

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

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

ATTACHMENT: INDEPENDENT AUDITORS' REVIEW REPORT

HYUNDAI MOTOR COMPANY

Contents

INDEPENDENT AUDITORS' REVIEW REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENTS OF INCOME	6
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	7
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	8
CONSOLIDATED STATEMENTS OF CASH FLOWS	10
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	12

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 June 30, 2019, the condensed consolidated statements of income, comprehensive income for the three-month and six-month periods ended June 30, 2019, the condensed consolidated statements of changes in equity and cash flows for the six-month period ended June 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 for the three-month and six-month periods ended June 30, 2018, and the condensed consolidated statements of changes in equity and cash flows for the six-month period ended June 30, 2018 were reviewed by other auditors, whose report thereon dated August 14, 2018, expressed that nothing came to their attention that caused them to believe that those condensed consolidated interim financial information as of June 30, 2018 was 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
August 14, 2019

This report is effective as of August 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 SIX-MONTH PERIODS ENDED JUNE 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 JUNE 30, 2019 AND DECEMBER 31, 2018

ASSETS	NOTES	June 30, 2019	December 31, 2018
		(In millions of Korean Won)	
Current assets:			
Cash and cash equivalents	20	₩ 9,491,773	₩ 9,113,625
Short-term financial instruments	20	8,485,940	7,936,319
Other financial assets	5,20	10,264,695	9,755,725
Trade notes and accounts receivable	3,20	4,112,803	3,595,993
Other receivables	4,20	3,202,923	3,291,847
Inventories	6	12,209,723	10,714,858
Current tax assets		79,397	97,271
Financial services receivables	14,20	27,499,843	25,864,589
Non-current assets classified as held for sale	8	-	867,192
Other assets	7,20	1,820,709	1,770,682
Total current assets		77,167,806	73,008,101
Non-current assets:			
Long-term financial instruments	20	118,292	112,394
Other financial assets	5,20	2,673,389	2,223,358
Long-term trade notes and accounts receivable	3,20	122,809	136,777
Other receivables	4,20	786,961	755,088
Property, plant and equipment	9,40	30,778,593	30,545,608
Investment property	10,40	177,079	189,334
Intangible assets	11,40	4,946,987	4,921,383
Investments in joint ventures and associates	13	17,789,665	17,143,239
Deferred tax assets		2,101,725	1,846,330
Financial services receivables	14,20	29,569,627	28,637,075
Investment in operating leases	15	20,826,641	20,425,766
Right-of-use assets	2,12	651,702	-
Other assets	7,20	778,266	711,299
Total non-current assets		111,321,736	107,647,651
Total assets		₩ 188,489,542	₩ 180,655,752

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2019 AND DECEMBER 31, 2018

LIABILITIES AND EQUITY	NOTES	June 30, 2019	December 31, 2018
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	20	₩ 8,364,817	₩ 7,655,630
Other payables	20	4,361,745	5,425,460
Short-term borrowings	16,20	11,110,432	12,249,850
Current portion of long-term debt and debentures	16,20	14,909,080	14,104,927
Income tax payable		525,972	150,802
Provisions	17	3,150,015	3,291,868
Other financial liabilities	18,20	23,933	44,288
Non-current liabilities classified as held for sale	8	-	719,396
Lease liabilities	2,12,20	115,844	-
Other liabilities	19,20	7,903,850	5,796,193
Total current liabilities		50,465,688	49,438,414
Non-current liabilities:			
Long-term other payables	20	21,184	20,319
Debentures	16,20	40,799,538	36,956,114
Long-term debt	16,20	10,272,170	9,985,250
Net defined benefit liabilities	35	390,891	433,247
Provisions	17	3,792,575	3,508,036
Other financial liabilities	18,20	186,773	297,506
Deferred tax liabilities		3,390,198	3,320,346
Lease liability	2,12,20	560,510	-
Other liabilities	19,20	2,927,456	2,800,510
Total non-current liabilities		62,341,295	57,321,328
Total liabilities		112,806,983	106,759,742
Equity:			
Capital stock	21	1,488,993	1,488,993
Capital surplus	22	4,194,911	4,201,214
Other capital items	23	(1,389,074)	(1,155,244)
Accumulated other comprehensive loss	24	(2,142,917)	(3,052,198)
Retained earnings	25	67,390,026	66,490,082
Equity related to assets classified as held for sale	8,24	-	1,122
Equity attributable to the owners of the Company		69,541,939	67,973,969
Non-controlling interests		6,140,620	5,922,041
Total equity		75,682,559	73,896,010
Total liabilities and equity		₩ 188,489,542	₩ 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 SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

	NOTES	2019		2018	
		Three-month period ended	Six-month period ended	Three-month period ended	Six-month period ended
		June 30	June 30	June 30	June 30
(In millions of Korean Won, except per share amounts)					
Sales	27,40	₩ 26,966,353	₩ 50,953,432	₩ 24,711,802	₩ 47,148,363
Cost of sales	32	22,343,313	42,417,730	20,785,311	39,754,359
Gross profit		4,623,040	8,535,702	3,926,491	7,394,004
Selling and administrative expenses	28,32	3,385,315	6,473,106	2,975,674	5,761,896
Operating profit		1,237,725	2,062,596	950,817	1,632,108
Gain on investments in joint ventures and associates, net	29	81,197	367,900	235,670	478,165
Finance income	30	200,986	433,611	204,123	400,375
Finance expenses	30	146,457	265,879	195,108	303,995
Other income	31	408,095	687,265	316,673	525,947
Other expenses	31,32	395,560	682,706	383,345	677,884
Profit before income tax		1,385,986	2,602,787	1,128,830	2,054,716
Income tax expense	34	386,690	649,706	318,103	512,354
Profit for the period		₩ 999,296	₩ 1,953,081	₩ 810,727	₩ 1,542,362
Profit attributable to:					
Owners of the Company		919,260	1,748,737	700,599	1,368,613
Non-controlling interests		80,036	204,344	110,128	173,749
Earnings per share attributable to the owners of the Company:	33				
Basic earnings per share:					
Common stock		₩ 3,490	₩ 6,632	₩ 2,614	₩ 5,096
1 st preferred stock		₩ 3,503	₩ 6,657	₩ 2,626	₩ 5,119
Diluted earnings per share:					
Common stock		₩ 3,490	₩ 6,632	₩ 2,614	₩ 5,096
1 st preferred stock		₩ 3,503	₩ 6,657	₩ 2,626	₩ 5,119

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
	(In millions of Korean Won)			
Profit for the period	₩ 999,296	₩ 1,953,081	₩ 810,727	₩ 1,542,362
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to profit or loss:				
Profit (loss) on financial assets measured at FVOCI, net	22,091	18,392	(121,259)	(115,374)
Remeasurements of defined benefit plans	(8,314)	(7,776)	3,110	996
Changes in retained earnings of equity-accounted investees, net	(29,075)	(41,183)	(1,947)	(1,556)
Changes in share of earnings of equity-accounted investees, net	10,323	14,318	(28,130)	(20,959)
	<u>(4,975)</u>	<u>(16,249)</u>	<u>(148,226)</u>	<u>(136,893)</u>
Items that may be reclassified subsequently to profit or loss:				
Profit (loss) on financial assets measured at FVOCI, net	6,207	11,323	(2,022)	(5,617)
Gain (loss) on valuation of cash flow hedge derivatives, net	(7,350)	6,939	(76,621)	(133,087)
Changes in share of earnings of equity-accounted investees, net	126,422	282,484	14,394	139,084
Gain on foreign currency translation difference for foreign operation, net	354,712	662,894	246,309	236,688
	<u>479,991</u>	<u>963,640</u>	<u>182,060</u>	<u>237,068</u>
Total other comprehensive income	<u>475,016</u>	<u>947,391</u>	<u>33,834</u>	<u>100,175</u>
Total comprehensive income	<u>₩ 1,474,312</u>	<u>₩ 2,900,472</u>	<u>₩ 844,561</u>	<u>₩ 1,642,537</u>
Comprehensive income attributable to:				
Owners of the Company	1,356,616	2,608,405	727,225	1,476,723
Non-controlling interests	117,696	292,067	117,336	165,814
Total comprehensive income	<u>₩ 1,474,312</u>	<u>₩ 2,900,472</u>	<u>₩ 844,561</u>	<u>₩ 1,642,537</u>

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 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	-	-	-	(331,080)	193,954	(137,126)	(77,022)	(214,148)
Balances after adjustments	1,488,993	4,201,214	(1,640,096)	(2,610,035)	67,526,282	68,966,358	5,576,848	74,543,206
Comprehensive income:								
Profit for the period	-	-	-	-	1,368,613	1,368,613	173,749	1,542,362
Gain (loss) on financial assets measured at FVOCI, net	-	-	-	(101,666)	(19,423)	(121,089)	98	(120,991)
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(83,479)	-	(83,479)	(49,608)	(133,087)
Changes in valuation of equity-accounted investees, net	-	-	-	113,555	(1,556)	111,999	4,570	116,569
Remeasurements of defined benefit plans	-	-	-	-	1,862	1,862	(866)	996
Gain on foreign currency translation difference for foreign operation, net	-	-	-	198,817	-	198,817	37,871	236,688
Total comprehensive income	-	-	-	127,227	1,349,496	1,476,723	165,814	1,642,537
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(810,851)	(810,851)	(50,727)	(861,578)
Acquisitions of subsidiaries	-	-	-	-	-	-	10	10
Purchases of treasury stocks	-	-	(370,687)	-	-	(370,687)	-	(370,687)
Others	-	-	-	-	(247)	(247)	(61)	(308)
Total transactions with owners, recorded directly in equity	-	-	(370,687)	-	(811,098)	(1,181,785)	(50,778)	(1,232,563)
Balance at June 30, 2018	₩ 1,488,993	₩ 4,201,214	₩ (2,010,783)	₩ (2,482,808)	₩ 68,064,680	₩ 69,261,296	₩ 5,691,884	₩ 74,953,180

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 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	-	-	-	-	1,748,737	1,748,737	204,344	1,953,081
Gain on financial assets measured at FVOCI, net	-	-	-	25,391	(1,785)	23,606	6,109	29,715
Gain on valuation of cash flow hedge derivatives, net	-	-	-	5,695	-	5,695	1,244	6,939
Changes in valuation of equity-accounted investees, net	-	-	-	282,354	(41,183)	241,171	14,448	255,619
Remeasurements of defined benefit plans	-	-	-	-	(5,523)	(5,523)	(2,253)	(7,776)
Gain on foreign currency translation difference for foreign operation, net	-	-	-	594,719	-	594,719	68,175	662,894
Total comprehensive income	-	-	-	908,159	1,700,246	2,608,405	292,067	2,900,472
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(800,301)	(800,301)	(58,503)	(858,804)
Increase in paid-in capital of subsidiaries by issuing stock	-	-	-	-	-	-	3,228	3,228
Acquisitions of investment of subsidiaries	-	-	-	-	-	-	2,169	2,169
Disposals of investment of subsidiaries	-	-	-	-	-	-	(33,068)	(33,068)
Purchases of treasury stocks	-	-	(233,830)	-	-	(233,830)	-	(233,830)
Others	-	(6,303)	-	-	(1)	(6,304)	12,686	6,382
Total transactions with owners, recorded directly in equity	-	(6,303)	(233,830)	-	(800,302)	(1,040,435)	(73,488)	(1,113,923)
Balance at June 30, 2019	₩ 1,488,993	₩ 4,194,911	₩ (1,389,074)	₩ (2,142,917)	₩ 67,390,026	₩ 69,541,939	₩ 6,140,620	₩ 75,682,559

(Concluded)

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

	NOTES	Six-month period ended June 30,	
		2019	2018
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	36		
Profit for the period		₩ 1,953,081	₩ 1,542,362
Adjustments		7,250,640	6,382,290
Changes in operating assets and liabilities		(6,498,813)	(4,297,135)
		2,704,908	3,627,517
Interest received		344,522	290,858
Interest paid		(998,005)	(954,683)
Dividend received		204,079	192,010
Income tax paid		(483,259)	(520,998)
Net cash provided by operating activities		1,772,245	2,634,704
Cash flows from investing activities:			
Changes in short-term financial instruments		(552,889)	(527,680)
Decreases in other financial assets (current), net		390,743	1,845,718
Decreases in other financial assets			
(non-current)		2,650	73,669
Collection of other receivables		20,380	69,423
Disposals of long-term financial instruments		1,452	1
Proceeds from disposals of property, plant and equipment		20,405	34,237
Proceeds from disposals of intangible assets		2,590	645
Proceeds from acquisition of investment of subsidiaries		2,169	10
Increases in other financial assets (non-current)		(345,771)	(78,103)
Increases in other receivables		(26,754)	(32,017)
Purchases of long-term financial instruments		(7,877)	(8,128)
Acquisitions of property, plant and equipment		(1,668,589)	(1,468,534)
Acquisitions of intangible assets		(629,178)	(605,479)
Acquisitions of investments in joint ventures and associates		(104,932)	(16,781)
Others		52,700	(423)
Net cash used in investing activities		(2,842,901)	(713,442)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

	NOTES	Six-month period ended June 30,	
		2019	2018
		(In millions of Korean Won)	
Cash flows from financing activities:			
Repayment of short-term borrowings, net	₩	(1,088,985)	₩ (698,202)
Proceeds from long-term debt and debentures		12,506,800	10,461,217
Proceeds from capital contribution from non-controlling interest		3,228	-
Repayment of long-term debt and debentures		(9,073,733)	(10,480,250)
Repayment of lease liabilities		(83,322)	-
Purchases of treasury stocks		(233,830)	(370,687)
Dividends paid		(858,776)	(861,578)
Others		(40,081)	(35,174)
Net cash provided by (used in) financing activities		<u>1,131,301</u>	<u>(1,984,674)</u>
Effect of exchange rate changes on cash and cash equivalents		317,503	18,691
Net increase (decrease) in cash and cash equivalents		378,148	(44,721)
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>9,491,773</u>	₩ <u>8,776,808</u>
(Concluded)			

See accompanying notes to consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTHTH PERIODS ENDED JUNE 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 June 30, 2019, the major shareholders of the Company are Hyundai MOBIS (45,782,023 shares, 21.43%) and Chung, Mong Koo (11,395,859 shares, 5.33%).

(1) The Company’s consolidated subsidiaries as of June 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 Tech Co., Ltd.	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%
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%	

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
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%	
Hyundai Capital Australia Pty Limited	Financing	"	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 1.40%
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 Capital Services Limited Liability Company	Financing	"	100.00%	Hyundai Capital Europe 100.00%
Hyundai Truck And Bus Rus LLC (HTBR)	Sales	"	100.00%	
Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	Manufacturing	Turkey	70.00%	
Hyundai EURotem Demiryolu Araclari Sanayi ve Ticaret A.S.	"	"	50.50%	Hyundai Rotem 50.50%
Hyundai Rotem Company – Hyundai EURotem Demiryolu Araclari SAN. VE TIC. A.S ORTAK GIRISIMI	Sales	"	100.00%	Hyundai Rotem 65.00%, Hyundai EURotem A.S. 35.00%
Hyundai Rotem Company – Hyundai EUrotem Mahmutbey Projesi ORTAK GIRISIMI	"	"	100.00%	Hyundai Rotem 85.00%, Hyundai EURotem A.S. 15.00%
HYUNDAI ROTEM MALAYSIA SDN BHD	"	Malaysia	100.00%	Hyundai Rotem 100.00%
Hyundai Motor UK Limited (HMUK)	"	UK	100.00%	
Hyundai Motor Company Italy S.r.l (HMCI)	"	Italy	100.00%	
Hyundai Motor Espana. S.L.U. (HMES)	"	Spain	100.00%	
Hyundai Motor France SAS (HMF)	"	France	100.00%	
Hyundai Motor Poland Sp. Zo. O (HMP)	"	Poland	100.00%	
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	Mexico	99.99%	HT 99.99%

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
HYUNDAI KEFICO MEXICO, S. DE R.L. DE C.V.	Manufacturing	Mexico	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 Corporate Security Investment Trust(*3)	"	"	100.00%	
Samsung ETF Private Equity Security Investment Trust(*3)	"	"	100.00%	
ZER01NE Accelerator Investment Fund No.1	"	"	99.00%	
Hydrogen Energy Industry Fund	"	Hongkong	69.00%	
Autopia Fifty-Sixth~ Sixty-Seventh 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 six-month period ended June 30, 2019.

- (2) Summarized financial position and results of operations of the Company's major consolidated subsidiaries as of and for the six-month period ended June 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. (*)	₩ 32,136,609	₩ 27,856,244	₩ 1,650,060	₩ 199,666
Hyundai Card Co., Ltd. (*)	16,483,078	13,228,136	1,236,847	121,822
Hyundai Rotem Company (*)	4,041,258	2,987,109	1,222,104	(49,767)
Hyundai KEFICO Corporation (*)	1,756,715	1,104,463	1,010,413	33,317
HCA (*)	38,991,056	34,264,373	5,304,161	129,822
HMA(*)	7,655,473	6,513,818	8,025,698	(155,482)
HMMA	4,796,259	1,970,078	3,762,307	101,214
HMMC	4,047,392	2,098,107	3,119,777	252,271
HMI(*)	4,001,150	1,561,780	3,556,647	214,199
HME (*)	1,869,099	1,837,285	4,858,168	3,774
HACC (*)	1,552,720	1,000,951	1,579,567	3,059
HMMR	1,548,456	815,439	1,563,411	87,273
HMB	1,255,908	814,917	1,070,979	(2,828)
HAOSVT	1,250,619	832,701	1,205,498	22,402
HMCA	645,076	491,646	871,281	3,061

(*) 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 six-month period ended June 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. (*)	₩ 28,829,679	₩ 24,783,307	₩ 1,632,261	₩ 186,437
Hyundai Card Co., Ltd. (*)	15,694,409	12,865,716	1,529,572	77,390
Hyundai Rotem Company (*)	3,813,257	2,416,008	1,148,750	(8,870)
Hyundai KEFICO Corporation (*)	1,685,020	1,073,284	900,587	17,395
HCA (*)	38,295,909	33,874,033	4,803,376	138,170
HMA(*)	6,304,345	5,101,791	7,035,183	(390,576)
HMMA	4,512,112	1,794,541	2,899,268	84,482
HMMC	3,691,953	1,727,874	3,247,329	187,353
HMI (*)	3,382,850	1,431,031	3,319,990	203,881
HME (*)	1,866,445	1,840,422	4,741,410	3,411
HAOSVT	1,603,830	1,234,624	1,533,949	(8,842)
HMMR	1,454,849	873,634	1,485,216	81,527
HACC (*)	1,294,615	835,432	1,334,113	(27,411)
HMB	1,113,195	692,836	1,042,251	66,639
HMCA	720,495	559,658	949,242	689

(*) 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 six-month period ended June 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 operating activities	₩ (1,836,553)	₩ (40,855)	₩ 32,516
Cash flows from investing activities	(48,812)	(14,417)	6,687
Cash flows from financing activities	1,998,545	347,949	65,260
Effect of exchange rate changes on cash and cash equivalents	-	-	(3,869)
Net increase in cash and cash equivalents	₩ 113,180	₩ 292,677	₩ 100,594

Summarized cash flows of non-wholly owned subsidiaries that had material non-controlling interests to the Group for the six-month period ended June 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 operating activities	₩ (657,669)	₩ (358,485)	₩ (131,976)
Cash flows from investing activities	(35,129)	(30,623)	(7,980)
Cash flows from financing activities	1,010,206	670,337	(52,103)
Effect of exchange rate changes on cash and cash equivalents	-	-	211
Net increase (decrease) in cash and cash equivalents	₩ 317,408	₩ 281,229	₩ (191,848)

- (5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of and for six-month period ended June 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	₩ 1,731,533	₩ 2,162,621	₩ 655,603
Profit (loss) attributable to non-controlling interests	79,320	76,801	(30,579)
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 six-month period 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 six-month period ended June 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	"
Excluded	Autopia Fifty-Fifth Asset Securitization Specialty Company	Liquidation
"	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 June 30, 2019 and for the three-month and six-month periods ended June 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 these standards do not have a material impact on the Group's 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 2014 *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 June 30, 2019	₩	13,528	₩	638,174	₩	651,702

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	₩	650,422
Lease liabilities		660,907

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 3.54%.

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 ₩651,702 million won of right-of-use assets and ₩676,354 million of lease liabilities as at June 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 six-month period ended June 30, 2019, the Group recognised ₩82,127 million of depreciation expenses and ₩13,284 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 June 30, 2019 and December 31, 2018 are as follows.

Description	June 30, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 4,180,381	₩ 126,464	₩ 3,665,356	₩ 143,496
Loss allowance	(67,578)	-	(69,363)	-
Present value discount accounts	-	(3,655)	-	(6,719)
	<u>₩ 4,112,803</u>	<u>₩ 122,809</u>	<u>₩ 3,595,993</u>	<u>₩ 136,777</u>

(2) Aging analysis of trade notes and accounts receivable

As of June 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 More than 91days	Overdue More than 181 days	Total amounts	Amount of impaired receivables
(In millions of Korean Won)						
Total trade note and Accounts receivable	₩ 4,014,339	₩ 180,295	₩ 3,560	₩ 108,651	₩ 4,306,845	₩ 67,578

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 More than 91days	Overdue More than 181 days	Total amounts	Amount of impaired receivables
(In millions of Korean Won)						
Total trade note and Accounts receivable	₩ 3,460,604	₩ 219,070	₩ 41,207	₩ 87,971	₩ 3,808,852	₩ 69,363

(3) The changes in loss allowance for the six-month periods ended June 30, 2019 and 2018 are as follows.

Description	Six-month period ended June 30,	
	2019	2018
(In millions of Korean Won)		
Beginning of the year	₩ 69,363	₩ 65,167
Impairment loss (reversal)	(2,002)	1,802
Write-off	(209)	(187)
Effect of foreign exchange differences	426	401
End of the period	₩ 67,578	₩ 67,183

4. OTHER RECEIVABLES:

Other receivables as of June 30, 2019 and December 31, 2018 are as follows.

Description	June 30, 2019		June 30, 2018	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Accounts receivable – others	₩ 2,112,525	₩ 420,893	₩ 2,161,565	₩ 392,400
Due from customers for contract work	1,082,142	-	1,110,972	-
Lease and rental deposits	19,455	319,669	28,826	310,194
Deposits	2,215	41,968	2,591	42,381
Others	1,895	4,431	1,719	10,113
Loss allowance	(15,309)	-	(13,826)	-
	₩ 3,202,923	₩ 786,961	₩ 3,291,847	₩ 755,088

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

Description	Six-month period ended June 30,	
	2019	2018
	(In millions of Korean Won)	
Beginning of the year	₩ 13,826	₩ 11,128
Impairment loss (reversal)	1,898	(125)
Write-off	(424)	(478)
Effect of foreign exchange differences	9	(5)
End of the period	₩ 15,309	₩ 10,520

5. OTHER FINANCIAL ASSETS:

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

Description	June 30, 2019	
	Current	Non-current
	(In millions of Korean Won)	
Financial assets measured at fair value through profit or loss ("FVPL")	₩ 10,073,876	₩ 476,994
Derivative assets that are effective hedging instruments	19,990	132,781
Financial assets measured at fair value through other comprehensive income ("FVOCI")	30,651	2,055,057
Financial assets measured at amortised cost	140,178	8,557
	₩ 10,264,695	₩ 2,673,389

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

Description	June 30, 2019		December 31, 2018	
	Acquisition cost	Book value	Book value	
	(In millions of Korean Won)			
Debt instruments	₩ 349,342	₩ 357,885	₩ 236,031	
Equity instruments (*)	1,559,842	1,727,823	1,674,690	
	₩ 1,909,184	₩ 2,085,708	₩ 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 June 30, 2019 and December 31, 2018 are as follows.

Name of the company	Ownership percentage (%)	June 30, 2019		December 31, 2018	
		Acquisition cost	Book value	Book value	
		(In millions of Korean Won)			
Hyundai Steel Company (*1)	6.87	₩ 903,897	₩ 476,742	₩ 516,090	
Hyundai Glovis Co., Ltd.	4.88	210,688	294,781	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	193,494	209,823	
Korea Aerospace Industries, Ltd. (*3)	-	73,331	170,081	150,920	
Hyundai Heavy Industries Holdings Co., Ltd.	2.13	9,018	112,413	120,046	
Hyundai Green Food Co., Ltd.	2.36	15,005	30,231	33,000	
NICE Information Service Co., Ltd.	2.25	3,312	23,153	14,957	
Hyundai M Partners Co., Ltd.	9.29	9,888	11,497	12,119	
NICE Holdings Co., Ltd.	1.30	3,491	11,160	8,825	
KT Corporation	0.09	8,655	6,807	7,155	
Hyundai Asan Corporation	1.40	22,500	2,117	2,117	
Hyundai Merchant Marine Company	0.03	9,161	367	366	
Others	-	194,719	190,588	158,689	
		₩ 1,559,842	₩ 1,727,823	₩ 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.,

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

6. **INVENTORIES:**

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

Description	June 30, 2019		December 31, 2018	
	(In millions of Korean Won)			
Finished goods	₩	7,064,083	₩	6,486,616
Merchandise		65,339		52,717
Semifinished goods		575,427		515,084
Work in progress		391,882		400,850
Raw materials		1,387,914		1,363,298
Supplies		314,675		306,670
Materials in transit		826,245		665,246
Others		1,584,158		924,377
Total (*)	₩	12,209,723	₩	10,714,858

(*) As of June 30, 2019 and December 31, 2018, the Group recognized a valuation allowance in the amount of ₩124,044 million and ₩130,989 million, respectively.

7. OTHER ASSETS:

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

Description	June 30, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Accrued income	₩ 323,545	₩ 1,272	₩ 318,306	₩ 1,293
Advanced payments	715,480	-	658,460	-
Prepaid expenses	429,384	724,025	445,601	672,814
Prepaid value-added tax and others	352,300	52,969	348,315	37,192
	₩ 1,820,709	₩ 778,266	₩ 1,770,682	₩ 711,299

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

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

Description	June 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 six-month period ended June 30, 2019.

(*2) The Group completed the process of disposal during the six-month period ended June 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 for the six-month period ended June 30, 2019.

9. PROPERTY, PLANT AND EQUIPMENT:

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

Description	Six-month period ended June 30,	
	2019	2018
(In millions of Korean Won)		
Beginning of the period	₩ 30,545,608	₩ 29,827,142
Acquisitions	1,305,907	1,167,365
Disposals	(49,876)	(77,322)
Depreciation	(1,228,951)	(1,141,253)
Others (*)	205,905	40,235
End of the period	₩ 30,778,593	₩ 29,816,167

(*) 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 six-month periods ended June 30, 2019 and 2018 are as follows.

Description	Six-month period ended June 30,	
	2019	2018
	(In millions of Korean Won)	
Beginning of the period	₩ 189,334	₩ 199,498
Transfers(*)	-	657
Disposals	(7,602)	-
Depreciation	(5,361)	(5,437)
Effect of foreign exchange differences	708	933
End of the period	₩ 177,079	₩ 195,651

(*) Transferred amount from PP&E.

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

Description	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
	(In millions of Korean Won)			
Rental income	₩ 11,812	₩ 22,985	₩ 11,687	₩ 23,717
Operating and maintenance expenses	4,269	8,405	4,332	8,614

11. INTANGIBLE ASSETS:

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

Description	Six-month period ended June 30,	
	2019	2018
	(In millions of Korean Won)	
Beginning of the period	₩ 4,921,383	₩ 4,809,336
Internal developments and separate acquisitions	623,760	599,015
Disposals	(4,348)	(958)
Amortization	(636,312)	(696,130)
Impairment loss	(17,827)	(8,064)
Others (*)	60,331	50,798
End of the period	₩ 4,946,987	₩ 4,753,997

(*) 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 six-month periods ended June 30, 2019 and 2018 are as follows.

Description	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
	(In millions of Korean Won)			
Development costs (intangible assets)	₩ 301,605	₩ 533,340	₩ 293,603	₩ 539,270
Research and development (*1)	330,892	610,755	267,768	501,374
Total (*2)	₩ 632,497	₩ 1,144,095	₩ 561,371	₩ 1,040,644

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

(*2) Presented in amortization of development costs is not included.

12. LEASE (AS A LESSEE):

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

Description	Six-month period ended June 30	
	2019	2018
	(In millions of Korean Won)	
Beginning of the period	₩ -	₩ -
Impact on transition to K-IFRS 1116	650,422	-
Acquisitions	99,458	-
Disposals	(30,803)	-
Depreciation	(82,127)	-
Others (*)	14,752	-
End of the period	₩ 651,702	₩ -

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

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

Description	June 30, 2019		December 31, 2018	
	(In millions of Korean Won)			
Undiscounted lease liabilities	₩	922,650	₩	-
Discounted lease liabilities		676,354		-
Current		115,844		-
Non-current		560,510		-

13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

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

Name of the company	Nature of business	Location	June 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	₩ 1,355,778	₩	1,484,794
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	568,916		530,161
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00	160,450		151,248
Hyundai Capital Bank Europe GmbH (HCBE)(*7)	Financing	Germany	49.00	129,390		-
Kia Motors Corporation	Manufacturing	Korea	33.88	9,380,546		9,001,505
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	2,854,025		2,801,084
Hyundai Transys Inc. (Formal. Hyundai Dymos Inc.) (*5)	Manufacturing	Korea	41.13	1,000,620		430,571
Hyundai WIA Corporation	Manufacturing	Korea	25.35	684,923		674,651
Hyundai Motor Securities Co., Ltd (*4)	Securities brokerage	Korea	27.49	278,153		265,711
Hyundai Commercial Inc.	Financing	Korea	37.50	238,058		218,983
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	168,922		159,699
Hyundai Autoever Corp.	IT service	Korea	28.48	135,448		129,173
Haevichi Hotels & Resorts Co., Ltd	Hotelkeeping	Korea	41.90	102,450		104,009
Hyundai Powertech Co., Ltd.(*5)	Manufacturing	Korea	-	-		561,688
Others (*6)				731,986		629,962
				₩ 17,789,665	₩	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, for the six-month period ended June 30, 2019 and cumulatively as of June 30, 2019 are ₩28,166 million and ₩124,844 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 six-month period ended June 30, 2019.

(2) The changes in investments in joint ventures and associates for the six-month period ended June 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	₩ -	₩ (179,675)	₩ -	₩ 50,659	₩ 1,355,778
BHAF	530,161	-	23,916	-	14,839	568,916
WAE	151,248	10,138	4,272	(10,138)	4,930	160,450
HCBE(*3)	-	-	(597)	-	129,987	129,390
Kia Motors Corporation	9,001,505	-	395,534	(123,586)	107,093	9,380,546
Hyundai Engineering & Construction Co., Ltd.	2,801,084	-	44,129	(11,664)	20,476	2,854,025
Hyundai Transys Inc. (*2)	992,259	334	14,633	-	(6,606)	1,000,620
Hyundai WIA Corporation	674,651	-	7,480	(4,136)	6,928	684,923
Hyundai Motor Securities Co., Ltd	265,711	-	14,278	(3,630)	1,794	278,153
Hyundai Commercial Inc.	218,983	-	15,182	-	3,893	238,058
Eukor Car Carriers Inc.	159,699	-	3,164	-	6,059	168,922
Hyundai Autoever Corp.	129,173	-	7,416	(4,126)	2,985	135,448
Haevichi Hotels & Resorts Co., Ltd.	104,009	-	(1,553)	-	(6)	102,450
Others	629,962	94,460	5,476	(11,520)	13,608	731,986
	<u>₩ 17,143,239</u>	<u>₩ 104,932</u>	<u>₩ 353,655</u>	<u>₩ (168,800)</u>	<u>₩ 356,639</u>	<u>₩ 17,789,665</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 six-month period ended June 30, 2019.

The changes in investments in joint ventures and associates for the six-month period ended June 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	₩ -	₩ 53,753	₩ -	₩ 53,255	₩ 1,563,587
BHAF	480,353	-	33,370	-	16,995	530,718
WAE	167,805	-	(432)	-	5,905	173,278
Kia Motors Corporation	8,882,325	-	260,140	(109,855)	(21,984)	9,010,626
Hyundai Engineering & Construction Co., Ltd.	2,959,910	-	38,912	(11,664)	(52,516)	2,934,642
Hyundai WIA Corporation	794,150	-	(5,303)	(4,136)	2,704	787,415
Hyundai Powertech Co., Ltd.	547,295	-	10,836	-	3,478	561,609
Hyundai Dymos Inc.	399,724	-	24,603	-	5,522	429,849
Hyundai Commercial Inc.	373,797	-	25,824	(10,000)	17,594	407,215
Hyundai Motor Securities Co., Ltd	254,766	-	7,585	(3,226)	(41)	259,084
Eukor Car Carriers Inc.	160,255	-	2,871	(8,976)	6,650	160,800
Hyundai Autoever Corp.	119,162	-	6,602	(4,126)	450	122,088
Haevichi Hotels & Resorts Co., Ltd.	106,531	-	(1,671)	-	3	104,863
Others	549,686	16,781	21,075	(3,722)	10,657	594,477
	<u>₩ 17,252,338</u>	<u>₩ 16,781</u>	<u>₩ 478,165</u>	<u>₩ (155,705)</u>	<u>₩ 48,672</u>	<u>₩ 17,640,251</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 six-month period ended June 30, 2019 are as follows.

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 4,246,823	₩ 4,312,571	₩ 5,012,738	₩ 546,927
BHAF (*)	5,499,120	-	4,425,695	-
WAE	711,829	685,428	383,419	284,522
HCBE (*)	1,232,158	-	1,013,093	-
Kia Motors Corporation	21,318,773	33,177,196	16,917,698	9,218,791
Hyundai Engineering & Construction Co., Ltd.	13,767,776	4,651,048	6,955,135	2,853,902
Hyundai WIA Corporation	3,719,022	3,233,653	1,861,597	2,021,919
Hyundai Transys Inc.	3,058,188	2,713,570	2,091,842	1,283,336
Hyundai Commercial Inc. (*)	9,499,499	-	8,269,059	-
Hyundai Motor Securities Co., Ltd (*)	7,866,012	-	6,999,957	-
Eukor Car Carriers Inc.	346,349	3,309,509	525,052	1,725,305
Hyundai Autoever Corp.	746,326	244,795	427,766	81,681
Haevichi Hotels & Resorts Co., Ltd.	31,943	424,629	216,038	65,445

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	₩ 4,196,555	₩ (370,362)	₩ -	₩ (370,362)
BHAF (*)	105,428	45,817	-	45,817
WAE	641,549	19,420	68,167	87,587
HCBE (*)	32,947	(1,903)	7,300	5,398
Kia Motors Corporation	26,951,004	1,154,498	322,356	1,476,854
Hyundai Engineering & Construction Co., Ltd.	8,559,547	348,182	83,241	431,423
Hyundai WIA Corporation	3,741,415	20,272	27,894	48,166
Hyundai Transys Inc.	3,707,425	78,718	2,426	81,144
Hyundai Commercial Inc. (*)	246,729	38,374	27,023	65,397
Hyundai Motor Securities Co., Ltd (*)	393,013	50,742	(58,412)	(7,670)
Eukor Car Carriers Inc.	872,475	30,795	45,877	76,672
Hyundai Autoever Corp.	715,175	26,573	2,120	28,693
Haevichi Hotels & Resorts Co., Ltd.	57,350	(1,012)	(14)	(1,026)

- (*) 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 six-month period ended June 30, 2018 are as follows.

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 4,574,296	₩ 4,195,041	₩ 4,944,812	₩ 593,074
BHAF (*)	5,480,146	-	4,478,791	-
WAE	809,501	733,890	335,722	420,053
Kia Motors Corporation	21,719,144	30,989,299	15,287,018	10,191,404
Hyundai Engineering & Construction Co., Ltd.	13,120,808	5,026,421	6,899,014	2,896,444
Hyundai WIA Corporation	3,873,105	3,285,657	1,668,081	2,373,836
Hyundai Powertech Co., Ltd.	1,168,670	1,663,663	1,023,901	314,099
Hyundai Dymos Inc.	1,659,812	1,050,490	1,206,226	561,316
Hyundai Commercial Inc. (*)	8,141,307	-	7,129,433	-
Hyundai Motor Securities Co., Ltd (*)	7,879,709	-	7,018,837	-
Eukor Car Carriers Inc.	350,969	2,641,158	531,425	1,122,888
Hyundai Autoever Corp.	633,779	127,474	325,172	9,614
Haevichi Hotels & Resorts Co., Ltd.	20,257	430,978	189,628	86,830

Name of the company	Sales	Profit for the period from continuing operations	Other comprehensive income (loss)	Total comprehensive income (loss)
(In millions of Korean Won)				
BHMC	₩ 5,995,102	₩ 54,487	₩ -	₩ 54,487
BHAF (*)	131,194	62,962	-	62,962
WAE	663,115	(1,963)	26,841	24,878
Kia Motors Corporation	26,622,328	763,855	(74,266)	689,589
Hyundai Engineering & Construction Co., Ltd.	7,778,261	341,802	(85,789)	256,013
Hyundai WIA Corporation	3,798,181	(23,081)	15,766	(7,315)
Hyundai Powertech Co., Ltd.	1,405,312	14,368	9,771	24,139
Hyundai Dymos Inc.	2,070,517	53,868	26,094	79,962
Hyundai Commercial Inc. (*)	227,465	47,692	(10,579)	37,113
Hyundai Motor Securities Co., Ltd (*)	312,916	27,401	261	27,662
Eukor Car Carriers Inc.	835,008	18,258	60,178	78,436
Hyundai Autoever Corp.	651,264	23,819	1,140	24,959
Haevichi Hotels & Resorts Co., Ltd.	54,925	25	(8)	17

(*) 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 six-month period ended June 30, 2019 are 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	₩ 896,775	₩ 1,214,116	₩ 109,620	₩ 214,115	₩ 22,785	₩ 73,789	₩ (25)
BHAF(*)	928,248	4,042,721	-	2,632	200,751	93,992	15,372

(*) 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 financial statements.

Summarized additional financial information of the Group's major joint ventures as of and for the six-month period ended June 30, 2018 are 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	₩ 281,294	₩ 694,445	₩ -	₩ 215,835	₩ 8,191	₩ 56,117	₩ 16,571
BHAF(*)	1,349,633	3,876,039	-	2,434	225,307	96,008	20,748

(*) 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 financial statements.

(5) The aggregate amounts of the Group's share of the joint ventures and associates, that are not individually material, loss and comprehensive income (loss) and for the six-month period ended June 30, 2019 and 2018 are as follows.

Description	Six-month period ended June 30,	
	2019	2018
(In millions of Korean Won)		
Profit for the period	₩ 5,476	₩ 11,463
Other comprehensive income	13,602	6,399
Total comprehensive income	₩ 19,078	₩ 17,862

(6) Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of June 30, 2019 are 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	₩ 1,399,367	₩ -	₩ (43,589)	₩ 1,355,778
BHAF	568,916	-	-	568,916
WAE	160,450	-	-	160,450
HCBE (*)	107,049	22,341	-	129,390
Kia Motors Corporation	9,239,040	197,089	(55,583)	9,380,546
Hyundai Engineering & Construction Co., Ltd. (*)	2,122,650	731,362	13	2,854,025
Hyundai Transys Inc.	985,375	-	15,245	1,000,620
Hyundai WIA Corporation	778,010	-	(93,087)	684,923
Hyundai Motor Securities Co., Ltd	238,101	40,052	-	278,153
Hyundai Commercial Inc.	238,058	-	-	238,058
Eukor Car Carriers Inc.	168,660	-	262	168,922
Hyundai Autoever Corp.	135,448	-	-	135,448
Haevichi Hotels & Resorts Co., Ltd. (*)	98,874	3,576	-	102,450

(*) 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 are 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.

(7) The market price of listed equity securities as of June 30, 2019 are 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	₩ 44,000	137,318,251	₩ 6,042,003
Hyundai Engineering & Construction Co., Ltd.	53,600	23,327,400	1,250,349
Hyundai Autoever Corp.	61,100	5,980,000	365,378
Hyundai WIA Corporation	48,650	6,893,596	335,373
Hyundai Motor Securities Co., Ltd	10,550	8,065,595	85,092

14. FINANCIAL SERVICES RECEIVABLES:

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

Description	June 30, 2019	December 31, 2018
	(In millions of Korean Won)	
Loan obligations	₩ 42,284,782	₩ 40,075,564
Card receivables	13,602,673	13,311,195
Financial lease receivables	2,710,024	2,588,890
Others	48,237	43,775
	58,645,716	56,019,424
Loss allowance	(1,376,433)	(1,368,759)
Loan origination fee	(180,801)	(133,394)
Present value discount accounts	(19,012)	(15,607)
	₩ 57,069,470	₩ 54,501,664

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

Description	Six-month period ended June 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	369,749	335,279
Write-off	(142,124)	(182,062)
Disposals and others	(229,198)	(122,809)
Effect of foreign exchange differences	9,247	12,254
End of the period	₩ 1,376,433	₩ 1,347,226

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

Description	June 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	₩ 1,159,858	₩ 1,027,820	₩ 1,182,648	₩ 1,055,082
Later than one year and not later than five years	1,805,974	1,675,347	1,648,493	1,528,204
Later than five years	2,754	2,718	3,045	2,986
	₩ 2,968,586	₩ 2,705,885	₩ 2,834,186	₩ 2,586,272

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

Description	June 30, 2019	December 31, 2018
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 2,968,586	₩ 2,834,186
Net lease investments:		
Present value of minimum lease payment receivable	2,705,885	2,586,272
Present value of unguaranteed residual value	4,139	2,618
	2,710,024	2,588,890
Unearned interest income	₩ 258,562	₩ 245,296

15. **INVESTMENT IN OPERATING LEASES (AS A LESSOR):**

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

Description	June 30, 2019		December 31, 2018	
	(In millions of Korean Won)			
Acquisition cost	₩	25,082,113	₩	24,686,189
Accumulated depreciation		(4,137,375)		(4,126,513)
Accumulated impairment loss		(118,097)		(133,910)
	₩	20,826,641	₩	20,425,766

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

Description	June 30, 2019	December 31, 2018
	(In millions of Korean Won)	
Not later than one year	₩ 3,887,022	₩ 3,801,164
Later than one year and not later than five years	3,770,288	3,574,970
Later than five years	8	8
	₩ 7,657,318	₩ 7,376,142

16. BORROWINGS AND DEBENTURES:

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

Description	Lender	Annual interest rate June 30, 2019 (%)	June 30, 2019 (In millions of Korean Won)	December 31, 2018
Overdrafts	Citi Bank and others	0.10~2.65	₩ 224,550	₩ 271,814
General loans	Woori Bank and others	0.90~5.42	2,890,070	4,687,667
Loans on trade receivables collateral	Kookmin Bank and others	0.00001~3.49	2,817,445	2,169,253
Banker's Usance	Woori Bank and others	0.01~6.10	459,744	210,398
Commercial paper	Shinhan Bank and others	2.00~2.78	4,093,749	4,332,409
Asset-backed securities	RBC and others	1.95~2.00	624,874	578,309
			₩ 11,110,432	₩ 12,249,850

- (2) Long-term debt as of June 30, 2019 and December, 2018 consists of the following:

Description	Lender	Annual interest rate June 30, 2019 (%)	June 30, 2019 (In millions of Korean Won)	December 31, 2018
General loans	Mizuho Bank and others	0.42~14.20	₩ 6,527,989	₩ 5,814,705
Facility loan	Korea Development Bank and others	0.70~3.60	181,217	215,052
Commercial paper	KTB Investment & Securities and others	1.62~2.55	2,570,000	2,620,000
Asset-backed securities	JP Morgan and others	2.85~3.10	4,725,122	4,337,962
Others(*)	NH Investment & Securities and others		435,607	435,607
			14,439,935	13,423,326
Less: present value discounts			(109,807)	(112,977)
Less: current maturities			(4,057,958)	(3,325,099)
			₩ 10,272,170	₩ 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 June 30, 2019 and December, 2018 are as follows.

Description	Latest maturity date	Annual interest rate	June 30, 2019	June 30, 2019	December 31, 2018
		(%)			
(In millions of Korean Won)					
Non-guaranteed public debentures	June 18, 2029	1.44~4.15	₩	27,846,742	₩ 25,853,095
Non-guaranteed private debentures	September 27, 2026	1.75~4.30		11,972,880	10,901,475
Asset-backed securities	November 17, 2025	1.29~3.31		11,923,848	11,070,462
				51,743,470	47,825,032
Less: discount on debentures				(92,810)	(89,090)
Less: current maturities				(10,851,122)	(10,779,828)
			₩	40,799,538	₩ 36,956,114

17. PROVISIONS:

The changes in provisions for the six-month period ended June 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	1,084,145	33,807	428,708
Utilized	(1,036,695)	(39,793)	(421,993)
Effect of foreign exchange differences	66,439	19	28,049
End of the period	₩ 5,291,017	₩ 697,559	₩ 954,014

The changes in provisions for the six-month period ended June 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	822,652	32,464	282,264
Utilized	(765,749)	(32,572)	(344,813)
Effect of foreign exchange differences	32,524	26	5,049
End of the period	₩ 5,315,724	₩ 636,298	₩ 862,530

(*) The effect by reclassification of provision for construction loss from due to customers related to construction contract.

18. OTHER FINANCIAL LIABILITIES:

(1) Other financial liabilities as of June 30, 2019 are as follows.

Description	June 30, 2019	
	Current	Non-current
(In millions of Korean Won)		
Financial liabilities measured at FVPL	₩ 1,134	₩ 43,518
Derivative liabilities that are effective hedging instruments	22,799	143,255
	₩ 23,933	₩ 186,773

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

Description	June 30, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Advances received	₩ 1,800,575	₩ 23,282	₩ 796,552	₩ 21,701
Withholdings	999,127	211,828	1,005,768	233,297
Accrued expenses	3,515,123	-	2,669,315	-
Unearned income	437,395	1,451,621	393,405	1,280,571
Due to customers for contract work	616,102	-	546,256	-
Others	535,528	1,240,725	384,897	1,264,941
	₩ 7,903,850	₩ 2,927,456	₩ 5,796,193	₩ 2,800,510

20. FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of June 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	₩	-	₩	9,491,773	₩	-	₩	-	₩	9,491,773	₩	9,491,773
Short-term and long-term financial instruments		-		8,604,232		-		-		8,604,232		8,604,232
Trade notes and accounts receivable		-		4,235,612		-		-		4,235,612		4,235,612
Other receivables		-		2,494,565		-		-		2,494,565		2,494,565
Other financial assets		10,550,870		148,735		2,085,708		152,771		12,938,084		12,938,084
Other assets		-		324,817		-		-		324,817		324,817
Financial services receivables		-		57,069,470		-		-		57,069,470		57,031,995
	₩	10,550,870	₩	82,369,204	₩	2,085,708	₩	152,771	₩	95,158,553	₩	95,121,078

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 June 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	₩ -	₩ 8,364,817	₩ -	₩ 8,364,817	₩ 8,364,817
Other payables	-	4,061,884	-	4,061,884	4,061,884
Borrowings and debentures	-	77,091,220	-	77,091,220	77,593,342
Other financial liabilities	44,652	-	166,054	210,706	210,706
Lease liabilities	-	676,354	-	676,354	676,354
Other liabilities	-	2,583,787	-	2,583,787	2,583,787
	<u>₩ 44,652</u>	<u>₩ 92,778,062</u>	<u>₩ 166,054</u>	<u>₩ 92,988,768</u>	<u>₩ 93,490,890</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 June 30, 2019 are as follows.

Description	June 30, 2019							
	Level 1		Level 2		Level 3		Total	
	(In millions of Korean Won)							
Financial assets:								
Financial assets measured at FVPL	₩	105,513	₩	10,009,938	₩	435,419	₩	10,550,870
Derivative assets that are effective hedging instruments		-		152,771		-		152,771
Financial assets measured at FVOCI		1,329,276		348,079		408,353		2,085,708
	₩	1,434,789	₩	10,510,788	₩	843,772	₩	12,789,349
Financial liabilities:								
Financial liabilities measured at FVPL	₩	-	₩	44,652	₩	-	₩	44,652
Derivative liabilities that are effective hedging instruments		-		166,054		-		166,054
	₩	-	₩	210,706	₩	-	₩	210,706

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
	₩	1,397,204	₩	9,871,358	₩	605,558	₩ 11,874,120
Financial liabilities:							
Financial liabilities measured at FVPL	₩	-	₩	9,211	₩	-	₩ 9,211
Derivative liabilities that are effective hedging instruments		-		332,583		-	332,583
	₩	-	₩	341,794	₩	-	₩ 341,794

The changes in financial instruments classified as Level 3 for the six-month period ended June 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	₩ 201,302	₩ (9,102)	₩ (12,233)	₩ -	₩ 26,880	₩ 435,419
Financial assets measured at FVOCI	376,986	57,777	(506)	976	-	(26,880)	408,353

The changes in financial instruments classified as Level 3 for the six-month period ended June 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	₩ 7,840	₩ (10,529)	₩ 1,028	₩ -	₩ 208,501
Financial assets measured at FVOCI	273,883	41,889	(6,134)	(203)	-	309,435

(*) 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 six-month period ended June 30, 2019 are as follows.

Description	Six-month period ended June 30, 2019		
	Interest income	Dividend income	Interest expenses
(In millions of Korean Won)			
Non-financial services:			
Financial assets measured at amortised cost	₩ 207,136	₩ -	₩ -
Financial assets (liabilities) measured at FVPL	60,850	-	9,301
Financial assets measured at FVOCI	-	33,231	-
Financial liabilities measured at amortised cost	-	-	143,100
	<u>₩ 267,986</u>	<u>₩ 33,231</u>	<u>₩ 152,401</u>
Financial services:			
Financial assets measured at amortised cost	₩ 1,829,982	₩ -	₩ -
Financial assets measured at FVPL	4,055	2,244	-
Financial assets measured at FVOCI	205	-	-
Financial liabilities measured at amortised cost	-	-	874,166
	<u>₩ 1,834,242</u>	<u>₩ 2,244</u>	<u>₩ 874,166</u>

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

Description	Six-month period ended June 30, 2018		
	Interest income	Dividend income	Interest expenses
	(In millions of Korean Won)		
Non-financial services:			
Financial assets measured at amortised cost	₩ 148,451	₩ -	₩ -
Financial assets (liabilities) measured at FVPL	94,836	-	7,582
Financial assets measured at FVOCI	-	29,063	-
Financial liabilities measured at amortised cost	-	-	111,323
	<u>₩ 243,287</u>	<u>₩ 29,063</u>	<u>₩ 118,905</u>
Financial services:			
Financial assets measured at amortised cost	₩ 1,756,930	₩ -	₩ -
Financial assets measured at FVPL	14,475	7,481	-
Financial assets measured at FVOCI	1,096	-	-
Financial liabilities measured at amortised cost	-	-	756,463
	<u>₩ 1,772,501</u>	<u>₩ 7,481</u>	<u>₩ 756,463</u>

- (5) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities measured at FVPL for the six-month periods ended June 30, 2019 and 2018 are ₩439,880 million and ₩924,885 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 six-month periods ended June 30, 2019 and 2018 are ₩119,344 million and ₩525,745 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 six-month period ended June 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, the estimated fair value of the underlying assets is estimated based on assumptions and assumptions about sales growth rate, pre-tax profit margin. Some assumptions are not based on percentage or percentage. 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 June 30, 2019 (In millions of Korean Won)	Valuation techniques	Unobservable inputs	Description of relationship
Unlisted equity Securities, Total Return Swap	₩ 843,772	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 June 30, 2019 and December 31, 2018 are as follows.

(1) Common stock

Description	June 30, 2019	December 31, 2018
	(In millions of Korean Won, except par value)	
Issued	213,668,187 shares	213,668,187 shares
Par value	₩ 5,000	₩ 5,000
Capital stock	1,157,982	1,157,982

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

(2) Preferred stock

Description	Par value	Issued	Korean Won	Dividend rate
			(In millions of Korean Won)	
1 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%
		63,270,871 shares	₩ 331,011	

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

22. CAPITAL SURPLUS:

Capital surplus as of June 30, 2019 and December 31, 2018 consists of the following:

Description	June 30, 2019	December 31, 2018
	(In millions of Korean Won)	
Stock paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Others	873,577	879,880
	₩ 4,194,911	₩ 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 June 30, 2019 and December 31, 2018 are as follows.

Description	June 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 June 30, 2019 consists of the following.

Description	June 30, 2019 (In millions of Korean Won)	
Gain on valuation of financial assets measured at FVOCI	₩	455,673
Loss on valuation of financial assets measured at FVOCI		(333,781)
Gain on valuation of cash flow hedge derivatives		4,960
Loss on valuation of cash flow hedge derivatives		(62,218)
Gain on share of the other comprehensive income of equity-accounted investees		35,204
Loss on share of the other comprehensive income of equity-accounted investees		(709,268)
Loss on foreign operations translation, net		(1,533,487)
	₩	(2,142,917)

(2) Accumulated other comprehensive loss as of December 31, 2018 consists of the following.

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)

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

Description	June 30, 2019 (In millions of Korean Won)		December 31, 2018	
Legal reserve (*)	₩	744,836	₩	744,836
Discretionary reserve		46,591,397		48,328,847
Unappropriated		20,053,793		17,416,399
	₩	67,390,026	₩	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 June 30, 2019, hybrid bond is as follows.

Description	Issue date	Maturity date	Annual interest rate (%)	June 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 June 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 six-month periods ended June 30, 2019 and 2018 are as follows.

Description	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
	(In millions of Korean Won)			
Sales of goods	₩ 22,940,414	₩ 43,073,497	₩ 20,472,285	₩ 39,095,369
Rendering of services	600,770	1,130,283	550,085	1,041,627
Royalties	16,718	35,495	33,378	54,973
Financial services revenue	2,695,730	5,336,217	2,936,835	5,641,910
Revenue related to construction contracts	622,029	1,199,543	615,191	1,131,402
Others	90,692	178,397	104,028	183,082
	₩ 26,966,353	₩ 50,953,432	₩ 24,711,802	₩ 47,148,363

- (2) As of June 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	Not later than a year	Later than a year
	(In millions of Korean Won)	
Deferred Revenue and others	₩ 808,058	₩ 1,208,496

28. SELLING AND ADMINISTRATIVE EXPENSES:

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

Description	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
	(In millions of Korean Won)			
Selling expenses:				
Export expenses	₩ 19,708	₩ 41,587	₩ 16,867	₩ 39,992
Overseas market expenses	86,861	181,830	73,622	113,623
Advertisements and sales promotion	596,054	1,151,124	532,508	1,084,192
Sales commissions	216,574	413,611	184,949	354,104
Expenses for warranties	602,087	1,112,910	474,948	883,095
Transportation expenses	31,456	59,838	29,684	56,174
	<u>1,552,740</u>	<u>2,960,900</u>	<u>1,312,578</u>	<u>2,531,180</u>
Administrative expenses:				
Payroll	647,237	1,284,539	618,067	1,234,275
Post-employment benefits	45,757	91,204	42,069	83,750
Welfare expenses	103,444	211,088	98,199	195,626
Service charges	339,552	636,306	326,027	637,325
Research	301,949	547,705	233,780	435,558
Others	394,636	741,364	344,954	644,182
	<u>1,832,575</u>	<u>3,512,206</u>	<u>1,663,096</u>	<u>3,230,716</u>
	<u>₩ 3,385,315</u>	<u>₩ 6,473,106</u>	<u>₩ 2,975,674</u>	<u>₩ 5,761,896</u>

29. GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain on investments in joint ventures and associates for the three-month and six-month periods ended June 30, 2019 and 2018 are as follows.

Description	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
	(In millions of Korean Won)			
Gain on share of earnings of equity-accounted investees, net	₩ 80,174	₩ 353,655	₩ 235,670	₩ 478,165
Gain on disposals of investments in associates	1,023	14,245	-	-
	<u>₩ 81,197</u>	<u>₩ 367,900</u>	<u>₩ 235,670</u>	<u>₩ 478,165</u>

30. FINANCE INCOME AND EXPENSES:

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

Description	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
(In millions of Korean Won)				
Interest income	₩ 134,733	₩ 267,986	₩ 126,241	₩ 243,287
Gain on foreign exchange transactions	39,468	55,099	12,237	30,238
Gain on foreign currency translation	17,792	63,634	15,852	44,002
Dividend income	-	33,231	191	29,063
Gain on derivatives	7,534	8,612	43,237	38,387
Others	1,459	5,049	6,365	15,398
	<u>₩ 200,986</u>	<u>₩ 433,611</u>	<u>₩ 204,123</u>	<u>₩ 400,375</u>

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

Description	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
(In millions of Korean Won)				
Interest expenses	₩ 85,073	₩ 168,230	₩ 72,558	₩ 146,484
Loss on foreign exchange transactions	7,540	18,355	14,761	23,483
Loss on foreign currency translation	31,524	53,657	106,140	130,543
Loss on derivatives	20,694	24,009	1,564	3,399
Others	1,626	1,628	85	86
	<u>₩ 146,457</u>	<u>₩ 265,879</u>	<u>₩ 195,108</u>	<u>₩ 303,995</u>

31. OTHER INCOME AND EXPENSES:

(1) Other income for the three-month and six-month periods ended June 30, 2019 and 2018 consists of the following.

Description	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
(In millions of Korean Won)				
Gain on foreign exchange transactions	₩ 168,922	₩ 262,408	₩ 66,888	₩ 127,038
Gain on foreign currency translation	101,994	159,299	141,307	169,362
Gain on disposals of PP&E	4,028	6,981	2,709	8,244
Commission income	42,638	63,608	43,087	60,358
Rental income	21,287	42,995	18,113	37,936
Others	69,226	151,974	44,569	123,009
	<u>₩ 408,095</u>	<u>₩ 687,265</u>	<u>₩ 316,673</u>	<u>₩ 525,947</u>

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

Description	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
	(In millions of Korean Won)			
Loss on foreign exchange transactions	₩ 166,644	₩ 231,766	₩ 118,744	₩ 184,660
Loss on foreign currency translation	86,281	129,146	150,465	193,995
Loss on disposals of PP&E	9,441	36,452	8,872	51,329
Donations	22,913	30,993	12,642	49,411
Others	110,281	254,349	92,622	198,489
	₩ 395,560	₩ 682,706	₩ 383,345	₩ 677,884

32. EXPENSES BY NATURE:

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

Description	2019		2018	
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
	(In millions of Korean Won)			
Changes in inventories	₩ (462,655)	₩ (628,842)	₩ 47,176	₩ (57,374)
Raw materials and merchandise used	16,290,559	30,362,485	14,039,668	26,725,688
Employee benefits	2,268,712	4,514,520	2,138,384	4,228,707
Depreciation	628,890	1,234,312	576,043	1,146,690
Amortization	321,945	636,312	352,430	696,130
Others	7,076,737	13,454,755	6,990,629	13,454,298
Total (*)	₩ 26,124,188	₩ 49,573,542	₩ 24,144,330	₩ 46,194,139

(*) 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 six-month periods ended June 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 six-month periods ended June 30, 2019 are computed as follows.

Description	Three-month period ended June 30,			Six-month period ended June 30,		
	Profit attributable to the stock	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit attributable to the stock	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ 707,545	202,714,520	₩ 3,490	₩ 1,345,893	202,932,871	₩ 6,632
1 st Preferred stock (*2)	78,510	22,413,258	3,503	149,370	22,438,196	6,657
2 nd Preferred stock	124,783	35,496,735	3,515	237,450	35,540,674	6,681
3 rd Preferred stock	8,422	2,404,448	3,503	16,024	2,406,262	6,659

(*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 six-month periods ended June 30, 2018 are computed as follows.

Description	Three-month period ended June 30,			Six-month period ended June 30,		
	Profit attributable to the stock	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit attributable to the stock	Weighted-average number of shares outstanding (*1)	Basic earnings per share
(In millions of Korean Won, except per share amounts)						
Common stock	₩ 539,019	206,185,258	₩ 2,614	₩ 1,052,927	206,617,212	₩ 5,096
1 st Preferred stock (*2)	59,900	22,810,858	2,626	117,021	22,859,122	5,119
2 nd Preferred stock	95,259	36,092,056	2,639	186,121	36,164,489	5,147
3 rd Preferred stock	6,421	2,443,810	2,627	12,544	2,448,637	5,123

(*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 six-month periods ended June 30, 2019 and 2018 are 25.0% and 24.9%, respectively.

35. RETIREMENT BENEFIT PLAN:

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

Description	Six-month period ended June 30,	
	2019	2018
(In millions of Korean Won)		
Paid-in cash	₩ 4,989	₩ 3,671
Recognised liability	1,543	1,150
	₩ 6,532	₩ 4,821

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

Description	June 30, 2019	December 31, 2018
Discount rate	3.49%	3.39%
Rate of expected future salary increase	4.41%	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 June 30, 2019 and December 31, 2018 are as follows.

Description	June 30, 2019		December 31, 2018	
	(In millions of Korean Won)			
Present value of defined benefit obligations	₩	6,040,115	₩	5,931,464
Fair value of plan assets		(5,653,654)		(5,508,329)
	₩	386,461	₩	423,135
Net defined benefit liabilities		390,891		433,247
Net defined benefit assets		(4,430)		(10,112)

(4) Changes in net defined benefit assets and liabilities for the six-month period ended June 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		302,086		-		302,086
Interest expenses (income)		78,285		(75,136)		3,149
		6,311,835		(5,583,465)		728,370
Remeasurements:						
Return on plan assets		-		(25,473)		(25,473)
Actuarial gains and losses arising from changes in financial assumptions		38,215		-		38,215
Actuarial gains and losses arising from experience adjustments and others		(2,635)		-		(2,635)
		35,580		(25,473)		10,107
Contributions		-		(313,194)		(313,194)
Benefits paid		(324,534)		275,274		(49,260)
Transfers in (out)		155		119		274
Effect of foreign exchange differences and others		17,079		(6,915)		10,164
End of the period	₩	6,040,115	₩	(5,653,654)	₩	386,461

Changes in net defined benefit assets and liabilities for the six-month period ended June 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		276,501		-		276,501
Interest expenses (income)		82,071		(82,125)		(54)
Past service cost		2,083		-		2,083
		5,682,235		(5,261,551)		420,684
Remeasurements:						
Return on plan assets		-		14,494		14,494
Actuarial gains and losses arising from changes in financial assumptions		(24,162)		-		(24,162)
Actuarial gains and losses arising from experience adjustments and others		(1,925)		-		(1,925)
		(26,087)		14,494		(11,593)
Contributions		-		(3,679)		(3,679)
Benefits paid		(314,260)		219,365		(94,895)
Transfers in (out)		1,938		(1,024)		914
Effect of foreign exchange differences and others		14,439		(9,233)		5,206
End of the period	₩	5,358,265	₩	(5,041,628)	₩	316,637

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

Description	June 30, 2019		December 31, 2018	
	(In millions of Korean Won)			
Insurance instruments	₩	5,311,058	₩	5,203,146
Debt instruments		141,885		123,766
Others		200,711		181,417
	₩	5,653,654	₩	5,508,329

36. CASH GENERATED FROM OPERATIONS:

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

Description	Six-month period ended June 30,	
	2019	2018
	(In millions of Korean Won)	
Profit for the period	₩ 1,953,081	₩ 1,542,362
Adjustments:		
Retirement benefit costs	306,778	279,680
Depreciation	1,234,312	1,146,690
Amortization of intangible assets	636,312	696,130
Provision for warranties	1,023,930	794,162
Income tax expense	649,706	512,354
Loss (gain) on foreign currency translation, net	(40,130)	111,174
Loss on disposals of PP&E, net	29,471	43,085
Interest income, net	(99,756)	(96,803)
Gain on share of earnings of equity-accounted investees, net	(353,655)	(478,165)
Cost of sales from financial services, net	3,354,281	3,189,379
Others	509,391	184,604
	<u>7,250,640</u>	<u>6,382,290</u>
Changes in operating assets and liabilities:		
Decrease (Increase) in trade notes and accounts receivable	(294,440)	210,020
Decrease in other receivables	234,105	1,344
Decrease (increase) in other financial assets	(840,881)	628,424
Increase in inventories	(1,261,349)	(314,191)
Increase in other assets	(86,379)	(243,233)
Increase in trade notes and accounts payable	316,962	557,693
Decrease in other payables	(735,866)	(818,789)
Increase in other liabilities	2,130,602	28,666
Decrease in other financial liabilities	(6,796)	(235)
Changes in net defined benefit liabilities	(306,974)	2,255
Payment of severance benefits	(49,260)	(94,895)
Decrease in provisions	(1,498,481)	(1,143,134)
Changes in financial services receivables	(2,489,555)	(1,665,003)
Increase in operating lease assets	(1,644,268)	(1,508,413)
Others	33,767	62,356
	<u>(6,498,813)</u>	<u>(4,297,135)</u>
Cash generated from operations	<u>₩ 2,704,908</u>	<u>₩ 3,627,517</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 June 30, 2019 and December 31, 2018 are as follows.

Description	June 30, 2019		December 31, 2018	
	(In millions of Korean Won)			
Total liabilities	₩	112,806,983	₩	106,759,742
Total equity		75,682,559		73,896,010
Debt-to-equity ratio		149.1%		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 June 30, 2019 would be as follows.

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ (28,317)	₩ 28,317
EUR	5,316	(5,316)
JPY	(8,414)	8,414

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 June 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	₩ 12,486	₩ (12,486)
Financial assets measured at FVPL	(5,910)	6,207
Short-term and long-term financial Instruments	4,725	(4,725)
Borrowings and debentures	(117,630)	117,630

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 June 30, 2019 and December 31, 2018, the amounts of interest rate risk measured at VaR are ₩171,654 million and ₩134,366 million, respectively.

c) Price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of June 30, 2019, the amounts of financial assets measured at FVPL and financial assets measured at FVOCI are ₩105,513 million and ₩1,727,823 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 in 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 June 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	₩ 14,926,099	₩ 21,757	₩ -	₩	14,947,856
Interest-bearing liabilities	28,126,325	49,536,783	4,933,647		82,596,755
Financial guarantee	1,145,451	19,026	426		1,164,903

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 June 30, 2019 and December 31, 2018, the Group recognized an accumulative net loss of ₩57,258 million and ₩62,953 million, respectively, in accumulated other comprehensive loss, on its effective cash flow hedging instruments.

The longest period in which the forecasted transactions are expected to occur is within 119 months as of June 30, 2019.

For the six-month periods ended June 30, 2019 and 2018, the Group recognizes a net profit of ₩191,415 million and ₩313,035 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 six-month period ended June 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.	₩ 460,569	₩ 4,966	₩ 3,412,033	₩ 16,838
	Mobis Alabama, LLC	89,263	1,214	686,272	7,017
	Mobis Automotive Czech s.r.o.	-	251	767,270	-
	Mobis India, Ltd.	5,991	4,594	573,441	5,998
	Mobis Parts America, LLC	27,722	1,659	447,911	352
	Mobis Parts Europe N.V.	8,610	313	196,677	-
	Mobis Brasil Fabricacao De Auto Pecas Ltda	4,648	-	138,236	-
	Mobis Module CIS, LLC	-	167	208,313	-
	Others	10,897	3,026	331,202	10,648
		<u>564,377</u>	<u>217,172</u>	<u>90,652</u>	<u>327,567</u>
Joint ventures and associates	Kia Motors Corporation	187,960	556	11	20,121
	Kia Motors Manufacturing Georgia, Inc.	521,613	-	-	-
	Kia Motors Russia LLC	56,414	13	229,470	-
	Kia Motors Slovakia s.r.o.	223,675	17,847	52,112	-
	BHMC	1,455	-	28,298	2,973
	HMGC	67,991	290	634,220	45,334
	Hyundai WIA Corporation	246,372	25,150	2,017,704	886,017
	Others	<u>2,715</u>	<u>3,068</u>	<u>48</u>	<u>2</u>
Other related parties					
Affiliates by the Act		<u>498,641</u>	<u>87,783</u>	<u>3,473,043</u>	<u>638,990</u>

For the six-month period ended June 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.	₩ 415,381	₩ 6,103	₩ 2,538,071	₩ 35,935
	Mobis Alabama, LLC	65,078	-	474,787	1,155
	Mobis Automotive Czech s.r.o.	-	267	784,581	111
	Mobis India, Ltd.	4,368	1,247	526,703	3,365
	Mobis Parts America, LLC	16,208	1,504	378,138	320
	Mobis Parts Europe N.V.	9,781	543	198,083	31
	Mobis Brasil Fabricacao De Auto Pecas Ltda	3,537	-	161,459	-
	Mobis Module CIS, LLC	-	176	207,777	-
	Others	8,811	1,176	371,468	3,811
		<u>582,405</u>	<u>214,087</u>	<u>98,235</u>	<u>217,937</u>
Joint ventures and associates	Kia Motors Corporation	182,998	376	335,180	34,927
	Kia Motors Manufacturing Georgia, Inc.	516,954	-	-	1,648
	Kia Motors Russia LLC	52,494	3	304,589	-
	Kia Motors Slovakia s.r.o.	260,291	20,274	17,892	-
	BHMC	1,576	-	1,814	2,780
	HMGC	110,692	522	688,950	1,920
	Hyundai WIA Corporation	244,176	27,944	1,646,687	727,707
	Others	<u>1,203</u>	<u>3,197</u>	<u>65</u>	<u>2</u>
Other related parties					
Affiliates by the Act		<u>409,543</u>	<u>85,388</u>	<u>3,273,120</u>	<u>636,180</u>

- (2) As of June 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.	₩ 167,532	₩ 7,602	₩ 1,265,225	₩ 166,501
	Mobis Alabama, LLC	27,323	-	102,268	-
	Mobis Automotive Czech s.r.o.	48	245	169,326	-
	Mobis India, Ltd.	934	3	155,847	26
	Mobis Parts America, LLC	15,076	65	82,991	-
	Mobis Parts Europe N.V.	1,243	942	49,815	-
	Mobis Module CIS, LLC	-	31	43,100	-
	Others	4,947	659	85,747	2,050
Joint ventures and associates	Kia Motors Corporation	277,641	174,556	52,380	180,943
	Kia Motors Manufacturing Georgia, Inc.	20,270	11,897	1	-
	Kia Motors Russia LLC	115,253	164	-	342
	Kia Motors Slovakia s.r.o.	13,844	124	41,131	18
	Kia Motors America, Inc.	-	101,379	3	20,295
	BHMC	135,386	76,757	2,944	1,010
	HMGC	-	13,446	4,393	1,471
	Hyundai WIA Corporation	23,219	15,008	185,541	19,262
	Others	232,346	90,035	544,530	530,978
Other related parties		251	555	10	1
Affiliates by the Act		159,078	18,189	1,038,346	304,098

- (*1) The Group has recognized the loss allowance for the related parties' receivables in the amount of ₩26,317 million as of June 30, 2019 and the impairment loss is recognized in the amount of ₩1,325 million for the six-month period ended June 30, 2019.
- (*2) As of June 30, 2019, outstanding payment of ₩18,666 million of corporate purchase card agreement provided by Hyundai Card Co., Ltd. are included. For the six-month period ended June 30, 2019, amount used and repayment of agreement are ₩157,142 million and ₩156,489 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 year six-month period ended June 30, 2019, 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	-	-	-	-	₩ 104,932

Significant fund transactions and equity contribution transactions for the year six-month period ended June 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	-	-	-	-	₩ 16,781

For the six-month period ended June 30, 2019, the Group has transaction that trading in other financial assets of ₩1,477,400 million with Hyundai Motor Securities Co., Ltd., an associate of the Group. The Group has other financial assets of ₩1,273,700 million in the consolidated statement of financial position as of June 30, 2019.

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

Description	Six-month period ended June 30,	
	2019	2018
	(In millions of Korean Won)	
Short-term employee salaries	₩ 112,118	₩ 102,588
Retirement benefit costs	22,541	17,804
Other long-term benefits	392	275
	₩ 135,051	₩ 120,667

39. COMMITMENTS AND CONTINGENCIES:

- (1) As of June 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	₩	1,428	₩	242,533
To others		138,536		914,961
	₩	139,964	₩	1,157,494

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

- (2) As of June 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. Meanwhile, as of June 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. In addition, as of June 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.
- (3) As of June 30, 2019, a substantial portion of the Group's PP&E is pledged as collateral for various loans and leasehold deposits up to ₩832,047 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 June 30, 2019, the Group has overdrafts, general loans, and trade-financing agreements with numerous financial institutions including Kookmin Bank.
- (5) As of June 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 June 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 June 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 June 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 segment. 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 income by operating segments for the six-month periods ended June 30, 2019 and 2018 are as follows.

For the six-month period ended June 30, 2019					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 61,329,469	₩ 8,391,545	₩ 4,059,639	₩ (22,827,221)	₩ 50,953,432
Inter-company sales	(21,696,191)	(388,658)	(742,372)	22,827,221	-
Net sales	39,633,278	8,002,887	3,317,267	-	50,953,432
Operating profit	1,546,001	516,680	119,669	(119,754)	2,062,596
For the six-month period ended June 30, 2018					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 54,881,317	₩ 8,167,292	₩ 3,478,994	₩ (19,379,240)	₩ 47,148,363
Inter-company sales	(18,639,905)	(173,093)	(566,242)	19,379,240	-
Net sales	36,241,412	7,994,199	2,912,752	-	47,148,363
Operating profit	850,892	439,001	126,793	215,422	1,632,108

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

June 30, 2019					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 106,221,388	₩ 89,759,555	₩ 8,302,900	₩ (15,794,301)	₩ 188,489,542
Total liabilities	41,386,580	76,821,020	5,311,939	(10,712,556)	112,806,983
Borrowings and debentures	7,489,174	69,289,898	2,713,174	(2,401,026)	77,091,220
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 for the six-month periods ended June 30, 2019 and 2018 are as follows.

	For the six-month period ended June 30, 2019						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 29,837,877	₩ 20,132,948	₩ 5,125,960	₩ 17,290,150	₩ 1,393,718	₩ (22,827,221)	₩ 50,953,432
Inter-company sales	(10,596,521)	(3,773,410)	(152,128)	(8,305,049)	(113)	22,827,221	-
Net sales	19,241,356	16,359,538	4,973,832	8,985,101	1,393,605	-	50,953,432
	For the six-month period ended June 30, 2018						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 26,281,804	₩ 17,217,215	₩ 4,746,687	₩ 16,909,587	₩ 1,372,310	₩ (19,379,240)	₩ 47,148,363
Inter-company sales	(7,714,766)	(2,848,154)	(205,670)	(8,610,647)	(3)	19,379,240	-
Net sales	18,567,038	14,369,061	4,541,017	8,298,940	1,372,307	-	47,148,363

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

Description	June 30, 2019	December 31, 2018
(In millions of Korean Won)		
Korea	₩ 30,110,933	₩ 30,267,888
North America	2,433,410	2,175,054
Asia	1,193,041	1,106,064
Europe	1,904,425	1,891,626
Others	459,647	410,601
	36,101,456	35,851,233
Consolidation adjustments	(198,797)	(194,908)
Total (*)	₩ 35,902,659	₩ 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 six-month periods ended June 30, 2019 and 2018.

41. CONSTRUCTION CONTRACTS:

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

Description	June 30, 2019	December 31, 2018
(In millions of Korean Won)		
Accumulated accrual cost	₩ 9,030,671	₩ 9,305,321
Accumulated income	386,268	591,321
Accumulated construction in process	9,416,939	9,896,642
Progress billing	8,950,899	9,331,926
Due from customers	1,082,142	1,110,972
Due to customers	616,102	546,256
Reserve (*)	83,261	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 June 30, 2019 are as follows.

Description	June 30, 2019
	(In millions of Korean Won)
Changes in accounting estimates of total contract revenue	₩ 388,826
Changes in accounting estimates of total contract costs	398,314
Effects on profit or loss of current period	(49,922)
Effects on profit or loss of future periods	40,434
Changes in due from customers	(23,124)
Provision for construction loss	149,922

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 June 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 six-month period ended June 30, 2019.

42. SUBSEQUENT EVENTS:

- (1) Hyundai Rotem Company, a subsidiary, issued ₩200,000 million non-guaranteed debenture on July 16, 2019 pursuant to the its board of director resolution held on June 26, 2019.
- (2) The Company declared interim dividends by board of director resolution held on July 22, 2019. The details are as follows.

Description	Contents
Amounts	Dividend per share: ₩1,000 (Total amount: ₩263,029 million)
Dividend yield ratio	0.7% (Common stock)
Record date	June 30, 2019