

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS
ENDED SEPTEMBER 30, 2019 AND 2018 (Unaudited)**

ATTACHMENT: INDEPENDENT AUDITORS' REVIEW REPORT

HYUNDAI MOTOR COMPANY

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Independent Auditors' Review Report

The Board of Directors and Shareholders
Hyundai Motor Company:

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of Hyundai Motor Company and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position as of September 30, 2019, the condensed consolidated statements of income, comprehensive income for the three-month and nine-month periods ended September 30, 2019, the condensed consolidated statements of changes in equity and cash flows for the nine-month period ended September 30, 2019 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No.1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

We conducted our review in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS No.1034 *Interim Financial Reporting*.

Other matters

The accompanying condensed consolidated statements of income, comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2018, and the condensed consolidated statements of changes in equity and cash flows for the nine-month period ended September 30, 2018 were reviewed by other auditors, whose report thereon dated November 14, 2018, expressed that nothing came to their attention that caused them to believe that those condensed consolidated interim financial statements were not prepared, in all material respects, in accordance with K-IFRS No.1034 *Interim Financial Reporting*.

The consolidated statement of financial position 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, which are not accompanying this report, were audited by other auditors, whose report thereon dated March 6, 2019, expressed an unqualified opinion. The accompanying statement of financial position as of December 31, 2018, presented for comparative purposes, is not different from that audited by other auditors in all material respects.

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

KPMG Samjong Accounting Corp.

Seoul, Korea
November 14, 2019

This report is effective as of November 14, 2019, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review 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 FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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

Main Office Address: (Road Name Address) 12, Heolleung-ro, Seocho-gu, Seoul
(Phone Number) 02-3464-1114

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

ASSETS	NOTES	September 30, 2019	December 31, 2018
(In millions of Korean Won)			
Current assets:			
Cash and cash equivalents	20	₩ 9,208,985	₩ 9,113,625
Short-term financial instruments	20	8,485,879	7,936,319
Other financial assets	5,20	7,922,725	9,755,725
Trade notes and accounts receivable	3,20	4,366,211	3,595,993
Other receivables	4,20	3,231,649	3,291,847
Inventories	6	12,120,367	10,714,858
Current tax assets		92,018	97,271
Financial services receivables	14,20	28,637,446	25,864,589
Non-current assets classified as held for sale	8	-	867,192
Other assets	7,20	1,802,999	1,770,682
Total current assets		75,868,279	73,008,101
Non-current assets:			
Long-term financial instruments	20	697,568	112,394
Other financial assets	5,20	2,834,788	2,223,358
Long-term trade notes and accounts receivable	3,20	114,172	136,777
Other receivables	4,20	784,165	755,088
Property, plant and equipment	9,40	31,184,752	30,545,608
Investment property	10,40	174,450	189,334
Intangible assets	11,40	5,058,956	4,921,383
Investments in joint ventures and associates	13	18,187,395	17,143,239
Deferred tax assets		2,485,709	1,846,330
Financial services receivables	14,20	31,108,672	28,637,075
Operating lease assets	15	21,597,289	20,425,766
Right-of-use assets	2,12	728,819	-
Other assets	7,20	844,868	711,299
Total non-current assets		115,801,603	107,647,651
Total assets		₩ 191,669,882	₩ 180,655,752

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

LIABILITIES AND EQUITY	NOTES	September 30, 2019	December 31, 2018
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	20	₩ 7,511,334	₩ 7,655,630
Other payables	20	4,512,628	5,425,460
Short-term borrowings	16,20	12,355,633	12,249,850
Current portion of long-term debt and debentures	16,20	17,354,746	14,104,927
Income tax payable		468,785	150,802
Provisions	17	3,746,088	3,291,868
Other financial liabilities	18,20	21,095	44,288
Non-current liabilities classified as held for sale	8	-	719,396
Lease liabilities	2,12,20	126,957	-
Other liabilities	19,20	8,160,584	5,796,193
Total current liabilities		54,257,850	49,438,414
Non-current liabilities:			
Long-term other payables	20	21,924	20,319
Debentures	16,20	40,442,729	36,956,114
Long-term debt	16,20	9,514,831	9,985,250
Net defined benefit liabilities	35	331,714	433,247
Provisions	17	3,846,576	3,508,036
Other financial liabilities	18,20	195,699	297,506
Deferred tax liabilities		3,528,142	3,320,346
Lease liabilities	2,12,20	631,984	-
Other liabilities	19,20	2,873,245	2,800,510
Total non-current liabilities		61,386,844	57,321,328
Total liabilities		115,644,694	106,759,742
Equity:			
Capital stock	21	1,488,993	1,488,993
Capital surplus	22	4,194,598	4,201,214
Other capital items	23	(1,389,074)	(1,155,244)
Accumulated other comprehensive loss	24	(1,893,203)	(3,052,198)
Retained earnings	25	67,439,353	66,490,082
Equity related to assets classified as held for sale	8,24	-	1,122
Equity attributable to the owners of the Company		69,840,667	67,973,969
Non-controlling interests		6,184,521	5,922,041
Total equity		76,025,188	73,896,010
Total liabilities and equity		₩ 191,669,882	₩ 180,655,752

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

		2019		2018	
	NOTES	Three-month period ended September 30	Nine-month period ended September 30	Three-month period ended September 30	Nine-month period ended September 30
(In millions of Korean Won, except per share amounts)					
Sales	27,40	₩ 26,968,853	₩ 77,922,285	₩ 24,433,735	₩ 71,582,098
Cost of sales	32	22,540,467	64,958,197	20,741,202	60,495,561
Gross profit		4,428,386	12,964,088	3,692,533	11,086,537
Selling and administrative expenses	28,32	4,049,866	10,522,972	3,403,603	9,165,499
Operating profit		378,520	2,441,116	288,930	1,921,038
Gain on investments in joint ventures and associates, net	29	74,735	442,635	93,883	572,048
Finance income	30	177,833	611,444	244,377	635,572
Finance expenses	30	130,808	396,687	157,416	452,231
Other income	31	362,966	979,346	346,163	725,634
Other expenses	31,32	434,230	1,046,051	453,640	985,048
Profit before income tax		429,016	3,031,803	362,297	2,417,013
Income tax expense (benefit)	34	(31,483)	618,223	56,345	568,699
Profit for the period		₩ 460,499	₩ 2,413,580	₩ 305,952	₩ 1,848,314
Profit attributable to:					
Owners of the Company		426,911	2,175,648	269,245	1,637,858
Non-controlling interests		33,588	237,932	36,707	210,456
Earnings per share attributable to the owners of the Company:	33				
Basic earnings per share:					
Common stock		₩ 1,619	₩ 8,252	₩ 1,008	₩ 6,113
1 st preferred stock		₩ 1,631	₩ 8,289	₩ 1,021	₩ 6,149
Diluted earnings per share:					
Common stock		₩ 1,619	₩ 8,252	₩ 1,008	₩ 6,113
1 st preferred stock		₩ 1,631	₩ 8,289	₩ 1,021	₩ 6,149

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

	2019		2018	
	Three-month period ended September 30	Nine-month period ended September 30	Three-month period ended September 30	Nine-month period ended September 30
	(In millions of Korean Won)			
Profit for the period	₩ 460,499	₩ 2,413,580	₩ 305,952	₩ 1,848,314
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss:				
Profit (loss) on financial assets measured at FVOCI, net	(15,387)	3,005	81,343	(34,031)
Remeasurements of defined benefit plans	(13,933)	(21,709)	(5,171)	(4,175)
Changes in retained earnings of equity-accounted investees, net	(101,751)	(142,934)	(19,140)	(20,696)
Changes in share of earnings of equity-accounted investees, net	2,213	16,530	577	(20,382)
	<u>(128,858)</u>	<u>(145,108)</u>	<u>57,609</u>	<u>(79,284)</u>
Items that may be reclassified subsequently to profit or loss:				
Profit (loss) on financial assets measured at FVOCI, net	3,016	14,339	2,084	(3,533)
Gain (loss) on valuation of cash flow hedge derivatives, net	(48,389)	(41,450)	13,612	(119,475)
Changes in share of earnings of equity-accounted investees, net	71,257	353,742	(172,129)	(33,045)
Gain (loss) on foreign currency translation difference for foreign operation, net	251,674	914,568	(262,658)	(25,970)
	<u>277,558</u>	<u>1,241,199</u>	<u>(419,091)</u>	<u>(182,023)</u>
Total other comprehensive income (loss)	<u>148,700</u>	<u>1,096,091</u>	<u>(361,482)</u>	<u>(261,307)</u>
Total comprehensive income (loss)	<u>₩ 609,199</u>	<u>₩ 3,509,671</u>	<u>₩ (55,530)</u>	<u>₩ 1,587,007</u>
Comprehensive income (loss) attributable to:				
Owners of the Company	562,093	3,170,498	(69,143)	1,407,580
Non-controlling interests	47,106	339,173	13,613	179,427
Total comprehensive income (loss)	<u>₩ 609,199</u>	<u>₩ 3,509,671</u>	<u>₩ (55,530)</u>	<u>₩ 1,587,007</u>

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total equity attributable to the owners of the Company	Non- controlling interests	Total equity
	(In millions of Korean Won)							
Balance at 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 accounting standards	-	-	-	(341,354)	207,617	(133,737)	(74,554)	(208,291)
Balances after adjustments	1,488,993	4,201,214	(1,640,096)	(2,620,309)	67,539,945	68,969,747	5,579,316	74,549,063
Comprehensive income:								
Profit for the period	-	-	-	-	1,637,858	1,637,858	210,456	1,848,314
Gain (loss) on financial assets measured at FVOCI, net	-	-	-	(18,873)	(19,442)	(38,315)	751	(37,564)
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(70,476)	-	(70,476)	(48,999)	(119,475)
Changes in valuation of equity-accounted investees, net	-	-	-	(51,201)	(20,696)	(71,897)	(2,226)	(74,123)
Remeasurements of defined benefit plans	-	-	-	-	(2,075)	(2,075)	(2,100)	(4,175)
Gain (loss) on foreign currency translation difference for foreign operation, net	-	-	-	(47,515)	-	(47,515)	21,545	(25,970)
Total comprehensive Income	-	-	-	(188,065)	1,595,645	1,407,580	179,427	1,587,007
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(1,076,734)	(1,076,734)	(50,727)	(1,127,461)
Increase in paid-in capital of subsidiaries by issuing stock	-	-	-	-	-	-	10	10
Acquisitions of investment of subsidiaries	-	-	-	-	-	-	10	10
Purchases of treasury stocks	-	-	(380,206)	-	-	(380,206)	-	(380,206)
Retirement of treasury stocks	-	-	939,586	-	(939,586)	-	-	-
Issue of hybrid bond	-	-	-	-	-	-	299,240	299,240
Others	-	-	-	-	(1,479)	(1,479)	(2,163)	(3,642)
Total transactions with owners, recorded directly in equity	-	-	559,380	-	(2,017,799)	(1,458,419)	246,370	(1,212,049)
Balance at September 30, 2018	₩ 1,488,993	₩ 4,201,214	₩ (1,080,716)	₩ (2,808,374)	₩ 67,117,791	₩ 68,918,908	₩ 6,005,113	₩ 74,924,021

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income (loss)	Retained earnings	Total equity attributable to the owners of the Company	Non- controlling interests	Total equity
	(In millions of Korean Won)							
Balance at 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 income:								
Profit for the period	-	-	-	-	2,175,648	2,175,648	237,932	2,413,580
Gain (loss) on financial assets measured at FVOCI, net	-	-	-	15,679	(1,785)	13,894	3,450	17,344
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(24,944)	-	(24,944)	(16,506)	(41,450)
Changes in valuation of equity-accounted investees, net	-	-	-	355,919	(142,934)	212,985	14,353	227,338
Remeasurements of defined benefit plans	-	-	-	-	(18,304)	(18,304)	(3,405)	(21,709)
Gain on foreign currency translation difference for foreign operation, net	-	-	-	811,219	-	811,219	103,349	914,568
Total comprehensive Income	-	-	-	1,157,873	2,012,625	3,170,498	339,173	3,509,671
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(1,063,331)	(1,063,331)	(58,503)	(1,121,834)
Increase in paid-in capital of subsidiaries by issuing stock	-	-	-	-	-	-	3,238	3,238
Acquisitions of investment of subsidiaries	-	-	-	-	-	-	2,169	2,169
Disposals of investment of subsidiaries	-	-	-	-	-	-	(19,637)	(19,637)
Purchases of treasury stocks	-	-	(233,830)	-	-	(233,830)	-	(233,830)
Others	-	(6,616)	-	-	(23)	(6,639)	(3,960)	(10,599)
Total transactions with owners, recorded directly in equity	-	(6,616)	(233,830)	-	(1,063,354)	(1,303,800)	(76,693)	(1,380,493)
Balance at September 30, 2019	₩ 1,488,993	₩ 4,194,598	₩ (1,389,074)	₩ (1,893,203)	₩ 67,439,353	₩ 69,840,667	₩ 6,184,521	₩ 76,025,188

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

	NOTES	Nine-month period ended September 30,	
		2019	2018
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	36		
Profit for the period		₩ 2,413,580	₩ 1,848,314
Adjustments		11,452,537	9,936,407
Changes in operating assets and liabilities		(10,974,544)	(6,742,539)
		2,891,573	5,042,182
Interest received		523,306	461,802
Interest paid		(1,552,053)	(1,465,523)
Dividend received		204,338	192,260
Income tax paid		(746,587)	(775,386)
Net cash provided by operating activities		1,320,577	3,455,335
Cash flows from investing activities:			
Changes in short-term financial instruments		(1,058,279)	(902,639)
Decreases in other financial assets (current), net		2,017,836	3,312,081
Decreases in other financial assets (non-current)		6,181	125,716
Collection of other receivables		29,124	76,732
Disposals of long-term financial instruments		5,475	1,429
Proceeds from disposals of property, plant and equipment		46,562	83,631
Proceeds from disposals of intangible assets		2,589	1,149
Proceeds from acquisition of investment of subsidiaries		2,169	10
Increases in other financial assets (non-current)		(372,719)	(108,602)
Increases in other receivables		(36,303)	(41,718)
Purchases of long-term financial instruments		(16,925)	(14,119)
Acquisitions of property, plant and equipment		(2,530,397)	(2,175,208)
Acquisitions of intangible assets		(1,047,569)	(981,784)
Acquisitions of investments in joint ventures and associates		(452,666)	(60,727)
Others		52,897	(255)
Net cash used in investing activities		(3,352,025)	(684,304)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

	NOTES	Nine-month period ended September 30,	
		2019	2018
		(In millions of Korean Won)	
Cash flows from financing activities:			
Proceeds from (Repayment of) short-term borrowings, net	₩	610,146	₩ (44,350)
Proceeds from long-term debt and debentures		17,391,834	14,139,960
Proceeds from capital contribution from non-controlling interest		3,238	10
Repayment of long-term debt and debentures		(14,673,176)	(14,883,794)
Repayment of lease liabilities		(120,782)	-
Purchases of treasury stocks		(233,830)	(380,206)
Dividends paid		(1,121,819)	(1,127,452)
Issue of hybrid bond		-	299,240
Others		(64,014)	(82,070)
Net cash provided by (used in) financing activities		<u>1,791,597</u>	<u>(2,078,662)</u>
Decrease due to transfer to assets classified as held for sale		-	(84,270)
Net increase in cash due to changes in the scope of the consolidation		-	2,090
Effect of exchange rate changes on cash and cash equivalents		335,211	(95,290)
Net increase in cash and cash equivalents		95,360	514,899
Cash and cash equivalents, beginning of the period		<u>9,113,625</u>	<u>8,821,529</u>
Cash and cash equivalents, end of the period	₩	<u>9,208,985</u>	₩ <u>9,336,428</u>
(Concluded)			

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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 1974, and the Global Depositary Receipts issued by the Company have been listed on the London Stock Exchange and Luxembourg Stock Exchange.

As of September 30, 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 Company’s consolidated subsidiaries as of September 30, 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%
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%, HCCA Funding Inc. 0.01%
HCCA Funding Inc.	"	"	100.00%	HCLI 100.00%
Hyundai Motor India Limited (HMI)	Manufacturing	India	100.00%	
Hyundai Motor India Engineering Private Limited (HMIE)	R&D	"	100.00%	HMI 100.00%

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
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	Japan	100.00%	
Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	China	100.00%	
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)	Sales	Indonesia	100.00%	
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%, HMMR 1%
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 EUrotam Mahmutbey Projesi ORTAK GIRISIMI	"	"	100.00%	Hyundai Rotem 85.00%, Hyundai EURotem A.S. 15.00%

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
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	"	Germany	100.00%	
Hyundai Motor DE Mexico S DE RL DE CV (HMM)	"	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	"	72.00%	
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	"	HongKong	69.00%	
Autopia Fifty-seventh ~ Sixty-senventh Asset Securitization Specialty Company (*1)	Financing	Korea	0.50%	Hyundai Capital Services 0.50%
Super Series second ~ seventh Securitization Specialty Co., Ltd. (*1)	"	"	0.50%	Hyundai Card 0.50%
Bluewalnut Co., Ltd.	"	"	100.00%	Hyundai Card 100.00%
Hyundai CHA Funding, LLC	"	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 substantial control over the entities by virtue of an agreement 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 company for the nine-month period ended September 30, 2019.

- (2) Summarized financial position and results of operations of the Company's major consolidated subsidiaries as of and for the nine-month period ended September 30, 2019 are as follows.

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
(In millions of Korean Won)				
Hyundai Capital Services, Inc. (*)	₩ 31,919,223	₩ 27,574,068	₩ 2,538,639	₩ 301,306
Hyundai Card Co., Ltd. (*)	16,777,775	13,503,017	1,835,129	151,819
Hyundai Rotem Company (*)	4,041,509	3,106,512	1,859,353	(167,302)
Hyundai KEFICO Corporation (*)	1,960,599	1,280,083	1,546,000	56,257
HCA (*)	41,637,549	36,678,375	8,211,412	178,290
HMA (*)	7,621,157	6,372,990	12,976,497	(87,503)
HMMA	5,066,065	2,488,097	5,874,743	(242,664)
HMI (*)	3,826,576	1,689,936	5,456,778	346,692
HMMC	3,759,735	1,695,626	4,808,720	369,254
HME (*)	2,090,090	2,054,626	7,501,230	7,444
HMMR	1,552,578	780,387	2,372,349	117,289
HACC (*)	1,443,605	845,369	2,598,969	33,143
HAOSVT	1,366,497	932,534	1,805,170	39,740
HMB	1,286,037	884,975	1,698,198	(22,919)
HMCA	731,243	574,736	1,326,206	5,728

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

Summarized financial position and results of operations of the Company's major consolidated subsidiaries as of and for the nine-month period ended September 30, 2018 are as follows.

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
(In millions of Korean Won)				
Hyundai Capital Services, Inc. (*)	₩ 29,795,313	₩ 25,689,392	₩ 2,321,794	₩ 259,768
Hyundai Card Co., Ltd. (*)	16,621,906	13,446,583	2,235,974	127,847
Hyundai Rotem Company (*)	3,892,448	2,546,050	1,754,811	(63,715)
Hyundai KEFICO Corporation (*)	1,691,228	1,066,699	1,369,061	37,021
HCA (*)	37,507,342	33,095,026	7,370,313	163,531
HMA(*)	6,349,192	5,071,680	10,891,334	(310,111)
HMMA	4,615,640	2,052,044	4,806,172	(43,880)
HMMC	3,700,170	1,649,094	4,801,502	278,740
HMI (*)	3,392,526	1,428,736	5,131,462	337,161
HME (*)	1,500,184	1,473,244	6,949,859	4,385
HMMR	1,450,757	864,778	2,169,330	114,115
HAOSVT	1,448,464	1,130,695	2,145,447	(61,096)
HACC (*)	1,145,451	674,267	2,071,829	(19,637)
HMB	1,137,604	716,939	1,616,312	85,727
HMCA	720,260	562,172	1,418,778	2,486

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

- (3) The financial statements of all subsidiaries, which are 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 for the nine-month period ended September 30, 2019 are as follows.

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
(In millions of Korean Won)			
Cash flows from (used in) operating activities	₩ (1,477,064)	₩ (326,535)	₩ (219,498)
Cash flows from (used in) investing activities	(95,012)	(25,639)	(9,777)
Cash flows from financing activities	1,570,591	435,325	166,839
Effect of exchange rate changes on cash and cash equivalents	-	(272)	(2,118)
Net increase (decrease) in cash and cash equivalents	₩ (1,485)	₩ 82,879	₩ (64,554)

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group for the nine-month period ended September 30, 2018 are as follows.

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
(In millions of Korean Won)			
Cash flows from (used in) operating activities	₩ (1,295,319)	₩ 176,769	₩ (112,195)
Cash flows from (used in) investing activities	(43,737)	(49,284)	(14,971)
Cash flows from (used in) financing activities	1,976,044	713,192	(110,748)
Effect of exchange rate changes on cash and cash equivalents	-	-	(1,638)
Net increase in cash due to changes in the scope of the consolidation	-	-	2,090
Decrease due to transfer to assets classified as held for sale	(84,270)	-	-
Net increase (decrease) in cash and cash equivalents	₩ 552,718	₩ 840,677	₩ (237,462)

- (5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of and for nine-month period ended September 30, 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	₩ 1,757,271	₩ 2,168,674	₩ 587,756
Profit (loss) attributable to non-controlling interests	120,295	95,712	(97,261)
Dividends paid to non-controlling interests	35,200	26,471	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) Changes in consolidated subsidiaries

Subsidiaries newly included in or excluded from consolidation for the nine-month period ended September 30, 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	"
"	Hydrogen Energy Industry Fund	"
"	PT. HYUNDAI MOTOR MANUFACTURING INDONESIA	Establishment
"	Genesis Motor Europe GmbH	"
"	Hyundai Mobility Lab	"
Excluded	Autopia Fifty-Fifth Asset Securitization Specialty Company	Liquidation
"	Autopia Fifty-Sixth Asset Securitization Specialty Company	"
"	Super Series First Securitization Specialty Co., Ltd	"
"	Hyundai Capital Bank Europe GmbH	Disposition

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of consolidated financial statements preparation

The Group's condensed consolidated interim financial statements as of September 30, 2019 and for the three-month and nine-month periods ended September 30, 2019 and 2018, respectively, are prepared in accordance with K-IFRS 1034, *Interim Financial Reporting*. The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with K-IFRS.

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

Changes in accounting policies are expected to be reflected in the Group's consolidated financial statements for the year ending December 31, 2019. 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.

1) 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.

2) 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 recognises 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 recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises 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 September 30, 2019	₩ 17,132	₩ 711,687	₩ 728,819

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

① Significant accounting policies

The Group recognises 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, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases. The comparative financial information has been applied in accordance with K-IFRS 1017 as reported previously and it has not been restated.

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 recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- 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.

3) 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.

4) Impacts on financial statements

① Impacts on transition

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

Description	January 1, 2019 (In millions of Korean Won)
Right-of-use assets	₩ 668,545
Lease liabilities	678,846

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 discount rate applied is 3.91%.

② Impacts for the period

As a result of initially applying K-IFRS 1116, in relation to the leases that were previously classified as operating leases, the Group recognised ₩728,819 million of right-of-use assets and ₩758,941 million of lease liabilities as at September 30, 2019.

Also in relation to those leases, under K-IFRS 1116, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the nine-month period ended September 30, 2019, the Group recognised ₩128,247 million of depreciation expenses and ₩21,448 million of interest costs from these leases.

(2) 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. Significant judgments made by management on the Group's application of accounting policies and the major sources of estimation uncertainty for the preparation of financial statements to be the same as the annual consolidated financial statements for the year ended December 31, 2018, except for matters related to the adoption of K-IFRS 1116 *Leases*.

3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) Trade notes and accounts receivable as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 4,434,598	₩ 117,510	₩ 3,665,356	₩ 143,496
Loss allowance	(68,387)	-	(69,363)	-
Present value discount accounts	-	(3,338)	-	(6,719)
	<u>₩ 4,366,211</u>	<u>₩ 114,172</u>	<u>₩ 3,595,993</u>	<u>₩ 136,777</u>

(2) Aging analysis of trade notes and accounts receivable

As of September 30, 2019 aging analysis of total trade notes and accounts receivable that are past due, but not impaired are as follows.

Description	Not overdue	Overdue Within 90days	Overdue Within 180days	Overdue More than 181 days	Total amounts	Amount of impaired receivables
			More than 91days			
(In millions of Korean Won)						

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 overdue	Overdue Within 90days	Overdue Within 180days	Overdue More than 181 days	Total amounts	Amount of impaired receivables
			More than 91days			
(In millions of Korean Won)						

(3) The changes in loss allowance for the nine-month periods ended September 30, 2019 and 2018 are as follows:

Description	Nine-month period ended September 30,	
	2019	2018
	(In millions of Korean Won)	
Beginning of the period	₩ 69,363	₩ 65,167
Impairment loss (reversal)	(704)	1,807
Write-off	(743)	(187)
Effect of foreign exchange differences	471	340
End of the period	<u>₩ 68,387</u>	<u>₩ 67,127</u>

4. OTHER RECEIVABLES:

(1) Other receivables as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accounts receivable – others	₩ 2,003,923	₩ 418,499	₩ 2,161,565	₩ 392,400
Due from customers for contract work	1,216,485	-	1,110,972	-
Lease and rental deposits	20,161	322,030	28,826	310,194
Deposits	2,456	41,862	2,591	42,381
Others	4,725	1,774	1,719	10,113
Loss allowance	(16,101)	-	(13,826)	-
	₩ 3,231,649	₩ 784,165	₩ 3,291,847	₩ 755,088

(2) The changes in other allowance for the nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	Nine-month period ended September 30,	
	2019	2018
	(In millions of Korean Won)	
Beginning of the period	₩ 13,826	₩ 11,128
Impairment loss	3,001	1,112
Write-off	(736)	(636)
Effect of foreign exchange differences	10	(12)
End of the period	₩ 16,101	₩ 11,592

5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of September 30, 2019 are as follows.

Description	September 30, 2019	
	Current	Non-current
	(In millions of Korean Won)	
Financial assets measured at fair value through profit or loss (“FVPL”)	₩ 7,638,385	₩ 486,176
Derivative assets that are effective hedging instruments	66,588	275,138
Financial assets measured at fair value through other comprehensive income (“FVOCI”)	28,917	2,065,258
Financial assets measured at amortised cost	188,835	8,216
	₩ 7,922,725	₩ 2,834,788

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 fair value through profit or loss (“FVPL”)	₩ 9,644,865	₩ 286,286
Derivative assets that are effective hedging instruments	4,855	27,393
Financial assets measured at fair value through other comprehensive income (“FVOCI”)	9,683	1,901,038
Financial assets measured at amortised cost	96,322	8,641
	₩ 9,755,725	₩ 2,223,358

(2) Financial assets measured at FVOCI as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019		December 31, 2018	
	Acquisition cost	Book value	Book value	
(In millions of Korean Won)				
Debt instruments	₩ 361,014	₩ 372,851	₩ 236,031	
Equity instruments (*)	1,574,058	1,721,324	1,674,690	
	₩ 1,935,072	₩ 2,094,175	₩ 1,910,721	

(*) 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 September 30, 2019 and December 31, 2018 are as follows.

Name of the company	Ownership percentage (%)	September 30, 2019		December 31, 2018	
		Acquisition		Book value	
		cost	Book value	Book value	
(In millions of Korean Won)					
Hyundai Steel Company (*1)	6.87	₩ 903,897	₩ 443,667	₩ 516,090	
Hyundai Glovis Co., Ltd.	4.88	210,688	285,626	236,191	
Hyundai Oilbank Co., Ltd.	4.35	53,734	204,392	204,392	
Korea Shipbuilding & Offshore Engineering Co., Ltd. (*2)	2.31	42,443	202,475	209,823	
Korea Aerospace Industries, Ltd. (*3)	-	73,331	184,983	150,920	
Hyundai Heavy Industries Holdings Co., Ltd.	2.13	9,018	121,260	120,046	
Hyundai Green Food Co., Ltd.	2.36	15,005	27,000	33,000	
NICE Information Service Co., Ltd.	2.25	3,312	17,962	14,957	
NICE Holdings Co., Ltd.	1.30	3,491	9,390	8,825	
Hyundai M Partners Co., Ltd.	9.29	9,888	9,387	12,119	
KT Corporation	0.09	8,655	6,590	7,155	
Hyundai Asan Corporation	1.40	22,500	2,117	2,117	
Hyundai Merchant Marine Company	0.03	9,161	359	366	
Others	-	208,935	206,116	158,689	
		₩ 1,574,058	₩ 1,721,324	₩ 1,674,690	

(*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 nine-month period ended September 30, 2019.

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

6. INVENTORIES:

Inventories as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019		December 31, 2018	
	(In millions of Korean Won)			
Finished goods	₩	6,758,036	₩	6,486,616
Merchandise		63,811		52,717
Semifinished goods		686,797		515,084
Work in progress		437,296		400,850
Raw materials		1,543,809		1,363,298
Supplies		314,054		306,670
Materials in transit		781,011		665,246
Others		1,535,553		924,377
Total (*)	₩	12,120,367	₩	10,714,858

(*) As of September 30, 2019 and December 31, 2018, the Group recognized a valuation allowance in the amount of ₩136,518 million and ₩130,989 million, respectively.

7. OTHER ASSETS:

Other assets as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accrued income	₩ 307,498	₩ 1,446	₩ 318,306	₩ 1,293
Advanced payments	693,679	-	658,460	-
Prepaid expenses	429,680	780,835	445,601	672,814
Prepaid value-added tax and others	372,142	62,587	348,315	37,192
	₩ 1,802,999	₩ 844,868	₩ 1,770,682	₩ 711,299

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

Non-current assets classified as held for sale as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019		December 31, 2018	
	(In millions of Korean Won)			
Land (*1)	₩	-	₩	3,454
Building (*1)		-		7,963
Vehicles (*2)		-		16,023
Subsidiary (*3)		-		839,752
Total	₩	-	₩	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 during the nine-month period ended September 30, 2019.

(*2) The Group completed the process of disposal during the nine-month period ended September 30, 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 and 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 nine-month period ended September 30, 2019.

9. PROPERTY, PLANT AND EQUIPMENT:

- (1) The changes in property, plant and equipment ("PP&E") for the nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	Nine-month period ended September 30,	
	2019	2018
	(In millions of Korean Won)	
Beginning of the period	₩ 30,545,608	₩ 29,827,142
Acquisitions	2,200,578	1,906,368
Disposals	(79,267)	(158,139)
Depreciation	(1,872,563)	(1,738,844)
Transfer to assets classified as held for sale	-	(2,248)
Others (*)	390,396	(47,679)
End of the period	₩ 31,184,752	₩ 29,786,600

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

10. INVESTMENT PROPERTY:

- (1) The changes in investment property for the nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	Nine-month period ended September 30,	
	2019	2018
	(In millions of Korean Won)	
Beginning of the period	₩ 189,334	₩ 199,498
Transfers (*)	-	657
Disposals	(7,602)	-
Depreciation	(8,054)	(8,122)
Effect of foreign exchange differences	772	(167)
End of the period	₩ 174,450	₩ 191,866

(*) Transferred amount from PP&E.

- (2) Income and expenses related to investment property for the three-month and nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	2019		2018	
	Three-month period ended September 30	Nine-month period ended September 30	Three-month period ended September 30	Nine-month period ended September 30
	(In millions of Korean Won)			
Rental income	₩ 12,623	₩ 35,608	₩ 10,839	₩ 34,556
Operating and maintenance expenses	4,035	12,440	4,100	12,714

11. INTANGIBLE ASSETS:

(1) The changes in intangible assets for the nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	Nine-month period ended September 30,	
	2019	2018
	(In millions of Korean Won)	
Beginning of the period	₩ 4,921,383	₩ 4,809,336
Internal developments and external acquisitions	1,074,090	963,409
Disposals	(4,400)	(1,695)
Amortization	(961,518)	(1,060,445)
Impairment loss	(54,729)	(8,479)
Transfer to the assets classified as held for sale	-	(10,015)
Others (*)	84,130	55,005
End of the period	₩ 5,058,956	₩ 4,747,116

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

(2) Research and development expenditures for the three-month and nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	2019		2018	
	Three-month period ended September 30	Nine-month period ended September 30	Three-month period ended September 30	Nine-month period ended September 30
	(In millions of Korean Won)			
Development costs (intangible assets)	₩ 387,233	₩ 920,573	₩ 333,880	₩ 873,150
Research and development (*1)	339,789	950,544	289,322	790,696
Total (*2)	₩ 727,022	₩ 1,871,117	₩ 623,202	₩ 1,663,846

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

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

12. LEASE:

(1) The changes in right-of-use assets for the nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	Nine-month period ended September 30	
	2019	2018
	(In millions of Korean Won)	
Beginning of the period	₩	-
Impact on transition to K-IFRS 1116		668,545
Acquisitions		163,130
Disposals		(2,756)
Depreciation		(128,247)
Others (*)		28,147
End of the period	₩	728,819

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

(2) Lease liabilities as of September 30, 2019 and December 31, 2018 are as follow.

Description	September 30, 2019	December 31, 2018
	(In millions of Korean Won)	
Undiscounted lease liabilities	₩ 976,011	-
Discounted lease liabilities	758,941	-
Current	126,957	-
Non-current	631,984	-

13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

(1) Investments in joint ventures and associates as of September 30, 2019 And December 31, 2018 are as follows.

Name of the company	Nature of business	Location	September 30, 2019		December 31, 2018	
			Ownership percentage (%)	Book value (In millions of Korean Won)	Book value	Book value
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00	₩ 1,296,949	₩	1,484,794
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	583,807		530,161
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00	165,325		151,248
Hyundai Capital Bank Europe GmbH (HCBE)(*7)	Financing	Germany	49.00	166,036		-
Kia Motors Corporation	Manufacturing	Korea	33.88	9,514,755		9,001,505
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	2,893,750		2,801,084
Hyundai Transys Inc. (Formal. Hyundai Dymos Inc.) (*5)	Manufacturing	Korea	41.13	1,027,214		430,571
Hyundai WIA Corporation	Manufacturing	Korea	25.35	691,342		674,651
Hyundai Motor Securities Co., Ltd. (*4)	Securities brokerage	Korea	27.49	282,191		265,711
Hyundai Commercial Inc.	Financing	Korea	37.50	249,867		218,983
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	178,077		159,699
Hyundai Autoever Corp.	IT service	Korea	28.48	140,212		129,173
Haevichi Hotels & Resorts Co., Ltd.	Hotelkeeping	Korea	41.90	102,537		104,009
Hyundai Powertech Co., Ltd.(*5)	Manufacturing	Korea	-	-		561,688
Others (*6)				895,333		629,962
				₩ 18,187,395	₩	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) Name of the company has been changed from HMC investment Securities Co., Ltd. to Hyundai Motor Securities Co., Ltd. in the prior year.

(*5) 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.

(*6) 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 nine-month period ended September 30, 2019 and cumulatively as of September 30, 2019 are ₩19,920 million and ₩19,920 million, respectively.

(*7) 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 nine-month period ended September 30, 2019.

(2) The changes in investments in joint ventures and associates for the nine-month period ended September 30, 2019 are as follows.

Name of the company	Beginning of the period	Acquisitions (disposals)	Share of profits (losses) for the period	Dividends	Others (*1)	End of the period
(In millions of Korean Won)						
BHMC	₩ 1,484,794	₩ -	₩ (242,948)	₩ -	₩ 55,103	₩ 1,296,949
BHAF	530,161	-	37,439	-	16,207	583,807
WAE	151,248	10,138	8,757	(10,138)	5,320	165,325
HCBE(*3)	-	38,570	(2,553)	-	130,019	166,036
Kia Motors Corporation	9,001,505	-	507,913	(123,586)	128,923	9,514,755
Hyundai Engineering & Construction Co., Ltd.	2,801,084	-	72,741	(11,664)	31,589	2,893,750
Hyundai Transys Inc. (*2)	992,259	334	25,400	-	9,221	1,027,214
Hyundai WIA Corporation	674,651	-	12,308	(4,136)	8,519	691,342
Hyundai Motor Securities Co., Ltd.	265,711	-	17,991	(3,630)	2,119	282,191
Hyundai Commercial Inc.	218,983	-	23,273	-	7,611	249,867
Eukor Car Carriers Inc.	159,699	-	6,149	-	12,229	178,077
Hyundai Autoever Corp.	129,173	-	11,622	(4,126)	3,543	140,212
Haevichi Hotels & Resorts Co., Ltd.	104,009	-	(1,461)	-	(11)	102,537
Others(*4)	629,962	403,624	(18,490)	(12,383)	(107,380)	895,333
	<u>₩ 17,143,239</u>	<u>₩ 452,666</u>	<u>₩ 458,141</u>	<u>₩ (169,663)</u>	<u>₩ 303,012</u>	<u>₩ 18,187,395</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 nine-month period ended September 30, 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 nine-month period ended September 30, 2019.

The changes in investments in joint ventures and associates for the nine-month period ended September 30, 2018 are as follows.

Name of the company	Beginning of the period	Acquisitions (disposals)	Share of profits (losses) for the period	Dividends	Others (*)	End of the period
(In millions of Korean Won)						
BHMC	₩ 1,456,579	₩ -	₩ (12,335)	₩ -	₩ (16,808)	₩ 1,427,436
BHAF	480,353	-	46,479	-	2,132	528,964
WAE	167,805	-	(4,241)	-	(1,771)	161,793
Kia Motors Corporation	8,882,325	-	362,058	(109,855)	(80,442)	9,054,086
Hyundai Engineering & Construction Co., Ltd.	2,959,910	-	51,108	(11,664)	(67,191)	2,932,163
Hyundai WIA Corporation	794,150	-	(7,618)	(4,136)	(2,754)	779,642
Hyundai Powertech Co., Ltd.	547,295	-	18,254	-	1,235	566,784
Hyundai Dymos Inc.	399,724	-	28,020	-	3,458	431,202
Hyundai Commercial Inc.	373,797	-	34,389	(10,000)	18,295	416,481
Hyundai Motor Securities Co., Ltd.	254,766	-	13,085	(3,226)	397	265,022
Eukor Car Carriers Inc.	160,255	-	2,909	(8,976)	5,303	159,491
Hyundai Autoever Corp.	119,162	-	11,344	(4,126)	(17)	126,363
Haevichi Hotels & Resorts Co., Ltd.	106,531	-	(1,909)	-	1	104,623
Others	549,686	60,727	29,518	(3,722)	(2,529)	633,680
	<u>₩ 17,252,338</u>	<u>₩ 60,727</u>	<u>₩ 571,061</u>	<u>₩ (155,705)</u>	<u>₩ (140,691)</u>	<u>₩ 17,587,730</u>

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

- (3) Summarized financial information of the Group's major joint ventures and associates as of and for the nine-month period ended September 30, 2019 is as follows.

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 4,683,231	₩ 4,128,481	₩ 5,564,752	₩ 568,193
BHAF (*)	5,646,231	-	4,544,709	-
WAE	775,562	668,174	432,232	260,028
HCBE (*)	1,521,370	-	1,227,514	-
Kia Motors Corporation	21,868,311	33,558,711	17,743,992	8,946,535
Hyundai Engineering & Construction Co., Ltd.	13,668,183	4,674,172	6,707,560	2,747,703
Hyundai Transys Inc.	3,031,885	2,742,896	2,049,008	1,279,186
Hyundai WIA Corporation	3,528,397	3,267,991	1,906,003	1,795,380
Hyundai Motor Securities Co., Ltd. (*)	7,572,983	-	6,692,238	-
Hyundai Commercial Inc. (*)	9,233,468	-	7,976,545	-
Eukor Car Carriers Inc.	374,926	3,392,889	620,876	1,665,152
Hyundai Autoever Corp.	759,443	246,893	421,227	87,138
Haevichi Hotels & Resorts Co., Ltd.	39,023	422,188	216,732	66,224

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	₩ 6,958,397	₩ (495,669)	₩ -	₩ (495,669)
BHAF (*)	161,520	71,335	-	71,335
WAE	1,054,790	39,804	69,943	109,747
HCBE (*)	51,838	(5,902)	7,365	1,463
Kia Motors Corporation	42,040,545	1,480,302	373,567	1,853,869
Hyundai Engineering & Construction Co., Ltd.	12,647,308	566,414	142,572	708,986
Hyundai Transys Inc.	5,564,982	108,074	22,963	131,037
Hyundai WIA Corporation	5,516,358	40,027	33,984	74,011
Hyundai Motor Securities Co., Ltd. (*)	553,247	64,249	(57,229)	7,020
Hyundai Commercial Inc. (*)	370,724	60,215	36,127	96,342
Eukor Car Carriers Inc.	1,316,611	55,674	97,286	152,960
Hyundai Autoever Corp.	1,100,626	41,708	3,282	44,990
Haevichi Hotels & Resorts Co., Ltd.	92,641	2,168	(28)	2,140

- (*) 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 nine-month period ended September 30, 2018 is as follows.

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 5,183,292	₩ 3,971,325	₩ 5,418,830	₩ 788,242
BHAF (*)	4,919,405	-	3,921,360	-
WAE	810,105	697,574	316,074	456,182
Kia Motors Corporation	20,502,886	31,580,289	14,456,142	10,281,614
Hyundai Engineering & Construction Co., Ltd.	13,321,218	4,859,713	6,883,732	2,896,480
Hyundai WIA Corporation	3,868,557	3,345,840	1,808,697	2,318,626
Hyundai Powertech Co., Ltd.	1,219,355	1,660,146	900,947	467,925
Hyundai Dymos Inc.	1,567,190	1,045,587	1,064,034	603,437
Hyundai Commercial Inc. (*)	8,524,828	-	7,494,790	-
Hyundai Motor Securities Co., Ltd. (*)	7,285,346	-	6,402,971	-
Eukor Car Carriers Inc.	349,994	2,590,850	462,224	1,151,710
Hyundai Autoever Corp.	665,941	129,258	344,857	8,780
Haevichi Hotels & Resorts Co., Ltd.	23,867	429,828	191,370	85,738

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	₩ 8,592,224	₩ (89,290)	₩ -	₩ (89,290)
BHAF (*)	185,511	87,697	-	87,697
WAE	1,000,386	(19,277)	(8,048)	(27,325)
Kia Motors Corporation	40,696,634	1,061,596	(256,609)	804,987
Hyundai Engineering & Construction Co., Ltd.	12,264,590	468,451	(160,263)	308,188
Hyundai WIA Corporation	5,720,281	(31,406)	(5,680)	(37,086)
Hyundai Powertech Co., Ltd.	2,123,580	37,105	3,331	40,436
Hyundai Dymos Inc.	3,105,816	62,884	19,624	82,508
Hyundai Commercial Inc. (*)	343,812	63,928	(14,470)	49,458
Hyundai Motor Securities Co., Ltd. (*)	461,515	47,312	1,854	49,166
Eukor Car Carriers Inc.	1,277,074	18,571	48,961	67,532
Hyundai Autoever Corp.	996,485	40,088	(61)	40,027
Haevichi Hotels & Resorts Co., Ltd.	86,943	1,841	(15)	1,826

(*) 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 nine-month period ended September 30, 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	₩ 1,107,970	₩ 1,081,764	₩ 138,186	₩ 317,160	₩ 24,009	₩ 102,666	₩ 1,754
BHAF(*)	996,493	4,057,291	-	4,217	305,903	141,535	23,878

(*) 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 nine-month period ended September 30, 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	₩ 1,111,459	₩ 696,009	₩ 226,007	₩ 316,669	₩ 11,965	₩ 82,450	₩ 15,935
BHAF(*)	834,880	3,430,296	-	3,683	327,151	143,486	27,540

(*) 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 September 30, 2019 is as follows.

Name of the company	Group's share of net assets	Goodwill	Unrealised profit (loss) and others	Carrying amounts
(In millions of Korean Won)				
BHMC	₩ 1,339,383	₩ -	₩ (42,434)	₩ 1,296,949
BHAF	583,807	-	-	583,807
WAE	165,325	-	-	165,325
HCBE	143,695	22,341	-	166,036
Kia Motors Corporation	9,367,919	197,089	(50,253)	9,514,755
Hyundai Engineering & Construction Co., Ltd. (*)	2,162,376	731,362	12	2,893,750
Hyundai Transys Inc. (*)	1,012,098	-	15,116	1,027,214
Hyundai WIA Corporation	784,537	-	(93,195)	691,342
Hyundai Motor Securities Co., Ltd.	242,139	40,052	-	282,191
Hyundai Commercial Inc.	249,867	-	-	249,867
Eukor Car Carriers Inc.	177,815	-	262	178,077
Hyundai Autoever Corp.	140,212	-	-	140,212
Haevichi Hotels & Resorts Co., Ltd. (*)	98,961	3,576	-	102,537

(*) 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	Goodwill	Unrealised profit (loss) and others	Carrying amounts
		(In millions of Korean Won)		
BHMC	₩ 1,531,042	₩ -	₩ (46,248)	₩ 1,484,794
BHAF	530,161	-	-	530,161
WAE	151,248	-	-	151,248
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 September 30, 2019 is as follows.

Name of the company	Price per share	Total number of shares	Market value
	(In millions of Korean Won, except price per share)		
Kia Motors Corporation	₩ 45,600	137,318,251	₩ 6,261,712
Hyundai Engineering & Construction Co., Ltd.	46,300	23,327,400	1,080,059
Hyundai Autoever Corp.	54,100	5,980,000	323,518
Hyundai WIA Corporation	51,000	6,893,596	351,573
Hyundai Motor Securities Co., Ltd	10,600	8,065,595	85,495

14. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019	December 31, 2018
	(In millions of Korean Won)	
Loan obligations	₩ 44,553,855	₩ 40,075,564
Card receivables	14,155,747	13,311,195
Financial lease receivables	2,704,082	2,588,890
Others	40,543	43,775
	61,454,227	56,019,424
Loss allowance	(1,426,735)	(1,368,759)
Loan origination fee	(261,331)	(133,394)
Present value discount accounts	(20,043)	(15,607)
	₩ 59,746,118	₩ 54,501,664

(2) The changes in loss allowance of financial services receivables for the nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	Nine-month period ended September 30,	
	2019	2018
	(In millions of Korean Won)	
Beginning of the period	₩ 1,368,759	₩ 1,133,967
Changes in accounting standards	-	170,597
Impairment loss	585,238	520,206
Write-off	(236,970)	(267,966)
Transfer to the assets classified as held for sale	-	(3,331)
Disposals and others	(310,848)	(200,036)
Effect of foreign exchange differences	20,556	10,543
End of the period	₩ 1,426,735	₩ 1,363,980

(3) Gross investments in financial leases and their present value of minimum lease receipts as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 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	₩ 1,166,244	₩ 1,030,050	₩ 1,182,648	₩ 1,055,082
Later than one year and not later than five years	1,794,054	1,664,966	1,648,493	1,528,204
Later than five years	4,933	4,796	3,045	2,986
	₩ 2,965,231	₩ 2,699,812	₩ 2,834,186	₩ 2,586,272

(4) Unearned interest income of financial leases as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019	December 31, 2018
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 2,965,231	₩ 2,834,186
Net lease investments:		
Present value of minimum lease payment receivable	2,699,812	2,586,272
Present value of unguaranteed residual value	4,270	2,618
	2,704,082	2,588,890
Unearned interest income	₩ 261,149	₩ 245,296

15. INVESTMENT IN OPERATING LEASES:

(1) Investment in operating leases as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019		December 31, 2018	
	(In millions of Korean Won)			
Acquisition cost	₩	25,929,967	₩	24,686,189
Accumulated depreciation		(4,196,892)		(4,126,513)
Accumulated impairment loss		(135,786)		(133,910)
	₩	21,597,289	₩	20,425,766

- (2) Future minimum lease payment receivable related to investment in operating leases as of September 30, 2019 and December 31, 2018 is as follows:

Description	September 30, 2019	December 31, 2018
	(In millions of Korean Won)	
Not later than one year	₩ 4,029,146	₩ 3,801,164
Later than one year and not later than five years	4,014,003	3,574,970
Later than five years	2	8
	₩ 8,043,151	₩ 7,376,142

16. BORROWINGS AND DEBENTURES:

- (1) Short-term borrowings as of September 30, 2019 and December 31, 2018 are as follows.

Description	Lender	Annual interest rate	September 30, 2019	September 30, 2019	December 31, 2018
		(%)	(In millions of Korean Won)		
Overdrafts	Citi Bank and others	0.10~3.07	₩ 219,760	₩ 271,814	
General borrowings	Woori Bank and others	0.40~5.60	3,631,464	4,687,667	
Borrowings collateralized by trade receivables	KEB Hana Bank and others	0.00001~2.81	2,539,202	2,169,253	
Banker's Usance	KEB Hana Bank and others	0.01~4.41	482,467	210,398	
Commercial paper	KTb Investment & Securities and others	1.90~2.65	4,818,671	4,332,409	
Asset-backed securities	RBC and others	1.95~1.95	664,069	578,309	
			₩ 12,355,633	₩ 12,249,850	

- (2) Long-term debt as of September 30, 2019 and December 31, 2018 is as follows.

Description	Lender	Annual interest rate	September 30, 2019	September 30, 2019	December 31, 2018
		(%)	(In millions of Korean Won)		
General borrowings	Mizuho Bank and others	0.42~14.20	₩ 6,575,431	₩ 5,814,705	
Credit facilities	NH Bank and others	1.20~7.27	169,674	215,052	
Commercial paper	KTb Investment & Securities and others	1.62~2.55	2,570,000	2,620,000	
Asset-backed securities	HSBC and others	2.25~2.79	6,521,470	4,337,962	
Others(*)	NH Investment & Securities and others		435,607	435,607	
			16,272,182	13,423,326	
Less: present value discounts			(110,301)	(112,977)	
Less: current maturities			(6,647,050)	(3,325,099)	
			₩ 9,514,831	₩ 9,985,250	

(*) 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 September 30, 2019 and December 31, 2018 are as follows.

Description	Latest maturity date	Annual interest rate	September 30, 2019	September 30, 2019	December 31, 2018
		(%)			
(In millions of Korean Won)					
Non-guaranteed public debentures	September 07, 2029	1.35~4.04	₩	28,716,346	₩ 25,853,095
Non-guaranteed private debentures	September 27, 2026	1.91~4.30		11,112,025	10,901,475
Asset-backed securities	November 17, 2025	1.29~3.31		11,410,883	11,070,462
				51,239,254	47,825,032
Less: discount on debentures				(88,829)	(89,090)
Less: current maturities				(10,707,696)	(10,779,828)
			₩	40,442,729	₩ 36,956,114

17. PROVISIONS:

The changes in provisions for the nine-month period ended September 30, 2019 are as follows.

Description	Warranty	Other long-term employee benefits	Others
		(In millions of Korean Won)	
Beginning of the period	₩ 5,177,128	₩ 703,526	₩ 919,250
Charged	2,263,223	52,220	574,853
Utilized	(1,663,231)	(53,080)	(528,870)
Effect of foreign exchange differences	111,372	76	36,197
End of the period	₩ 5,888,492	₩ 702,742	₩ 1,001,430

The changes in provisions for the nine-month period ended September 30, 2018 are as follows.

Description	Warranty	Other long-term employee benefits	Others
		(In millions of Korean Won)	
Beginning of the period	₩ 5,226,297	₩ 636,380	₩ 791,764
Changes in accounting standards (*)	-	-	128,266
Charged	1,614,025	48,351	365,558
Utilized	(1,149,805)	(43,198)	(471,186)
Effect of foreign exchange differences	16,649	22	(2)
End of the period	₩ 5,707,166	₩ 641,555	₩ 814,400

(*) 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 September 30, 2019 are as follows.

Description	September 30, 2019	
	Current	Non-current
(In millions of Korean Won)		
Financial liabilities measured at FVPL	₩ 1,064	₩ 43,037
Derivative liabilities that are effective hedging instruments	20,031	152,662
	₩ 21,095	₩ 195,699

(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 September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Advances received	₩ 1,985,985	₩ 23,685	₩ 796,552	₩ 21,701
Withholdings	1,022,383	203,455	1,005,768	233,297
Accrued expenses	3,605,676	-	2,669,315	-
Unearned income	441,232	1,572,827	393,405	1,280,571
Due to customers for contract work	606,030	-	546,256	-
Others	499,278	1,073,278	384,897	1,264,941
	₩ 8,160,584	₩ 2,873,245	₩ 5,796,193	₩ 2,800,510

20. FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of September 30, 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	₩	-	₩	9,208,985	₩	-	₩	-	₩	9,208,985	₩	9,208,985
Short-term and long-term financial instruments		-		9,183,447		-		-		9,183,447		9,183,447
Trade notes and accounts receivable		-		4,480,383		-		-		4,480,383		4,480,383
Other receivables		-		2,479,615		-		-		2,479,615		2,479,615
Other financial assets		8,124,561		197,051		2,094,175		341,726		10,757,513		10,757,513
Other assets		-		308,944		-		-		308,944		308,944
Financial services receivables		-		59,746,118		-		-		59,746,118		60,488,648
	₩	8,124,561	₩	85,604,543	₩	2,094,175	₩	341,726	₩	96,165,005	₩	96,907,535

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 September 30, 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	₩ -	₩ 7,511,334	₩ -	₩ 7,511,334	₩ 7,511,334
Other payables	-	4,249,399	-	4,249,399	4,249,399
Borrowings and debentures	-	79,667,939	-	79,667,939	80,271,448
Other financial liabilities	44,101	-	172,693	216,794	216,794
Lease liabilities	-	758,941	-	758,941	758,941
Other liabilities	-	2,607,740	-	2,607,740	2,607,740
	<u>₩ 44,101</u>	<u>₩ 94,795,353</u>	<u>₩ 172,693</u>	<u>₩ 95,012,147</u>	<u>₩ 95,615,656</u>

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
	<u>₩ 9,211</u>	<u>₩ 89,121,377</u>	<u>₩ 332,583</u>	<u>₩ 89,463,171</u>	<u>₩ 89,463,778</u>

(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 September 30, 2019 are as follows.

Description	September 30, 2019			
	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
Financial assets:				
Financial assets measured at FVPL	₩ 88,742	₩ 7,602,569	₩ 433,250	₩ 8,124,561
Derivative assets that are effective hedging instruments	-	341,726	-	341,726
Financial assets measured at FVOCI	1,311,397	361,038	421,740	2,094,175
	<u>₩ 1,400,139</u>	<u>₩ 8,305,333</u>	<u>₩ 854,990</u>	<u>₩ 10,560,462</u>
Financial liabilities:				
Financial liabilities measured at FVPL	₩ -	₩ 44,101	₩ -	₩ 44,101
Derivative liabilities that are effective hedging instruments	-	172,693	-	172,693
	<u>₩ -</u>	<u>₩ 216,794</u>	<u>₩ -</u>	<u>₩ 216,794</u>

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

Description	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	(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 nine-month period ended September 30, 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	₩ 204,734	₩ (9,437)	₩ (17,499)	₩ -	₩ 26,880	₩ 433,250
Financial assets measured at FVOCI	376,986	72,151	(506)	3,373	-	(30,264)	421,740

The changes in financial instruments classified as Level 3 for the nine-month period ended September 30, 2018 are as follows.

Description	Beginning of the period (*)	Purchases	Disposals	Valuation	Transfers	End of the period
(In millions of Korean Won)						
Financial assets measured at FVPL	₩ 210,162	₩ 9,576	₩ (11,731)	₩ 943	₩ -	₩ 208,950
Financial assets measured at FVOCI	273,883	62,913	(8,880)	(485)	-	327,431

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

- (4) Interest income, dividend income and interest expenses by categories of financial instruments for the nine-month period ended September 30, 2019 are as follows.

Description	Nine-month period ended September 30, 2019		
	Interest income	Dividend income	Interest expenses
	(In millions of Korean Won)		
Non-financial services:			
Financial assets measured at amortised cost	₩ 300,933	₩ -	₩ -
Financial assets measured at FVPL	92,590	-	-
Financial assets measured at FVOCI	-	32,504	-
Financial liabilities measured at amortised cost	-	-	226,770
	<u>₩ 393,523</u>	<u>₩ 32,504</u>	<u>₩ 226,770</u>
Financial services:			
Financial assets measured at amortised cost	₩ 2,800,198	₩ -	₩ -
Financial assets measured at FVPL	5,973	2,370	-
Financial assets measured at FVOCI	501	-	-
Financial liabilities measured at amortised cost	-	-	1,333,698
	<u>₩ 2,806,672</u>	<u>₩ 2,370</u>	<u>₩ 1,333,698</u>

Interest income, dividend income and interest expenses by categories of financial instruments for the nine-month period ended September 30, 2018 are as follows.

	Nine-month period ended September 30, 2018					
Description	Interest income		Dividend income		Interest expenses	
	(In millions of Korean Won)					
Non-financial services:						
Financial assets measured at amortised cost	₩	241,591	₩	-	₩	-
Financial assets (liabilities) measured at FVPL		134,627		-		5,871
Financial assets measured at FVOCI		-		29,065		-
Financial liabilities measured at amortised cost		-		-		176,764
	₩	376,218	₩	29,065	₩	182,635
Financial services:						
Financial assets measured at amortised cost	₩	2,682,519	₩	-	₩	-
Financial assets measured at FVPL		23,064		7,781		-
Financial assets measured at FVOCI		1,710		-		-
Financial liabilities measured at amortised cost		-		-		1,166,547
	₩	2,707,293	₩	7,781	₩	1,166,547

- (5) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities measured at FVPL for the nine-month periods ended September 30, 2019 and 2018 are ₩642,508 million and ₩1,377,648 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 nine-month periods ended September 30, 2019 and 2018 are ₩298,020 million and ₩797,950 million, respectively.
- (6) The Group recognises 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 nine-month period ended September 30, 2019.
- (7) 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 two years. 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.

- (8) 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 September 30, 2019 (In millions of Korean Won)	Valuation techniques	Unobservable inputs	Description of relationship
Unlisted equity Securities, Total Return Swap	₩ 854,990	Discounted cash flow and others	Sales growth rate Pre-tax operating income margin Discount rate	If the sales growth rate and the pre-tax operating income ratio rise or the discount rate declines, the fair value increases.

The Group does not expect a reasonably possible changes in unobservable inputs for alternative assumptions can have significant impact on the fair value measurements.

21. CAPITAL STOCK:

The Company's number of shares authorized is 600,000,000 shares. Common stock and preferred stock as of September 30, 2019 and December 31, 2018 are as follows.

(1) Common stock

Description	September 30, 2019 (In millions of Korean Won, except par value)	December 31, 2018
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 (In millions of Korean Won)	Dividend rate
1 st preferred stock	₩ 5,000	24,356,685 shares	₩ 125,550	Dividend rate of common stock + 1%
2 nd preferred stock	"	36,485,451 shares	193,069	The lowest stimulated dividend rate : 2%
3 rd preferred stock	"	2,428,735 shares	12,392	The lowest stimulated dividend rate : 1%
		<u>63,270,871 shares</u>	<u>₩ 331,011</u>	

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 September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019	December 31, 2018
	(In millions of Korean Won)	
Paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Others	873,264	879,880
	₩ 4,194,598	₩ 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 September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019	December 31, 2018
	(Number of shares)	
Common stock	10,953,667	9,387,581
1 st preferred stock	1,943,427	1,759,942
2 nd preferred stock	988,716	696,445
3 rd preferred stock	24,287	9,050

24. ACCUMULATED OTHER COMPREHENSIVE LOSS:

(1) Accumulated other comprehensive loss as of September 30, 2019 is as follows.

Description	September 30, 2019
	(In millions of Korean Won)
Gain on valuation of financial assets measured at FVOCI	₩ 469,874
Loss on valuation of financial assets measured at FVOCI	(357,694)
Gain on valuation of cash flow hedge derivatives	1,795
Loss on valuation of cash flow hedge derivatives	(89,692)
Gain on share of the other comprehensive income of equity-accounted investees	72,596
Loss on share of the other comprehensive income of equity-accounted investees	(673,095)
Loss on foreign operations translation, net	(1,316,987)
	₩ (1,893,203)

(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 disposal groups 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 recognised in the past.

25. **RETAINED EARNINGS:**

Retained earnings as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019	December 31, 2018
	(In millions of Korean Won)	
Legal reserve (*)	₩ 744,836	₩ 744,836
Discretionary reserve	46,591,397	48,328,847
Unappropriated	20,103,120	17,416,399
	₩ 67,439,353	₩ 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 by 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.

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 September 30, 2019, hybrid bond is as follows.

Description	Issue date	Maturity date	Annual interest rate	September 30, 2019
			(%)	(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

(2) As of September 30, 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% 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

27. SALES:

(1) Sales for the three-month and nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	2019		2018	
	Three-month period ended September 30,	Nine-month period ended September 30,	Three-month period ended September 30,	Nine-month period ended September 30,
(In millions of Korean Won)				
Sales of goods	₩ 22,713,048	₩ 65,786,545	₩ 20,446,239	₩ 59,541,608
Rendering of services	692,597	1,822,880	579,294	1,620,921
Royalties	20,727	56,222	25,328	80,301
Financial services revenue	2,813,818	8,150,035	2,715,203	8,357,113
Revenue related to construction contracts	625,251	1,824,794	584,453	1,715,855
Others	103,412	281,809	83,218	266,300
	<u>₩ 26,968,853</u>	<u>₩ 77,922,285</u>	<u>₩ 24,433,735</u>	<u>₩ 71,582,098</u>

(2) As of September 30, 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	₩ 801,524	₩ 1,325,940

28. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three-month and nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	2019		2018	
	Three-month period ended September 30,	Nine-month period ended September 30,	Three-month period ended September 30,	Nine-month period ended September 30,
(In millions of Korean Won)				
Selling expenses:				
Export expenses	₩ 17,699	₩ 59,286	₩ 25,759	₩ 65,751
Overseas market expenses	118,369	300,199	142,477	256,100
Advertisements and sales promotion	619,285	1,770,409	549,481	1,633,673
Sales commissions	172,053	585,664	170,757	524,861
Expenses for warranties	1,239,596	2,352,506	753,328	1,636,423
Transportation expenses	30,653	90,491	28,596	84,770
	<u>2,197,655</u>	<u>5,158,555</u>	<u>1,670,398</u>	<u>4,201,578</u>
Administrative expenses:				
Payroll	667,359	1,951,898	660,832	1,895,107
Post-employment benefits	46,163	137,367	42,138	125,888
Welfare expenses	105,856	316,944	100,461	296,087
Service charges	360,670	996,976	344,738	982,063
Research	305,395	853,100	255,352	690,910
Others	366,768	1,108,132	329,684	973,866
	<u>1,852,211</u>	<u>5,364,417</u>	<u>1,733,205</u>	<u>4,963,921</u>
	<u>₩ 4,049,866</u>	<u>₩ 10,522,972</u>	<u>₩ 3,403,603</u>	<u>₩ 9,165,499</u>

29. GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain on investments in joint ventures and associates for the three-month and nine-month periods ended September 30, 2019 and 2018 is as follows.

Description	2019		2018	
	Three-month period ended September 30,	Nine-month period ended September 30,	Three-month period ended September 30,	Nine-month period ended September 30,
(In millions of Korean Won)				
Gain on share of earnings of equity-accounted investees, net	₩ 104,486	₩ 458,141	₩ 92,897	₩ 571,062
Gain on disposals of investments in associates	-	14,245	986	986
Impairment loss on investments in associates	(29,751)	(29,751)	-	-
	₩ 74,735	₩ 442,635	₩ 93,883	₩ 572,048

30. FINANCE INCOME AND EXPENSES:

(1) Finance income for the three-month and nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	2019		2018	
	Three-month period ended September 30,	Nine-month period ended September 30,	Three-month period ended September 30,	Nine-month period ended September 30,
(In millions of Korean Won)				
Interest income	₩ 125,536	₩ 393,523	₩ 132,931	₩ 376,218
Gain on foreign exchange transactions	20,606	75,705	42,125	72,124
Gain on foreign currency translation	23,565	87,199	52,967	88,108
Dividend income	-	32,504	2	29,065
Gain on derivatives	7,625	16,237	14,438	52,745
Others	501	6,276	1,914	17,312
	₩ 177,833	₩ 611,444	₩ 244,377	₩ 635,572

(2) Finance expenses for the three-month and nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	2019		2018	
	Three-month period ended September 30,	Nine-month period ended September 30,	Three-month period ended September 30,	Nine-month period ended September 30,
(In millions of Korean Won)				
Interest expenses	₩ 79,694	₩ 247,924	₩ 75,973	₩ 222,457
Loss on foreign exchange transactions	6,652	25,007	15,794	39,038
Loss on foreign currency translation	36,006	89,663	63,292	184,974
Loss on derivatives and others	8,456	34,093	2,357	5,762
	₩ 130,808	₩ 396,687	₩ 157,416	₩ 452,231

31. OTHER INCOME AND EXPENSES:

(1) Other income for the three-month and nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	2019		2018	
	Three-month period ended September 30,	Nine-month period ended September 30,	Three-month period ended September 30,	Nine-month period ended September 30,
(In millions of Korean Won)				
Gain on foreign exchange transactions	₩ 142,562	₩ 404,824	₩ 113,017	₩ 240,055
Gain on foreign currency translation	93,821	182,381	120,449	143,335
Gain on disposals of PP&E	11,548	18,529	4,694	12,938
Commission income	16,882	80,490	27,037	87,395
Rental income	23,502	66,497	20,090	58,026
Others	74,651	226,625	60,876	183,885
	<u>₩ 362,966</u>	<u>₩ 979,346</u>	<u>₩ 346,163</u>	<u>₩ 725,634</u>

(2) Other expenses for the three-month and nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	2019		2018	
	Three-month period ended September 30,	Nine-month period ended September 30,	Three-month period ended September 30,	Nine-month period ended September 30,
(In millions of Korean Won)				
Loss on foreign exchange transactions	₩ 124,583	₩ 356,203	₩ 144,886	₩ 329,546
Loss on foreign currency translation	108,973	167,380	159,605	207,124
Loss on disposals of PP&E	14,780	51,232	35,872	87,201
Impairment loss on non-current assets classified as held for sale	-	-	13,045	13,045
Donations	6,043	37,036	8,176	57,587
Others	179,851	434,200	92,056	290,545
	<u>₩ 434,230</u>	<u>₩ 1,046,051</u>	<u>₩ 453,640</u>	<u>₩ 985,048</u>

32. EXPENSES BY NATURE:

Expenses by nature for the three-month and nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	2019		2018	
	Three-month period ended September 30,	Nine-month period ended September 30,	Three-month period ended September 30,	Nine-month period ended September 30,
(In millions of Korean Won)				
Changes in inventories	₩ 149,263	₩ (479,579)	₩ 224,939	₩ 167,565
Raw materials and merchandise used	15,361,655	45,724,140	13,872,657	40,598,345
Employee benefits	2,385,369	6,899,889	2,288,119	6,516,826
Depreciation	646,305	1,880,617	600,276	1,746,966
Amortization	325,206	961,518	364,315	1,060,445
Others	8,156,765	21,540,635	7,248,139	20,555,961
Total (*)	<u>₩ 27,024,563</u>	<u>₩ 76,527,220</u>	<u>₩ 24,598,445</u>	<u>₩ 70,646,108</u>

(*) 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 period. The Group does not compute diluted earnings per common stock for three-month and nine-month periods ended September 30, 2019 and 2018, since there are no dilutive items during the period.

Basic earnings per common stock and preferred stock for the three-month and nine-month periods ended September 30, 2019 are computed as follows.

Description	Three-month period ended September 30,			Nine-month period ended September 30,		
	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	₩ 328,094	202,714,520	₩ 1,619	₩ 1,673,987	202,859,288	₩ 8,252
1 st Preferred stock (*2)	36,556	22,413,258	1,631	185,926	22,429,792	8,289
2 nd Preferred stock	58,339	35,496,735	1,644	295,789	35,525,867	8,326
3 rd Preferred stock	3,922	2,404,448	1,631	19,946	2,405,651	8,291

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

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

Basic earnings per common stock and preferred stock for the three-month and nine-month periods ended September 30, 2018 are computed as follows.

Description	Three-month period ended September 30,			Nine-month period ended September 30,		
	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	₩ 206,575	204,854,156	₩ 1,008	₩ 1,259,502	206,023,068	₩ 6,113
1 st Preferred stock (*2)	23,131	22,657,153	1,021	140,152	22,791,059	6,149
2 nd Preferred stock	37,059	35,862,053	1,033	223,180	36,062,569	6,189
3 rd Preferred stock	2,480	2,428,769	1,021	15,024	2,441,941	6,152

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

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

34. INCOME TAX EXPENSE:

Income tax expense is computed by adjusting from income tax currently payable to adjustments recognised in the current period in relation to prior periods, changes in deferred taxes due to temporary differences, income tax expense in relation to items not recognised as profit or loss and others. The average effective tax rates (income tax expense divided by income before income tax) for the nine-month periods ended September 30, 2019 and 2018 are 20.4% and 23.5%, respectively.

35. RETIREMENT BENEFIT PLAN:

- (1) Expenses recognized in relation to defined contribution plans for the nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	Nine-month period ended September 30,	
	2019	2018
	(In millions of Korean Won)	
Paid-in cash	₩ 7,768	₩ 6,089
Recognised liability	2,312	1,229
	₩ 10,080	₩ 7,318

- (2) The significant actuarial assumptions used by the Group as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019	December 31, 2018
Discount rate	3.65%	3.39%
Rate of expected future salary increase	4.46%	4.29%

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 September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019		December 31, 2018	
	(In millions of Korean Won)			
Present value of defined benefit obligations	₩	6,193,997	₩	5,931,464
Fair value of plan assets		(5,864,057)		(5,508,329)
	₩	329,940	₩	423,135
Net defined benefit liabilities		331,714		433,247
Net defined benefit assets		(1,774)		(10,112)

- (4) Changes in net defined benefit assets and liabilities for the nine-month period ended September 30, 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 period	₩	5,931,464	₩	(5,508,329)	₩	423,135
Current service cost		453,458		-		453,458
Interest expenses (income)		117,389		(112,557)		4,832
		6,502,311		(5,620,886)		881,425
Remeasurements:						
Return on plan assets		-		(31,411)		(31,411)
Actuarial gains and losses arising from changes in financial assumptions		60,037		-		60,037
Actuarial gains and losses arising from experience adjustments and others		(1,939)		-		(1,939)
		58,098		(31,411)		26,687
Contributions		-		(536,956)		(536,956)
Benefits paid		(402,178)		342,108		(60,070)
Transfers in (out)		1,292		67		1,359
Effect of foreign exchange differences and others		34,474		(16,979)		17,495
End of the period	₩	6,193,997	₩	(5,864,057)	₩	329,940

Changes in net defined benefit assets and liabilities for the nine-month period ended September 30, 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 period	₩	5,321,580	₩	(5,179,426)	₩	142,154
Current service cost		414,977		-		414,977
Interest expenses (income)		123,283		(123,276)		7
Past service cost		2,068		-		2,068
		<u>5,861,908</u>		<u>(5,302,702)</u>		<u>559,206</u>
Remeasurements:						
Return on plan assets		-		13,247		13,247
Actuarial gains and losses arising from changes in financial assumptions		(18,325)		-		(18,325)
Actuarial gains and losses arising from experience adjustments and others		230		-		230
		<u>(18,095)</u>		<u>13,247</u>		<u>(4,848)</u>
Contributions		-		(7,234)		(7,234)
Benefits paid		(451,059)		326,347		(124,712)
Transfers in (out)		3,456		(796)		2,660
Effect of foreign exchange differences and others		11,385		(6,778)		4,607
End of the period	₩	5,407,595	₩	(4,977,916)	₩	429,679

(5) The fair value of the plan assets as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019		December 31, 2018	
	(In millions of Korean Won)			
Insurance instruments	₩	5,487,330	₩	5,203,146
Debt instruments		159,030		123,766
Others		217,697		181,417
	₩	5,864,057	₩	5,508,329

36. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	Nine-month period ended September 30,	
	2019	2018
	(In millions of Korean Won)	
Profit for the period	₩ 2,413,580	₩ 1,848,314
Adjustments:		
Retirement benefit costs	460,602	418,290
Depreciation	1,880,617	1,746,966
Amortization of intangible assets	961,518	1,060,445
Provision for warranties	2,203,809	1,500,336
Income tax expense	618,223	568,699
Loss (gain) on foreign currency translation, net	(12,537)	160,655
Loss on disposals of PP&E, net	32,703	74,263
Interest income, net	(145,599)	(153,761)
Gain on share of earnings of equity-accounted investees, net	(458,141)	(571,061)
Cost of sales from financial services, net	5,094,332	4,842,400
Impairment loss on investments in associates	29,751	-
Others	787,259	289,175
	<u>11,452,537</u>	<u>9,936,407</u>
Changes in operating assets and liabilities:		
Increase in trade notes and accounts receivable	(408,727)	(335,983)
Decrease (increase) in other receivables	220,619	(302,374)
Decrease (increase) in other financial assets	(81,068)	355,552
Increase in inventories	(1,212,923)	(196,868)
Increase in other assets	(128,565)	(265,968)
Increase (decrease) in trade notes and accounts payable	(696,405)	879,661
Decrease in other payables	(673,384)	(26,081)
Increase (decrease) in other liabilities	2,537,531	(312,240)
Decrease in other financial liabilities	(8,159)	(228)
Changes in net defined benefit liabilities	(527,001)	3,047
Payment of severance benefits	(60,070)	(124,721)
Decrease in provisions	(2,245,181)	(1,664,189)
Changes in financial services receivables	(4,955,540)	(2,687,250)
Increase in operating lease assets	(2,716,787)	(2,158,099)
Others	(18,884)	93,202
	<u>(10,974,544)</u>	<u>(6,742,539)</u>
Cash generated from operations	<u>₩ 2,891,573</u>	<u>₩ 5,042,182</u>

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 September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019		December 31, 2018	
	(In millions of Korean Won)			
Total liabilities	₩	115,644,694	₩	106,759,742
Total equity		76,025,188		73,896,010
Debt-to-equity ratio		152.1%		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 and JPY.

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.

The Group's sensitivity to a 5% change in exchange rate of the functional currency against each foreign currency on income before income tax as of September 30, 2019 would be as follows.

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ (23,625)	₩ 23,625
EUR	(20,110)	20,110
JPY	(8,302)	8,302

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.

The Group's sensitivity to a 1% change in interest rates on income before income tax as of September 30, 2019 would be as follows.

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 15,632	₩ (15,632)
Financial assets measured at FVPL	(6,100)	6,475
Short-term and long-term financial Instruments	4,832	(4,832)
Borrowings and debentures	(140,872)	140,872

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 September 30, 2019 and December 31, 2018, the amounts of interest rate risk measured at VaR are ₩146,622 million and ₩134,366 million, respectively.

c) Price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of September 30, 2019, the amounts of financial assets measured at FVPL and financial assets measured at FVOCI are ₩88,742 million and ₩1,721,324 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.

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 September 30, 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	₩ 14,368,214	₩ 22,445	₩ -	₩	14,390,659
Interest-bearing liabilities	32,058,675	47,615,606	5,678,993		85,353,274
Financial guarantee	1,017,743	18,301	348		1,036,392

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 September 30, 2019 and December 31, 2018, the Group recognized an accumulative net loss of ₩87,897 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 120 months as of September 30, 2019.

For the nine-month periods ended September 30, 2019 and 2018, the Group recognized a net profit of ₩377,601 million and ₩240,843 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.

38. RELATED-PARTY 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 nine-month period ended September 30, 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.	₩ 713,783	₩ 7,266	₩ 4,981,318	₩ 32,787
	Mobis Alabama, LLC	145,892	3,516	1,071,566	7,116
	Mobis Automotive Czech s.r.o.	-	380	1,144,254	198
	Mobis India, Ltd.	9,165	5,255	887,095	8,652
	Mobis Parts America, LLC	44,556	2,535	713,026	526
	Mobis Parts Europe N.V.	13,220	393	313,054	-
	Mobis Brasil Fabricacao De Auto Pecas Ltda	6,499	3	222,585	-
	Mobis Module CIS, LLC	-	247	310,978	-
	Others	17,389	1,528	514,196	17,018
		829,458	352,225	120,347	480,159
Joint ventures and associates	Kia Motors Corporation				
	Kia Motors Manufacturing Georgia, Inc.	267,758	1,377	19	-
	Kia Motors Russia LLC	798,813	-	-	-
	Kia Motors Slovakia s.r.o.	92,626	247	359,852	-
	BHMC	314,960	22,931	97,137	-
	HMGC	2,225	16	37,904	7,862
	Hyundai WIA Corporation	101,452	1,350	942,561	46,624
	Others	409,600	48,858	3,103,914	1,321,664
Other related parties		5,446	4,479	73	4
Affiliates by the Act		818,892	139,218	5,481,551	982,457

For the nine-month period ended September 30, 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.	₩ 614,757	₩ 9,026	₩ 3,841,003	₩ 47,831
	Mobis Alabama, LLC	111,653	14	817,087	8,595
	Mobis Automotive Czech s.r.o.	-	517	1,167,819	121
	Mobis India, Ltd.	6,902	1,948	810,284	3,815
	Mobis Parts America, LLC	27,061	2,295	589,955	485
	Mobis Parts Europe N.V.	12,362	422	300,528	31
	Mobis Brasil Fabricacao De Auto Pecas Ltda	5,309	-	179,373	-
	Mobis Module CIS, LLC	-	248	303,420	-
	Others	13,130	1,476	543,875	2,345
Joint ventures and associates	Kia Motors Corporation	901,852	334,453	131,277	347,704
	Kia Motors Manufacturing Georgia, Inc.	285,668	678	340,011	48,357
	Kia Motors Russia LLC	760,648	-	-	-
	Kia Motors Slovakia s.r.o.	85,638	3	433,577	-
	BHMC	362,323	32,099	26,279	-
	HMGC	2,315	-	2,741	5,329
	Hyundai WIA Corporation	194,061	935	999,272	3,063
	Others	381,066	41,961	2,606,399	1,166,491
	Other related parties	1,799	4,638	90	-
Affiliates by the Act		657,540	120,667	5,136,733	992,473

(2) As of September 30, 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.	₩ 182,114	₩ 4,343	₩ 936,961	₩ 171,203
	Mobis Alabama, LLC	18,246	20	125,206	3
	Mobis Automotive Czech s.r.o.	-	115	181,629	-
	Mobis India, Ltd.	1,084	13	159,759	30
	Mobis Parts America, LLC	17,421	77	84,357	-
	Mobis Parts Europe N.V.	1,305	1,142	44,990	-
	Mobis Module CIS, LLC	-	32	46,820	-
	Others	4,553	698	94,855	2,397
	Joint ventures and associates	470,963	143,789	36,642	156,497
Joint ventures and associates	Kia Motors Corporation	30,178	21,342	3	-
	Kia Motors Manufacturing Georgia, Inc.	130,866	246	-	-
	Kia Motors Russia LLC	19,316	327	52,500	1,061
	Kia Motors Slovakia s.r.o.	-	101,995	6	21,149
	Kia Motors America, Inc.	141,404	70,503	13,127	597
	BHMC	252	20,222	6,718	1,104
	HMGC	19,723	15,908	146,792	25,023
	Hyundai WIA Corporation	305,853	87,265	520,592	499,688
	Others	187	549	10	-
Other related parties		173,219	43,772	949,020	278,829
Affiliates by the Act					

(*1) The Group has recognized the loss allowance for the related parties' receivables in the amount of ₩27,538 million as of September 30, 2019 and the impairment loss is recognized in the amount of ₩2,546 million for the nine-month period ended September 30, 2019.

(*2) As of September 30, 2019, outstanding payment of ₩10,158 million of corporate purchase card agreement provided by Hyundai Card Co., Ltd. are included. For the nine-month period ended September 30, 2019, amount used and repayment of agreement are ₩226,485 million and ₩234,340 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 Parts Europe N.V.	1,671	3,317	42,412	-
	Mobis Module CIS, LLC	-	33	39,281	-
	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 Manufacturing Georgia, Inc.	26,594	11,698	7	-
	Kia Motors Russia LLC	104,433	103	-	-
	Kia Motors Slovakia s.r.o.	9,253	131	20,711	282
	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	203,992	108,678	517,426	739,730
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. are 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 nine-month period ended September 30, 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	¥ 40,000	-	-	-	₩ 452,666

Significant fund transactions and equity contribution transactions for the nine-month period ended September 30, 2018, between the Group and related parties are as follows.

Description	Loans		Borrowings		Equity contribution
	Lending	Collection	Borrowing	Repayment	
(In thousands of U.S. Dollars, Chinese Yuan)					(In millions of Korean won)
Joint ventures and associates	¥ 80,000	-	\$ 17,359	-	₩ 60,727

For the nine-month period ended September 30, 2019, the Group traded in other financial assets and others of ₩1,907,400 million with Hyundai Motor Securities Co., Ltd., an associate of the Group. The Group has other financial assets of ₩1,000,000 million in the consolidated statement of financial position as of September 30, 2019.

- (4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the nine-month periods ended September 30, 2019 and 2018 are as follows.

Description	Nine-month period ended September 30,	
	2019	2018
	(In millions of Korean Won)	
Short-term employee salaries	₩ 175,799	₩ 150,944
Retirement benefit costs	34,636	26,391
Other long-term benefits	838	530
	₩ 211,273	₩ 177,865

39. COMMITMENTS AND CONTINGENCIES:

- (1) As of September 30, 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	₩	129,478	₩	150,308
To others		10,720		888,372
	₩	140,198	₩	1,038,680

- (*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of September 30, 2019.

- (2) As of September 30, 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. Besides, as of September 30, 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 September 30, 2019, the Group is currently involved in lawsuits for ordinary wage, which involves disputes over whether certain elements of remuneration are 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 September 30, 2019, a substantial portion of the Group's PP&E is pledged as collateral for various loans and leasehold deposits up to ₩840,451 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 September 30, 2019, the Group has overdrafts, general loans, and trade-financing agreements with numerous financial institutions including Kookmin Bank.
- (5) As of September 30, 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 September 30, 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 September 30, 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 September 30, 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.

40. SEGMENT INFORMATION:

- (1) The Group has vehicle segment, finance segment and others 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 nine-month periods ended September 30, 2019 and 2018 are as follows.

For the nine-month period ended September 30, 2019					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 93,323,235	₩ 12,940,149	₩ 6,431,659	₩ (34,772,758)	₩ 77,922,285
Inter-company sales	(33,068,920)	(570,298)	(1,133,540)	34,772,758	-
Net sales	60,254,315	12,369,851	5,298,119	-	77,922,285
Operating profit	1,572,631	744,677	140,765	(16,957)	2,441,116
For the nine-month period ended September 30, 2018					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 82,845,305	₩ 12,285,389	₩ 5,599,575	₩ (29,148,171)	₩ 71,582,098
Inter-company sales	(27,979,281)	(249,973)	(918,917)	29,148,171	-
Net sales	54,866,024	12,035,416	4,680,658	-	71,582,098
Operating profit	598,994	636,196	214,743	471,105	1,921,038

- (3) Assets and liabilities by operating segments as of September 30, 2019 and December 31, 2018 are as follows.

September 30, 2019					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 105,706,015	₩ 92,682,121	₩ 8,740,043	₩ (15,458,297)	₩ 191,669,882
Total liabilities	40,841,673	79,421,730	5,743,740	(10,362,449)	115,644,694
Borrowings and debentures	7,279,576	71,591,273	3,036,153	(2,239,063)	79,667,939
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 nine-month periods ended September 30, 2019 and 2018 are as follows.

For the nine-month period ended September 30, 2019							
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 44,137,667	₩ 32,129,056	₩ 7,980,131	₩ 26,271,584	₩ 2,176,605	₩ (34,772,758)	₩ 77,922,285
Inter-company sales	(15,987,829)	(5,924,064)	(293,483)	(12,567,230)	(152)	34,772,758	-
Net sales	28,149,838	26,204,992	7,686,648	13,704,354	2,176,453	-	77,922,285

For the nine-month period ended September 30, 2018							
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 39,083,826	₩ 27,204,057	₩ 7,333,668	₩ 24,984,960	₩ 2,123,758	₩ (29,148,171)	₩ 71,582,098
Inter-company sales	(11,625,829)	(4,731,634)	(318,907)	(12,471,797)	(4)	29,148,171	-
Net sales	27,457,997	22,472,423	7,014,761	12,513,163	2,123,754	-	71,582,098

- (5) Non-current assets by region where the Group's entities are located in as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019	December 31, 2018
	(In millions of Korean Won)	
Korea	₩ 30,377,014	₩ 30,267,888
North America	2,508,402	2,175,054
Asia	1,368,356	1,106,064
Europe	1,937,254	1,891,626
Others	446,150	410,601
	36,637,176	35,851,233
Consolidation adjustments	(219,018)	(194,908)
Total (*)	₩ 36,418,158	₩ 35,656,325

(*) Sum of PP&E, intangible assets and investment property.

- (6) There is no single external customer who represents 10% or more of the Group's revenue for the nine-month periods ended September 30, 2019 and 2018.

41. CONSTRUCTION CONTRACTS:

- (1) Cost, income and loss and claimed construction from construction in progress as of September 30, 2019 and December 31, 2018 are as follows.

Description	September 30, 2019	December 31, 2018
	(In millions of Korean Won)	
Accumulated accrual cost	₩ 9,637,764	₩ 9,305,321
Accumulated income	375,780	591,321
Accumulated construction in process	10,013,544	9,896,642
Progress billing	9,403,089	9,331,926
Due from customers	1,216,485	1,110,972
Due to customers	606,030	546,256
Reserve (*)	84,670	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 September 30, 2019 are as follows.

Description	September 30, 2019
	(In millions of Korean Won)
Changes in accounting estimates of total contract revenue	₩ 500,255
Changes in accounting estimates of total contract costs	597,220
Effects on profit or loss of current period	(144,084)
Effects on profit or loss of future periods	47,119
Changes in due from customers	(81,051)
Provision for construction loss	177,014

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 September 30, 2019. Total contract revenue and costs may change in future periods.

- (3) There is no contract more than 5% of the Group's revenue in the prior period that is recognised in the current period by the stage of completion method for basis of the percentage of total costs incurred to date bear to the estimated total contract costs instruments for the nine-month period ended September 30, 2019.

42. SUBSEQUENT EVENTS:

- (1) Hyundai Capital Services, Inc., a subsidiary, won on one of the pending litigations on October 26, 2019, pursuant to court ruling. In accordance with the paragraph 9 of K-IFRS 1010, *Events after the Reporting Period*, Hyundai Capital Services, Inc., recognised reversal of ₩3,100 million of provisions for the litigation.
- (2) Hyundai Rotem Company, a subsidiary, issued ₩106,000 million of Hybrid bond on November 8, 2019 pursuant to the board of director resolution held on October 25, 2019.