
|--|-----------------------------|----------------|
|  | Increase by 1%              | Decrease by 1% |
|  | (In millions of Korean Won) |                |
| Cash and cash equivalents                      | ₩ 18,739                    | ₩ (18,739)     |
| Financial assets measured at FVPL              | (6,606)                     | 6,944          |
| Short-term and long-term financial instruments | 6,779                       | (6,779)        |
| Borrowings and debentures                      | (128,245)                   | 128,245        |

The Company's subsidiaries, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., that are operating financial business, are managing interest rate risk by utilizing value at risk (VaR). VaR is defined as a threshold value which is a statistical estimate of the maximum potential loss based on normal distribution. As of December 31, 2019 and December 31, 2018, the amounts of interest rate risk measured at VaR are ₩159,980 million and ₩134,366 million, respectively.

### c) Price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of December 31, 2019, the amounts of financial assets measured at FVTPL and financial assets measured at FVOCI are ₩94,656 million and ₩1,917,496 million, respectively.

### 2) Credit risk

The Group is exposed to credit risk when a counterparty defaults on its contractual obligation resulting in a financial loss for the Group. The Group operates a policy to transact with counterparties who only meet a certain level of credit rating which was evaluated based on the counterparty's financial conditions, default history, and other factors. The credit risk in the liquid funds and derivative financial instruments is limited as the Group transacts only with financial institutions with high credit-ratings assigned by international credit-rating agencies. Except for the guarantee of indebtedness discussed in Note 39, the book value of financial assets in the consolidated financial statements represents the maximum amounts of exposure to credit risk. In addition, the Company's subsidiaries, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., that are operating financial business, assesses their credit stability according to their internal credit ratings and manage credit risk concentrations by debtor. As of December 31, 2019, credit risk concentrations are 91% for households and 9% for companies.

### 3) Liquidity risk

The Group manages liquidity risk based on maturity profile of its funding. The Group analyses and reviews actual cash outflow and its budget to match the maturity of its financial liabilities to that of its financial assets.

The Group retains an appropriate level of deposit to cope with uncertainty caused by the inherent nature of the industry which is sensitive to economic fluctuation and to invest in R&D constantly.

In addition, the Group has agreements with financial institutions related to trade financing and overdraft to mitigate any significant unexpected market deterioration. Also, the Group continues to strengthen its credit rates to secure a stable financing capability.

The Group's maturity analysis of its non-derivative liabilities according to their remaining contract period before expiration as of December 31, 2019 is as follows.

| Description                      | Remaining contract period   |   |                       | Total        |
|----------------------------------|-----------------------------|---|-----------------------|--------------|
|                                  | Not later than one year     | Later than one year and not later than five years | Later than five years |              |
|                                  | (In millions of Korean Won) |   |                       |              |
| Non-interest-bearing liabilities | ₩ 14,533,075                | ₩ 647,504   | ₩ 226,206             | ₩ 15,406,785 |
| Interest-bearing liabilities     | 30,099,101                  | 49,814,632  | 6,751,232             | 86,664,965   |
| Financial guarantee              | 1,123,035                   | 18,649  | 10,278                | 1,151,962    |

The maturity analysis is based on the non-discounted cash flows and the earliest maturity date at which payments, i.e. both principal and interest, should be made.

### (3) Derivative instruments

The Group enters into derivative instrument contracts such as currency forwards, currency options, currency swaps and interest swaps to hedge its exposure to changes in foreign exchange rate.

As of December 31, 2019 and December 31, 2018, the Group recognized an accumulative net loss of ₩28,383 million and ₩62,953 million, respectively, in accumulated other comprehensive loss, for effective cash flow hedging instruments.



The longest period in which the forecasted transactions are expected to occur is within 117 months as of December 31, 2019.

For the years ended December 31, 2019 and 2018, the Group recognized a net profit of ₩240,206 million and ₩206,019 million in profit or loss (before tax), respectively, which resulted from the ineffective portion of its cash flow hedging instruments and changes in the valuation of its other non-hedging derivative instruments.

In addition, the Company's subsidiaries, Hyundai Card Co. Ltd. and Hyundai Capital Services, Inc., that are operating financial business, use interest rate swaps and currency swaps to hedge the risks of future cash flows, which related to borrowings, debentures and others, due to market interest rate fluctuations and exchange rate fluctuations. As of December 31, 2019, the average hedge ratio is 100%.

### 38. RELATED-PARTY AND OTHER TRANSACTIONS:

The transactions and balances of receivables and payables within the Group are wholly eliminated in the preparation of consolidated financial statements of the Group.

- (1) For the year ended December 31, 2019, significant transactions arising from operations between the Group and related parties or affiliates by the Monopoly Regulation and Fair Trade Act of the Republic of Korea ("the Act") are as follows.

| Description   |                               | Sales/proceeds |           | Purchases/expenses |          |
|---|-------------------------------|----------------|-----------|--------------------|----------|
|   |                               | Sales          | Others    | Purchases          | Others   |
| (In millions of Korean Won)   |                               |                |           |                    |          |
| Entity with significant influence over the Company and its subsidiaries | Hyundai MOBIS Co., Ltd.       | ₩ 967,724      | ₩ 13,997  | ₩ 7,026,246        | ₩ 69,854 |
|   | Mobis Alabama, LLC            | 179,952        | 4,220     | 1,463,259          | 16,521   |
|   | Mobis Automotive Czech s.r.o. | -              | 514       | 1,499,675          | 7,228    |
|   | Mobis India, Ltd.             | 12,279         | 6,002     | 1,144,736          | 21,526   |
|   | Mobis Parts America, LLC      | 59,520         | 3,399     | 962,301            | 696      |
|   | Mobis Module CIS, LLC.        | -              | 338       | 432,428            | -        |
|   | Mobis Parts Europe N.V.       | 17,522         | 5,499     | 409,133            | -        |
|   | Others                        | 33,630         | 2,136     | 1,009,179          | 23,024   |
| Joint ventures and associates   | Kia Motors Corporation        | 1,090,223      | 667,705   | 168,907            | 688,919  |
|   | Kia Motors Russia LLC.        | 1,136,574      | -         | -                  | -        |
|   | Kia Motors Slovakia s.r.o.    | 122,710        | 252       | 488,346            | -        |
|   | Kia Motors Mexico S.A de C.V. | 97             | 12,876    | 528,950            | -        |
|   | BHMC                          | 452,376        | 31,523    | 144,335            | -        |
|   | HMGC                          | 2,994          | 16        | 59,639             | 44,847   |
|   | Hyundai WIA Corporation       | 139,092        | 2,314     | 1,258,211          | 48,576   |
| Others  | 965,766                       | 57,385         | 3,833,178 | 1,901,640          |          |
| Other related parties   | 8,124                         | 5,894          | 98        | 5                  |          |
| Affiliates by the Act   | 1,158,010                     | 182,994        | 7,559,328 | 1,148,542          |          |

For the year ended December 31, 2018, significant transactions arising from operations between the Group and related parties or affiliates by the Act are as follows.

| Description   | Sales/proceeds                |           | Purchases/expenses |             |           |
|---|-------------------------------|-----------|--------------------|-------------|-----------|
|   | Sales                         | Others    | Purchases          | Others      |           |
| (In millions of Korean Won)   |                               |           |                    |             |           |
| Entity with significant influence over the Company and its subsidiaries | Hyundai MOBIS Co., Ltd.       | ₩ 855,899 | ₩ 11,882           | ₩ 5,779,338 | ₩ 63,730  |
|   | Mobis Alabama, LLC            | 150,932   | -                  | 1,170,562   | 11,510    |
|   | Mobis Automotive Czech s.r.o. | -         | 650                | 1,595,879   | 12,925    |
|   | Mobis India, Ltd.             | 9,309     | 2,547              | 1,089,584   | 5,076     |
|   | Mobis Parts America, LLC      | 36,758    | 3,091              | 784,401     | 647       |
|   | Mobis Module CIS, LLC         | -         | 332                | 413,903     | -         |
|   | Mobis Parts Europe N.V.       | 16,954    | 882                | 400,752     | 33        |
|   | Others                        | 25,819    | 1,991              | 953,435     | 17,171    |
| Joint ventures and associates   | Kia Motors Corporation        | 1,232,262 | 648,081            | 179,658     | 505,812   |
|   | Kia Motors Russia LLC.        | 1,064,764 | -                  | -           | -         |
|   | Kia Motors Slovakia s.r.o.    | 119,781   | 79                 | 563,662     | -         |
|   | Kia Motors Mexico S.A de C.V. | 1,048     | 4,359              | 658,066     | -         |
|   | BHMC                          | 461,444   | 46,526             | 36,535      | -         |
|   | HMGC                          | 3,032     | -                  | 12,886      | 14,654    |
|   | Hyundai WIA Corporation       | 265,199   | 2,622              | 1,368,294   | 3,870     |
|   | Others                        | 896,981   | 51,195             | 3,425,538   | 1,775,624 |
| Other related parties   |                               | 2,454     | 6,307              | 114         | 5         |
| Affiliates by the Act   |                               | 948,967   | 162,448            | 7,017,992   | 1,357,505 |

(2) As of December 31, 2019, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows.

| Description   | Receivables (*1,2)                  |                              | Payables                         |                           |           |
|---|-------------------------------------|------------------------------|----------------------------------|---------------------------|-----------|
|   | Trade notes and accounts receivable | Other receivables and others | Trade notes and accounts payable | Other payables and others |           |
| (In millions of Korean Won)   |                                     |                              |                                  |                           |           |
| Entity with significant influence over the Company and its subsidiaries | Hyundai MOBIS Co., Ltd.             | ₩ 180,627                    | ₩ 8,774                          | ₩ 1,240,307               | ₩ 260,458 |
|   | Mobis Alabama, LLC                  | 6,835                        | -                                | 112,964                   | 12        |
|   | Mobis Automotive Czech s.r.o.       | -                            | 369                              | 110,024                   | -         |
|   | Mobis India, Ltd.                   | 3,381                        | -                                | 118,413                   | 2         |
|   | Mobis Parts America, LLC            | 14,033                       | 89                               | 85,048                    | -         |
|   | Mobis Module CIS, LLC               | -                            | 36                               | 32,457                    | -         |
|   | Mobis Parts Europe N.V.             | 1,671                        | 3,033                            | 32,294                    | -         |
|   | Others                              | 5,709                        | 719                              | 78,094                    | 4,187     |
| Joint ventures and associates   | Kia Motors Corporation              | 467,458                      | 325,290                          | 46,735                    | 175,515   |
|   | Kia Motors Russia LLC.              | 145,459                      | 326                              | -                         | -         |
|   | Kia Motors Slovakia s.r.o.          | 8,312                        | 1,028                            | 30,354                    | 89        |
|   | Kia Motors Mexico S.A de C.V.       | 33                           | 4,645                            | 77,306                    | 366       |
|   | Kia Motors America, Inc.            | -                            | 84,127                           | 1,275                     | 20,455    |
|   | BHMC                                | 156,728                      | 76,174                           | 6,215                     | 820       |
|   | HMGC                                | 16                           | 19,894                           | 6,957                     | 37,188    |
|   | Hyundai WIA Corporation             | 28,289                       | 14,729                           | 151,717                   | 55,728    |
|   | Others                              | 302,208                      | 115,063                          | 492,506                   | 695,803   |
| Other related parties   |                                     | 87                           | 520                              | 10                        | 1         |
| Affiliates by the Act   |                                     | 214,074                      | 78,281                           | 845,699                   | 344,282   |

(\*1) The Group has recognized the loss allowance for the related parties' receivables in the amount of ₩26,889 million as of December 31, 2019 and the impairment loss is recognized in the amount of ₩1,895 million for the year ended December 31, 2019.

(\*2) As of December 31, 2019, outstanding payment of ₩21,227 million of corporate purchase card agreement provided by Hyundai Card Co., Ltd. is included. For the year ended December 31, 2019, amount used and repayment of agreement are ₩307,706 million and ₩304,492 million, respectively.

As of December 31, 2018, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows.

| Description   | Receivables (*1,2)                  |                              | Payables                         |                           |           |
|---|-------------------------------------|------------------------------|----------------------------------|---------------------------|-----------|
|   | Trade notes and accounts receivable | Other receivables and others | Trade notes and accounts payable | Other payables and others |           |
|   | (In millions of Korean Won)         |                              |                                  |                           |           |
| Entity with significant influence over the Company and its subsidiaries | Hyundai MOBIS Co., Ltd.             | ₩ 157,633                    | ₩ 11,050                         | ₩ 1,161,047               | ₩ 279,775 |
|   | Mobis Alabama, LLC                  | 13,694                       | -                                | 97,661                    | 33        |
|   | Mobis Automotive Czech s.r.o.       | 2                            | 210                              | 128,210                   | -         |
|   | Mobis India, Ltd.                   | 1,061                        | 3                                | 148,002                   | 15        |
|   | Mobis Parts America, LLC            | 7,568                        | 93                               | 64,274                    | -         |
|   | Mobis Module CIS, LLC               | -                            | 33                               | 39,281                    | -         |
|   | Mobis Parts Europe N.V.             | 1,671                        | 3,317                            | 42,412                    | -         |
|   | Others                              | 4,152                        | 143                              | 61,323                    | 4,770     |
| Joint ventures and associates   | Kia Motors Corporation              | 358,664                      | 313,353                          | 36,681                    | 178,582   |
|   | Kia Motors Russia LLC               | 104,433                      | 103                              | -                         | -         |
|   | Kia Motors Slovakia s.r.o.          | 9,253                        | 131                              | 20,711                    | 282       |
|   | Kia Motors Mexico S.A de C.V.       | 80                           | 13,981                           | 123,784                   | 827       |
|   | Kia Motors America, Inc.            | -                            | 77,713                           | 1,212                     | 19,478    |
|   | BHMC                                | 170,547                      | 62,236                           | -                         | 30        |
|   | HMGC                                | -                            | 13,021                           | 8,716                     | 6,619     |
|   | Hyundai WIA Corporation             | 34,382                       | 17,306                           | 189,044                   | 71,059    |
|   | Others                              | 230,506                      | 106,395                          | 393,649                   | 738,903   |
| Other related parties   |                                     | 404                          | 558                              | 9                         | 2         |
| Affiliates by the Act   |                                     | 223,834                      | 25,370                           | 928,550                   | 333,227   |

(\*1) The Group has recognised the loss allowance for the related parties' receivables in the amount of ₩24,993 million as of December 31, 2018 and the impairment loss is recognised in the amount of ₩2,974 million for the year ended December 31, 2018.

(\*2) As of December 31, 2018, outstanding payment of ₩18,013 million of corporate purchase card agreement provided by Hyundai Card Co., Ltd. is included. For the year ended December 31, 2018, amount used and repayment of agreement are ₩283,929 million and ₩278,863 million, respectively.

(3) Significant fund transactions and equity contribution transactions for the year ended December 31, 2019, between the Group and related parties are as follows.

| Description                   | Loans                          |            | Borrowings |           | Equity contribution         |
|-------------------------------|--------------------------------|------------|------------|-----------|-----------------------------|
|                               | Lending                        | Collection | Borrowing  | Repayment |                             |
|                               | (In thousands of Chinese Yuan) |            |            |           | (In millions of Korean won) |
| Joint ventures and associates | CNY 40,000                     | -          | -          | -         | ₩ 588,541                   |

Significant fund transactions and equity contribution transactions for the year ended December 31, 2018, between the Group and related parties are as follows.

| Description                   | Loans                          |            | Borrowings |           | Equity contribution         |
|-------------------------------|--------------------------------|------------|------------|-----------|-----------------------------|
|                               | Lending                        | Collection | Borrowing  | Repayment |                             |
|                               | (In thousands of Chinese Yuan) |            |            |           | (In millions of Korean won) |
| Joint ventures and associates | CNY 80,000                     | -          | -          | -         | ₩ 61,772                    |

For the years ended December 31, 2019 and 2018, the Group received dividends of ₩182,613 million and ₩168,811 million from related parties and affiliates by the Act, respectively and paid dividends of ₩277,504 million and ₩272,961 million to related parties, respectively. During 2019, the Group traded in other financial assets and others of ₩2,907,400 million with HYUNDAI MOTOR SECURITIES Co., Ltd., an associate of the Group. The Group has other financial assets of ₩1,120,000 million in the consolidated statement of financial position as of December 31, 2019.

- (4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the years ended December 31, 2019 and 2018 are as follows.

| Description                  | 2019                        |         | 2018 |         |
|------------------------------|-----------------------------|---------|------|---------|
|                              | (In millions of Korean Won) |         |      |         |
| Short-term employee salaries | ₩                           | 274,556 | ₩    | 218,620 |
| Retirement benefit costs     |                             | 47,280  |      | 34,087  |
| Other long-term benefits     |                             | 1,147   |      | 606     |
|                              | ₩                           | 322,983 | ₩    | 253,313 |

- (5) For the year ended December 31, 2019, the Group offer payment guarantee to related parties and affiliates by the Act.

### **39. COMMITMENTS AND CONTINGENCIES:**

- (1) As of December 31, 2019, the debt guarantees provided by the Group, excluding the ones provided to the Company's subsidiaries are as follows.

| Description   | Domestic                    |         | Overseas (*) |           |
|---------------|-----------------------------|---------|--------------|-----------|
|               | (In millions of Korean Won) |         |              |           |
| To associates | ₩                           | 128,050 | ₩            | 195,831   |
| To others     |                             | 16,493  |              | 998,123   |
|               | ₩                           | 144,543 | ₩            | 1,193,954 |

- (\*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of December 31, 2019.
- (2) As of December 31, 2019, the Group is involved in domestic and foreign lawsuits as a defendant. In addition, the Group is involved in lawsuits for product liabilities and others. The Group obtains insurance for potential losses which may result from product liabilities and other lawsuits. In addition, as of December 31, 2019, the Group is under investigation by related authorities in relation to the theta 2 engine recall, and its results and impacts are unpredictable. Meanwhile, as of December 31, 2019, the Group is currently involved in lawsuits for ordinary wage, which relates to disputes over whether certain elements of remuneration shall be included in the earnings used for the purposes of calculating overtime, allowances for unused annual paid leave and retirement benefits, and unable to estimate the outcome or the potential consolidated financial impact.
- (3) As of December 31, 2019, a substantial portion of the Group's PP&E is pledged as collateral for various loans and leasehold deposits up to ₩765,375 million. In addition, the Group pledged certain bank deposits, checks and promissory notes, including 213,466 shares of Kia Motors Corporation, as collateral to financial institutions and others. Certain receivables held by the Company's foreign subsidiaries, such as financial services receivables are pledged as collateral for their borrowings.
- (4) As of December 31, 2019, the Group has overdrafts, general loans, and trade-financing agreements with numerous financial institutions including Kookmin Bank, with a combined limit of up to USD 24,600 million, and ₩6,222,800 million.
- (5) As of December 31, 2019, Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd. have entered into agreements for certain borrowings including trigger clauses for the purpose of credit enhancement. If the credit rating of Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd. falls below a certain level, this may result in early repayment of the borrowings or termination of the contracts.
- (6) As of December 31, 2019, Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd., the subsidiaries of the Company are able to exercise the priority purchasing rights for the leased office building when the lessor wants to sell the building or after 4 years and 5 months from the lease contract commencement date.
- (7) As of December 31, 2019, the Company entered into a total return swap contract for stocks of Hyundai Capital Services, Inc., the subsidiary of the Company, held by other investors of a third parties.

- (8) As of December 31, 2019, the Company has a shareholder agreement with investors of third parties regarding shares of Hyundai card Co., Ltd. and Hyundai Commercial Inc. This includes the Call options that allow the Company to buy shares from the investors and the Put options that allow the investors to dispose of the shares to the Company.
- (9) The Company entered into an agreement to invest ₩1,408,220 million in the construction of new Global Business Centre (GBC). As of December 31, 2019, the Company has recognized relevant liability in the amount of ₩950,745 million in accordance with the agreement with the Seoul government to implement public contributions relating to the new construction project.
- (10) Financial instruments with limited use as of December 2019 and 2018, are as follows.

| Description                                    | December 31, 2019           |           | December 31, 2018 |           |
|--|-----------------------------|-----------|-------------------|-----------|
|  | (In millions of Korean Won) |           |                   |           |
| Short-term and long-term financial instruments | ₩                           | 959,783   | ₩                 | 936,606   |
| Cash and cash equivalents                      |                             | 173,602   |                   | 329,296   |
| Other financial assets                         |                             | 7,963     |                   | 7,770     |
|  | ₩                           | 1,141,348 | ₩                 | 1,273,672 |

#### 40. SEGMENT INFORMATION:

- (1) The Group has vehicle segment, finance segment and other segments. The vehicle segment is engaged in the manufacturing and sale of motor vehicles. The finance segment operates vehicle financing, credit card processing and other financing activities. Others segment includes the R&D, train manufacturing and other activities.
- (2) Sales and operating profit by operating segments for the years ended December 31, 2019 and 2018 are as follows.

|                        | For the year ended December 31, 2019 |              |             |                           |               |
|------------------------|--------------------------------------|--------------|-------------|---------------------------|---------------|
|                        | Vehicle                              | Finance      | Others      | Consolidation adjustments | Total         |
|                        | (In millions of Korean Won)          |              |             |                           |               |
| Total sales            | ₩ 127,898,539                        | ₩ 16,735,027 | ₩ 8,794,298 | ₩ (47,681,442)            | ₩ 105,746,422 |
| Inter-company sales(*) | (45,411,843)                         | (708,571)    | (1,561,028) | 47,681,442                | -             |
| Net sales              | 82,486,696                           | 16,026,456   | 7,233,270   | -                         | 105,746,422   |
| Operating profit       | 2,618,009                            | 887,983      | 99,471      | 42                        | 3,605,505     |

(\*) Inter-company sales include inter-segment sales within the Group.

|                        | For the year ended December 31, 2018 |              |             |                           |              |
|------------------------|--------------------------------------|--------------|-------------|---------------------------|--------------|
|                        | Vehicle                              | Finance      | Others      | Consolidation adjustments | Total        |
|                        | (In millions of Korean Won)          |              |             |                           |              |
| Total sales            | ₩ 114,448,752                        | ₩ 15,284,427 | ₩ 7,954,215 | ₩ (40,874,785)            | ₩ 96,812,609 |
| Inter-company sales(*) | (39,183,338)                         | (326,223)    | (1,365,224) | 40,874,785                | -            |
| Net sales              | 75,265,414                           | 14,958,204   | 6,588,991   | -                         | 96,812,609   |
| Operating profit       | 1,062,241                            | 746,612      | 105,295     | 508,017                   | 2,422,165    |

(\*) Inter-company sales include inter-segment sales within the Group.

(3) Assets and liabilities by operating segments as of December 31, 2019 are as follows.

|                           | December 31, 2019           |              |             |                           |               |
|---------------------------|-----------------------------|--------------|-------------|---------------------------|---------------|
|                           | Vehicle                     | Finance      | Others      | Consolidation adjustments | Total         |
|                           | (In millions of Korean Won) |              |             |                           |               |
| Total assets              | ₩ 107,555,519               | ₩ 93,803,198 | ₩ 8,541,669 | ₩ (15,388,166)            | ₩ 194,512,220 |
| Total liabilities         | 42,249,145                  | 80,509,835   | 5,579,715   | (10,192,229)              | 118,146,466   |
| Borrowings and debentures | 7,628,244                   | 72,788,608   | 2,776,867   | (1,821,566)               | 81,372,153    |

Assets and liabilities by operating segments as of December 31, 2018 are as follows.

|                           | December 31, 2018           |              |             |                           |               |
|---------------------------|-----------------------------|--------------|-------------|---------------------------|---------------|
|                           | Vehicle                     | Finance      | Others      | Consolidation adjustments | Total         |
|                           | (In millions of Korean Won) |              |             |                           |               |
| Total assets              | ₩ 100,302,183               | ₩ 85,725,929 | ₩ 7,930,963 | ₩ (13,303,323)            | ₩ 180,655,752 |
| Total liabilities         | 36,885,305                  | 73,323,028   | 5,041,081   | (8,489,672)               | 106,759,742   |
| Borrowings and debentures | 6,995,268                   | 65,215,856   | 2,547,523   | (1,462,506)               | 73,296,141    |

(4) Sales by region based on where the Group's entities are located in for the years ended December 31, 2019 and 2018 are as follows.

|                     | For the year ended December 31, 2019 |               |              |              |             |                           |               |
|---------------------|--------------------------------------|---------------|--------------|--------------|-------------|---------------------------|---------------|
|                     | Korea                                | North America | Asia         | Europe       | Others      | Consolidation adjustments | Total         |
|                     | (In millions of Korean Won)          |               |              |              |             |                           |               |
| Total sales         | ₩ 60,224,554                         | ₩ 44,037,504  | ₩ 10,648,377 | ₩ 35,586,939 | ₩ 2,930,490 | ₩ (47,681,442)            | ₩ 105,746,422 |
| Inter-company sales | (22,356,765)                         | (8,066,819)   | (407,565)    | (16,850,142) | (151)       | 47,681,442                | -             |
| Net sales           | 37,867,789                           | 35,970,685    | 10,240,812   | 18,736,797   | 2,930,339   | -                         | 105,746,422   |

  

|                     | For the year ended December 31, 2018 |               |             |              |             |                           |              |
|---------------------|--------------------------------------|---------------|-------------|--------------|-------------|---------------------------|--------------|
|                     | Korea                                | North America | Asia        | Europe       | Others      | Consolidation adjustments | Total        |
|                     | (In millions of Korean Won)          |               |             |              |             |                           |              |
| Total sales         | ₩ 53,587,031                         | ₩ 37,500,229  | ₩ 9,787,259 | ₩ 33,959,206 | ₩ 2,853,669 | ₩ (40,874,785)            | ₩ 96,812,609 |
| Inter-company sales | (16,835,175)                         | (6,791,173)   | (461,954)   | (16,786,135) | (348)       | 40,874,785                | -            |
| Net sales           | 36,751,856                           | 30,709,056    | 9,325,305   | 17,173,071   | 2,853,321   | -                         | 96,812,609   |

(5) Non-current assets by region where the Group's entities are located in as of December 31, 2019 and December 31, 2018 are as follows.

| Description               | December 31,                |              |
|---------------------------|-----------------------------|--------------|
|                           | 2019                        | 2018         |
|                           | (In millions of Korean Won) |              |
| Korea                     | ₩ 32,022,342                | ₩ 30,267,888 |
| North America             | 2,588,893                   | 2,175,054    |
| Asia                      | 1,527,181                   | 1,106,064    |
| Europe                    | 1,962,133                   | 1,891,626    |
| Others                    | 449,771                     | 410,601      |
|                           | 38,550,320                  | 35,851,233   |
| Consolidation adjustments | (280,806)                   | (194,908)    |
| Total (*)                 | ₩ 38,269,514                | ₩ 35,656,325 |

(\*) Total amount is the same as summation of PP&E, intangible assets and Investment properties.

(6) There is no single external customer who represents 10% or more of the Group's revenue for the years ended December 31, 2019 and 2018.

#### 41. CONSTRUCTION CONTRACTS:

- (1) Cost, income and loss and claimed construction from construction in progress as of December 31, 2019 and December 31, 2018 are as follows.

| Description                         | December 31,                | December 31, |
|-------------------------------------|-----------------------------|--------------|
|                                     | 2019                        | 2018         |
|                                     | (In millions of Korean Won) |              |
| Accumulated cost                    | ₩ 10,298,750                | ₩ 9,305,321  |
| Accumulated income                  | 271,874                     | 591,321      |
| Accumulated construction in process | 10,570,624                  | 9,896,642    |
| Progress billing                    | 10,175,567                  | 9,331,926    |
| Due from customers                  | 1,171,029                   | 1,110,972    |
| Due to customers                    | 775,972                     | 546,256      |
| Reserve (*)                         | 95,404                      | 71,729       |

(\*) Reserve is recognised as long-term trade notes and accounts receivable in the consolidated financial statements.

- (2) Effects on profit or loss of current and future periods, due from customers related to changes in accounting estimates of total contract revenue and total contract costs of ongoing contracts of Hyundai Rotem, a subsidiary of the Company, as of December 31, 2019 are as follows.

| Description   | December 31, 2019           |
|---|-----------------------------|
|   | (In millions of Korean Won) |
| Changes in accounting estimates of total contract revenue | ₩ 507,421                   |
| Changes in accounting estimates of total contract costs   | 837,223                     |
| Effects on profit or loss of current period               | (325,794)                   |
| Effects on profit or loss of future periods               | (4,008)                     |
| Changes in due from customers                             | (182,127)                   |
| Provision for construction loss                           | 178,923                     |

Effects on profit or loss of current and future periods were calculated with estimated total contract costs and estimated total contract revenue based on factors that are considered to be relevant from commencement of the contract to December 31, 2019. Total contract revenue and costs may change in future periods.

- (3) There is no contract as of December 31, 2019, in which contract revenue has recognized by the proportion of contract costs incurred and has accounted for more than 5% of the Group's revenue in the prior period.

#### 42. SUBSEQUENT EVENTS:

- (1) In January 19, 2020, the Group acquired additional 50% of the share of the Sichuan Hyundai Motor Company (CHMC) which is classified as a joint ventures as of December 31, 2019. Accordingly, it is being reclassified as a subsidiary.
- (2) Hyundai Rotem Company, a subsidiary, announced and executed a restructuring plan to improve management efficiency subsequent to December 31, 2019.
- (3) In March 2020, the board of directors of Hyundai Rotem Company, a subsidiary, reached a resolution to enter into an agreement with Hyundai MOBIS Co., Ltd. for the disposal of land and buildings in Uiwang Research Institute.