

**HYUNDAI MOTOR COMPANY
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
December 31, 2020 AND 2019**

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

HYUNDAI MOTOR COMPANY

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

To the Board of Directors and Shareholders
Hyundai Motor Company:

Opinion

We have audited the consolidated financial statements of Hyundai Motor Company and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

1) Warranty provisions

As described in Note 2 (20) and Note 17 to the consolidated financial statements, the Group recognized warranty provision in the amount of ₩ 8,514,173 million as of December 31, 2020.

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



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

- Understanding of the process to measure and recognize warranty provisions and testing of relevant controls.
- Testing of completeness and accuracy of vehicles sold used for estimation through inspection of related documents.
- Evaluating reasonableness of assumptions applied for expected warranty cost per unit by vehicle model by comparing warranty expenses incurred in the current period to expected warranty expenses in the prior period.
- Evaluating reasonableness of assumptions applied for expected number of repair cases based on historical data analysis.
- Testing of accuracy of warranty provision balance by inspecting documents related to historical data of the actual warranty expenses on a sample basis and testing of recalculation.
- Testing of appropriateness of discount rates by comparing to external sources of information.

2) Valuation of financial services receivables

As described in Note 2.(8) and Note 14 to the consolidated financial statements, the Group recognized financial services receivables and loss allowance in the amount of ₩ 69,665,210 million and ₩ 1,685,229 million as of December 31, 2020, respectively.

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

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

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

Other matter

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

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

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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



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

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

KPMG Samjong Accounting Corp.

Seoul, Korea
March 9, 2021

This report is effective as of March 9, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

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

Ha, Eon Tae
Chief Executive Officer
HYUNDAI MOTOR COMPANY

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(Phone Number) 02-3464-1114

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020 AND 2019

ASSETS	NOTES	December 31, 2020	December 31, 2019
		(In millions of Korean Won)	
Current assets:			
Cash and cash equivalents	20	₩ 9,862,136	₩ 8,681,971
Short-term financial instruments	20	7,219,695	7,292,626
Other financial assets	5,20	12,897,108	9,449,913
Trade notes and accounts receivable	3,20	3,283,972	3,513,090
Other receivables	4,20	4,016,972	3,402,059
Inventories	6	11,333,734	11,663,848
Current tax assets		138,848	112,046
Financial services receivables	14,20	32,596,052	30,178,200
Non-current assets classified as held for sale	8	304,469	11,493
Other assets	7,20	2,033,371	1,777,627
Total current assets		83,686,357	76,082,873
Non-current assets:			
Long-term financial instruments	20	61,859	803,262
Other financial assets	5,20	2,779,227	3,059,526
Long-term trade notes and accounts receivable	3,20	124,269	127,430
Other receivables	4,20	702,341	705,154
Property, plant and equipment	9,40	34,092,229	32,831,524
Investment property	10,40	160,967	171,494
Intangible assets	11,40	5,677,567	5,266,496
Investments in joint ventures and associates	13	19,925,260	18,375,290
Deferred tax assets	34	2,847,454	2,340,096
Financial services receivables	14,20	37,069,158	32,080,426
Investments in operating leases	15	20,501,691	21,068,340
Right-of-use assets	12	836,324	734,542
Other assets	7,20	879,509	865,767
Total non-current assets		125,657,855	118,429,347
Total assets		₩ 209,344,212	₩ 194,512,220

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020 AND 2019

LIABILITIES AND EQUITY	NOTES	December 31, 2020	December 31, 2019
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	20	₩ 8,793,179	₩ 7,669,424
Other payables	20	6,123,714	6,060,100
Short-term borrowings	16,20,40	13,780,670	12,570,693
Current portion of long-term debt and debentures	16,20,40	16,104,005	15,778,558
Income tax payable		548,733	370,100
Provisions	17	6,360,770	3,462,034
Other financial liabilities	18,20	100,328	9,970
Lease liabilities	12,20	141,478	132,388
Non-current liabilities classified as held for sale	8	214,066	-
Other liabilities	19,20	7,292,585	7,260,829
Total current liabilities		59,459,528	53,314,096
Non-current liabilities:			
Long-term other payables	20	798,547	847,287
Debentures	16,20,40	48,795,361	41,805,814
Long-term debt	16,20,40	12,726,724	11,217,088
Net defined benefit liabilities	35	247,566	412,598
Provisions	17	4,010,118	3,682,895
Other financial liabilities	18,20	459,507	175,196
Deferred tax liabilities	34	3,277,573	3,503,077
Lease liabilities	12,20	615,566	635,596
Other liabilities	19,20	2,612,752	2,552,819
Total non-current liabilities		73,543,714	64,832,370
Total liabilities		133,003,242	118,146,466
Equity:			
Capital stock	21	1,488,993	1,488,993
Capital surplus	22	4,190,093	4,197,015
Other capital items	23	(1,700,592)	(1,516,817)
Accumulated other comprehensive loss	24	(3,409,661)	(2,353,022)
Retained earnings	25	68,911,800	68,249,633
Equity attributable to the owners of the Company		69,480,633	70,065,802
Non-controlling interests		6,860,337	6,299,952
Total equity		76,340,970	76,365,754
Total liabilities and equity		₩ 209,344,212	₩ 194,512,220

(Concluded)

See accompanying notes to the consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	NOTES	2020	2019
		(In millions of Korean Won, except per share amounts)	
Sales	27,40	₩ 103,997,601	₩ 105,746,422
Cost of sales	32	85,515,931	88,091,409
Gross profit		18,481,670	17,655,013
Selling and administrative expenses	28,32	16,086,999	14,049,508
Operating profit		2,394,671	3,605,505
Gain on investments in joint ventures and associates, net	29	162,162	542,826
Finance income	30	813,916	827,120
Finance expenses	30	955,991	475,218
Other income	31	1,308,642	1,120,958
Other expenses	31,32	1,630,144	1,457,425
Profit before income tax		2,093,256	4,163,766
Income tax expense	34	168,703	978,120
Profit for the year		₩ 1,924,553	₩ 3,185,646
Profit attributable to:			
Owners of the Company		1,424,436	2,980,049
Non-controlling interests		500,117	205,597
Earnings per share attributable to the owners of the Company:	33		
Basic earnings per share:			
Common stock		₩ 5,454	₩ 11,310
1 st preferred stock		₩ 5,502	₩ 11,355
Diluted earnings per share:			
Common stock		₩ 5,454	₩ 11,310
1 st preferred stock		₩ 5,502	₩ 11,355

See accompanying notes to the consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
	(In millions of Korean Won)	
Profit for the year	₩ 1,924,553	₩ 3,185,646
Other comprehensive income (loss) :		
Items that will not be reclassified subsequently to profit or loss:		
Profit (loss) on financial assets measured at FVOCI, net	29,222	(37,965)
Remeasurements of defined benefit plans	39,564	(53,144)
Changes in retained earnings of equity-accounted investees, net	1,117	(108,983)
Changes in share of OCI of equity-accounted investees, net	53,248	16,966
	<u>123,151</u>	<u>(183,126)</u>
Items that may be reclassified subsequently to profit or loss:		
Profit on financial assets measured at FVOCI, net	4,959	15,906
Gain on valuation of cash flow hedge derivatives, net	100,077	45,051
Changes in share of OCI of equity-accounted investees, net	(278,999)	271,542
Gain (loss) on foreign operations translation, net	(971,213)	481,848
	<u>(1,145,176)</u>	<u>814,347</u>
Total other comprehensive income (loss)	<u>(1,022,025)</u>	<u>631,221</u>
Total comprehensive income	<u>₩ 902,528</u>	<u>₩ 3,816,867</u>
Comprehensive income attributable to:		
Owners of the Company	395,224	3,520,937
Non-controlling interests	507,304	295,930
Total comprehensive income	<u>₩ 902,528</u>	<u>₩ 3,816,867</u>

See accompanying notes to the consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	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 year	-	-	-	-	2,980,049	2,980,049	205,597	3,185,646
Gain (loss) on financial assets measured at FVOCI, net	-	-	-	(26,426)	(1,294)	(27,720)	5,661	(22,059)
Gain on valuation of cash flow hedge derivatives, net	-	-	-	34,570	-	34,570	10,481	45,051
Changes in valuation of equity-accounted investees, net	-	-	-	276,430	(108,983)	167,447	12,078	179,525
Remeasurements of defined benefit plans	-	-	-	-	(46,889)	(46,889)	(6,255)	(53,144)
Gain on foreign operations translation, net	-	-	-	413,480	-	413,480	68,368	481,848
Total comprehensive Income	-	-	-	698,054	2,822,883	3,520,937	295,930	3,816,867
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(1,063,331)	(1,063,331)	(58,503)	(1,121,834)
Increase in paid-in capital of subsidiaries by issuing stock	-	-	-	-	-	-	4,806	4,806
Acquisitions of investment of subsidiaries	-	-	-	-	-	-	13,004	13,004
Disposals of investment of subsidiaries	-	-	-	-	-	-	(19,637)	(19,637)
Purchases of treasury stocks	-	-	(458,031)	-	-	(458,031)	-	(458,031)
Retirement of treasury stocks	-	2,163	96,458	-	-	98,621	-	98,621
Issue of hybrid bonds	-	-	-	-	-	-	150,323	150,323
Others	-	(6,362)	-	-	(1)	(6,363)	(8,012)	(14,375)
Total transactions with owners, recorded directly in equity	-	(4,199)	(361,573)	-	(1,063,332)	(1,429,104)	81,981	(1,347,123)
Balance at December 31, 2019	₩ 1,488,993	₩ 4,197,015	₩ (1,516,817)	₩ (2,353,022)	₩ 68,249,633	₩ 70,065,802	₩ 6,299,952	₩ 76,365,754

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	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, 2020	₩ 1,488,993	₩ 4,197,015	₩ (1,516,817)	₩ (2,353,022)	₩ 68,249,633	₩ 70,065,802	₩ 6,299,952	₩ 76,365,754
Comprehensive income:								
Profit for the period	-	-	-	-	1,424,436	1,424,436	500,117	1,924,553
Gain (loss) on financial assets measured at FVOCI, net	-	-	-	31,827	(5,560)	26,267	7,914	34,181
Gain on valuation of cash flow hedge derivatives, net	-	-	-	90,265	-	90,265	9,812	100,077
Changes in valuation of equity-accounted investees, net	-	-	-	(223,503)	1,118	(222,385)	(2,249)	(224,634)
Remeasurements of defined benefit plans	-	-	-	-	31,869	31,869	7,695	39,564
Loss on foreign operations translation, net	-	-	-	(955,228)	-	(955,228)	(15,985)	(971,213)
Total comprehensive Income	-	-	-	(1,056,639)	1,451,863	395,224	507,304	902,528
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(790,489)	(790,489)	(103,290)	(893,779)
Increase in paid-in capital of subsidiaries by issuing stock	-	(2,586)	-	-	-	(2,586)	239,519	236,933
Disposals of investment of subsidiaries	-	-	-	-	-	-	(67,662)	(67,662)
Purchases of treasury stocks	-	-	(303,077)	-	-	(303,077)	-	(303,077)
Retirement of treasury stocks	-	(2,183)	119,302	-	-	117,119	-	117,119
Others	-	(2,153)	-	-	793	(1,360)	(15,486)	(16,846)
Total transactions with owners, recorded directly in equity	-	(6,922)	(183,775)	-	(789,696)	(980,393)	53,081	(927,312)
Balance at December 31, 2020	₩ 1,488,993	₩ 4,190,093	₩ (1,700,592)	₩ (3,409,661)	₩ 68,911,800	₩ 69,480,633	₩ 6,860,337	₩ 76,340,970

(Concluded)

See accompanying notes to the consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	NOTES	2020	2019
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:			
	36		
Profit for the year		₩ 1,924,553	₩ 3,185,646
Adjustments		16,808,385	15,145,995
Changes in operating assets and liabilities		<u>(16,991,771)</u>	<u>(15,644,327)</u>
		1,741,167	2,687,314
Interest received		519,995	672,283
Interest paid		(2,008,084)	(2,073,310)
Dividend received		234,432	204,455
Income tax paid		<u>(897,317)</u>	<u>(1,070,958)</u>
Net cash provided by (used in) operating activities		<u>(409,807)</u>	<u>419,784</u>
Cash flows from investing activities:			
Changes in short-term financial instruments, net		566,427	(5,610)
Changes in other financial assets (current), net		(2,348,252)	495,541
Decreases in other financial assets (non-current)		27,070	7,189
Collection of other receivables		37,388	51,417
Disposals of long-term financial instruments		42,935	2,861
Proceeds from disposals of property, plant and equipment		133,981	85,901
Proceeds from disposals of intangible assets		3,823	2,605
Proceeds from disposals of investment of subsidiaries		76,133	-
Proceeds from disposals of investments in joint ventures and associates		4,991	1,404
Acquisitions of subsidiaries, net of cash acquired		(50,313)	13,004
Increases in other financial assets (non-current)		(148,896)	(679,741)
Increases in other receivables		(25,077)	(49,631)
Purchases of long-term financial instruments		(11,894)	(18,759)
Acquisitions of property, plant and equipment		(4,687,842)	(3,586,716)
Acquisitions of intangible assets		(1,701,608)	(1,716,680)
Acquisitions of investments in joint ventures and associates		(1,359,278)	(588,541)
Others		<u>102,816</u>	<u>56,572</u>
Net cash used in investing activities		<u>(9,337,596)</u>	<u>(5,929,184)</u>

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	NOTES	2020	2019
		(In millions of Korean Won)	
Cash flows from financing activities:			
Proceeds from short-term borrowings, net	₩	301,587	₩ 1,418,012
Proceeds from long-term debt and debentures		35,536,741	25,557,933
Proceeds from capital contribution from non-controlling interest		5,080	4,806
Repayment of long-term debt and debentures		(23,059,360)	(20,433,457)
Repayment of lease liabilities		(201,571)	(159,604)
Purchases of treasury stocks		(303,077)	(458,031)
Dividends paid		(893,769)	(1,121,820)
Issue of hybrid bonds		-	150,323
Others		(33,158)	(83,236)
Net cash provided by financing activities		<u>11,352,473</u>	<u>4,874,926</u>
Decrease due to transfer to assets classified as held for sale		(27,784)	-
Effect of exchange rate changes on cash and cash equivalents		(397,121)	202,820
Net increase (decrease) in cash and cash equivalents		1,180,165	(431,654)
Cash and cash equivalents, beginning of the year		<u>8,681,971</u>	<u>9,113,625</u>
Cash and cash equivalents, end of the year	₩	<u>9,862,136</u>	₩ <u>8,681,971</u>
(Concluded)			

See accompanying notes to the consolidated financial statements

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

1. GENERAL:

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

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

As of December 31, 2020, the major shareholders of the Company are Hyundai MOBIS (45,782,023 shares, 21.43%) and Mr. Chung, Mong Koo (11,395,859 shares, 5.33%).

(1) The Group’s consolidated subsidiaries as of December 31, 2020 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) (*2,4)	Manufacturing	“	33.77%	
Hyundai KEFICO Corporation (Hyundai KEFICO)	“	“	100.00%	
Hyundai Autron Company Ltd.	R&D	“	60.00%	
Hyundai Partecs Co., Ltd.	Manufacturing	“	56.00%	
Hyundai NGV	Engineering	“	53.66%	
Maintrans Company	Services	“	100.00%	Hyundai Rotem 100.00%
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 (SMART)	Manufacturing	“	100.00%	SMARTI 100.00%
Hyundai America Technical Center, Inc. (HATCI)	R&D	“	100.00%	
Genesis Motor America LLC	Sales	“	100.00%	HMA 100.00%
Hyundai Rotem USA Corporation	Manufacturing	“	100.00%	Hyundai Rotem 100.00%
Moceanlab Inc.	Mobility service	“	100.00%	
Genesis Air Mobility LLC	R&D	“	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%
HCCA Funding Two Inc.	“	“	100.00%	HCCA 100.00%
HK Retail Funding LP	“	“	100.00%	HCCA 99.99%, HCCA Funding Two Inc 0.01%
Hyundai Motor India Limited (HMI)	Manufacturing	India	100.00%	
Hyundai Motor India Engineering Private Limited (HMIE)	R&D	“	100.00%	HMI 100.00%
Hyundai Capital India Private Limited (HCI)	Financing	“	100.00%	Hyundai Capital Services 100.00%

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Motor Japan Co., Ltd. (HMJ)	Sales	Japan	100.00%	
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	R&D	"	100.00%	
Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	China	100.00%	
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 Truck & Bus (China) Co., Ltd. (HTBC) (*3)	"	"	100.00%	
HYUNDAI THANH CONG VIETNAM AUTO MANUFACTURING CORPORATION (HTMV) (*1)	"	Vietnam	50.00%	
Hyundai Thanh cong Commercial Vehicle Joint Stock Company (HTCV) (*1)	Sales	"	50.00%	
HYUNDAI KEFICO VIETNAM COMPANY LIMITED	Manufacturing	"	100.00%	Hyundai KEFICO 100.00%
Hyundai Motor Company Australia Pty Limited (HMCA)	Sales	Australia	100.00%	
PT. HYUNDAI MOTOR MANUFACTURING INDONESIA (HMMI)	Manufacturing	Indonesia	99.99%	
PT HYUNDAI MOTORS INDONESIA (HMID)	Sales	"	100.00%	HMMI 0.01%
PT. HYUNDAI CAPITAL INDONESIA (HCID)	Financing	"	100.00%	Hyundai Capital Services 100.00%
Hyundai Capital Australia Pty Limited	"	Australia	100.00%	"
HR Mechanical Services Limited	Services	New Zealand	100.00%	Hyundai Rotem 100.00%
Hyundai Motor Manufacturing Czech, s.r.o. (HMMC)	Manufacturing	Czech	100.00%	
Hyundai Motor Czech s.r.o (HMCZ)	Sales	"	100.00%	
Hyundai Motor Europe GmbH (HME)	Marketing and Sales	Germany	100.00%	
Hyundai Motor Deutschland GmbH (HMD)	Sales	"	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R&D	"	100.00%	
Hyundai Motor Sport GmbH (HMSG)	Marketing	"	100.00%	HME 100.00%
Hyundai Capital Europe GmbH	Financing	"	100.00%	Hyundai Capital Services 100.00%
Hyundai Motor Commonwealth of Independent States B.V (HMCIS B.V)	Holding company	Netherlands	100.00%	HMMR 1.65%
Hyundai Motor Netherlands B.V.(HMNL)	Sales	"	100.00%	
Hyundai Motor Manufacturing Rus LLC (HMMR)	Manufacturing	Russia	70.00%	
Hyundai Motor Commonwealth of Independent States (HMCIS)	Sales	"	100.00%	HMCIS B.V 100.00%
Hyundai Mobility Lab (HML)	R&D	"	100.00%	HMCIS 99.00%, HMMR 1.00%
Hyundai Capital Services Limited Liability Company	Financing	"	100.00%	Hyundai Capital Europe 100.00%
Hyundai Truck And Bus Rus LLC (HTBR)	Sales	"	100.00%	
Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	Manufacturing	Turkey	70.00%	
Hyundai EURotem Demiryolu Araclari Sanayi ve Ticaret A.S	"	"	50.50%	Hyundai Rotem 50.50%
Hyundai Rotem Company – Hyundai EURotem Demiryolu Araclari SAN. VE TIC. A.S ORTAK GIRISIMI	Sales	"	100.00%	Hyundai Rotem 65.00%, Hyundai EURotem A.S. 35.00%

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
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)	Sales	Spain	100.00%	
Hyundai Motor France SAS (HMF)	"	France	100.00%	
Hyundai Motor Poland Sp. Zo. O (HMP)	"	Poland	100.00%	
Genesis Motor Europe GmbH (GME)	"	Germany	100.00%	
Genesis Motor UK Limited (GMUK)	"	UK	100.00%	GME 100.00%
Genesis Motor Switzerland AG (GMCH)	"	Switzerland	100.00%	"
Hyundai Hydrogen Mobility AG (HHM)	"	"	75.00%	
Hyundai Motor DE Mexico S DE RL DE CV (HMM)	Sales	Mexico	100.00%	HT 0.01%
Hyundai de Mexico, SA DE C.V., (HYMEX)	Manufacturing	"	99.99%	HT 99.99%
HYUNDAI KEFICO MEXICO, S. DE R.L.DE C.V.	"	"	100.00%	Hyundai KEFICO 100.00%
Hyundai Rio Vista, Inc.	Real estate development	USA	100.00%	HT 100.00%
Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)	Manufacturing	Brazil	100.00%	
Hyundai Capital Brasil Servicos De Assistencia Financeira Ltda	Financing	"	100.00%	Hyundai Capital Services 100.00%
Hyundai Rotem Brasil Industria E Comercio De Trens Ltda.	Manufacturing	"	100.00%	Hyundai Rotem 100.00%
HMB Holding Participacoes Financeiras Ltda.	Holding company	"	99.99%	HMB 99.99%
China Millennium Corporations (CMEs)	"	Cayman Islands	59.60%	
China Mobility Fund, L.P.	Investment	"	72.00%	
KyoboAXA Private Tomorrow Securities Investment Trust No.12	"	Korea	100.00%	
Shinhan BNPP Private Corporate Security Investment Trust No.34	"	"	100.00%	
KB Leaders Private Securities Fund1(Bond Mixed)	"	"	100.00%	
Samsung ETF rotation Private Investment Trust 1	"	"	100.00%	
ZER01NE Accelerator Investment Fund No.1	"	"	99.00%	
Hydrogenic Energy Fund 1,L.P	"	Cayman Islands	69.00%	
Autopia Sixty-third ~ Seventieth Asset Securitization Specialty Company (*1)	Financing	Korea	0.50%	Hyundai Capital Services 0.50%
Zavurov First Co., Ltd. (*1)	"	"	0.00%	Hyundai Capital Services 0.00%
Super Series Fifth ~ Ninth Securitization Specialty Co., Ltd. (*1)	"	"	0.50%	Hyundai Card 0.50%
Bluewalnut Co., Ltd.	"	"	100.00%	Hyundai Card 100.00%
MOCEAN Co.,Ltd	Mobility Service	"	80.00%	
Hyundai CHA Funding, LLC	Financing	USA	100.00%	HCA 100.00%
Hyundai Lease Titling Trust	"	"	100.00%	"
Hyundai HK Funding, LLC	"	"	100.00%	"
Hyundai HK Funding Two, LLC	"	"	100.00%	"
Hyundai HK Funding Three, LLC	"	"	100.00%	"
Hyundai HK Funding Four, LLC	"	"	100.00%	"
Hyundai ABS Funding, LLC	"	"	100.00%	"
HK Real Properties, LLC	"	"	100.00%	"
Hyundai Auto Lease Offering, LLC	"	"	100.00%	"
Hyundai HK Lease, LLC	"	"	100.00%	"
Extended Term Amortizing Program, LLC	"	"	100.00%	"
Hyundai Asset Backed Lease, LLC	"	"	100.00%	"
HCA Exchange, LLC	"	"	100.00%	"
Hyundai Protection Plan, Inc.	Insurance	"	100.00%	"
Hyundai Protection Plan Florida, Inc.	"	"	100.00%	"

Name of subsidiaries	Nature of business	Location	Ownership percentage	Indirect ownership
Hyundai Capital Insurance Services, LLC	"	"	100.00%	HCA 100.00%
Hyundai Capital Insurance Company	"	"	100.00%	"
Power Protect Extended Services, Inc.	"	"	100.00%	"
Power Protect Extended Services Florida, Inc.	"	"	100.00%	"

- (*1) The Group is considered to have substantive control over the entities by virtue of an agreement or relationship with other investors, or relationship with structured entities.
- (*2) Even though the shareholding ratio of ownership is less than half, the Group has de facto control over the entity due to the relative size of the voting rights held and the degree of share dispersion of other voting rights holders.
- (*3) For the year ended December 31, 2020, the Group acquired additional 50% of the shares of the Sichuan Hyundai Motor Company (CHMC) which was classified as a joint venture as of December 31, 2019. Accordingly, it was reclassified as a subsidiary and the name of company was changed to Hyundai Truck & Bus (China) Co., Ltd. (HTBC).
- (*4) For the year ended December 31, 2020, the Company's shareholding ratio in Hyundai Rotem Company, a subsidiary, changed from 43.36% to 33.77%, upon the exercise of the conversion rights of convertible bonds held by the non-controlling interest. As a result, equity attributable to non-controlling interest increased by ₩234,439 million.

(2) Summarized financial position and results of operations of major consolidated subsidiaries as of and for the year ended December 31, 2020 are as follows.

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the year
	(In millions of Korean Won)			
Hyundai Capital Services, Inc. (*)	₩ 33,683,340	₩ 28,951,217	₩ 3,245,441	₩ 348,571
Hyundai Card Co., Ltd. (*)	19,941,856	16,500,531	2,526,137	244,561
Hyundai Rotem Company (*)	4,197,374	2,851,222	2,785,326	22,409
Hyundai KEFICO Corporation (*)	2,007,029	1,246,934	1,880,848	120,461
HCA (*)	45,365,985	40,336,417	11,298,228	514,792
HMA	6,923,939	5,483,741	19,633,057	300,129
HMMA	4,735,474	3,326,009	6,994,745	(1,019,072)
HMMC	4,012,518	1,717,572	5,817,256	162,669
HMI (*)	3,903,535	1,764,081	5,782,305	221,246
HME (*)	2,416,136	2,364,634	9,215,877	14,185
HMMR	1,676,120	941,181	2,829,969	93,127
HACC (*)	1,543,844	895,215	2,998,410	64,167
HAOSVT	1,472,674	968,587	2,468,376	56,050
HMB	1,159,635	964,698	1,472,328	(47,253)
HMCA	818,850	656,270	1,415,987	11,686

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

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

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

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

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

(4) Summarized cash flows of non-wholly owned subsidiaries that have material non-controlling interests to the Group and subsidiaries of finance segment for the year ended December 31, 2020 are as follows.

Description	Hyundai Capital Services, Inc	Hyundai Card Co., Ltd.	HCA	HCCA	Hyundai Rotem Company
(In millions of Korean Won)					
Provided by (used in) operating activities	₩ (734,919)	₩ (2,110,922)	₩ (5,671,707)	₩ (736,550)	₩ 56,423
Provided by investing activities	(349,375)	(81,458)	(99,608)	(1,291)	(75,057)
Provided by (used in) financing activities	1,139,274	2,236,920	6,134,190	760,770	(21,649)
Effect of exchange rate changes on cash and cash equivalent	-	(273)	(37,326)	(2,767)	(3,475)
Net increase (decrease) in cash and cash equivalents	54,980	44,267	325,549	20,162	(43,758)
Beginning balance of cash and cash equivalents	351,085	730,086	149,599	55,267	382,486
Ending balance of cash and cash equivalents	₩ 406,065	₩ 774,353	₩ 475,148	₩ 75,429	₩ 338,728

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

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

(5) Details of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of December 31, 2020 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%	66.23%
Accumulated non-controlling interests	₩ 1,912,151	₩ 2,267,168	₩ 808,494
Profit attributable to non-controlling interests	139,223	154,171	13,510
Dividends paid to non-controlling interests	36,081	63,429	3,733

Details of non-wholly owned subsidiaries of the Company that had material non-controlling interests as of and for the year ended December 31, 2019 are as follows:

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

(6) Financial support provided to consolidated structured entities

As of December 31, 2020, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., subsidiaries of the Company, have agreements that provide counterparties with rights of recourse in the event of default on the derivatives relating to asset-backed securities issued by consolidated structured entities, Autopia Sixty-Eighth and Sixty-Ninth Asset Securitization Specialty Company, Super Series Fifth, Sixth, Eighth, Ninth Securitization Specialty Co., Ltd..

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

1) Nature of interests in unconsolidated structured entities of the Group as of December 31, 2020 is as follows:

Description	Purpose	Nature of business (In millions of Korean Won)	Method of funding	Total assets (*)
Asset securitization SPC	Fund raising through asset-securitization	Fund collection	Asset Backed Securities and others	₩ 3,111,224
Investment fund	Investment trust and others	Fund management and operation, distribution of operating profit and others	Beneficiary (Investment) certificates	13,199,533
Structured Finance	Fund raising through project financing	Project financing for construction project and ship investment	Project financing and others	8,900,659

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

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

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

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

2) Risks associated with interests in an unconsolidated structured entity of the Group as of December 31, 2020 are as follows:

Description	Book value in the structured entity	Financial support provided to the structured entity		Maximum amount of exposure to loss of the structured entity
		Method	Purpose	
Asset securitization SPC	₩ 13,909	Loan obligations	Loan agreement (Credit line)	₩ 31,000
Investment fund	300,384	Beneficiary certificates, Investment trust	Invest agreement	300,384
Structured Finance	429,519	Loan obligations	Loan agreement (Credit line)	682,514

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

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

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

(8) Significant restrictions on the subsidiaries

As of December 31, 2020, Hyundai Card Co., Ltd., subsidiary of the Company, has significant restrictions that require it to obtain consent from nominated outside director recommended by non-controlling shareholders in the event of acquiring a company, entry into new business, guarantee, investment in stocks or contracts beyond a certain amount and others.

(9) Changes in consolidated subsidiaries

Subsidiaries newly included in or excluded from consolidation for the year ended December 31, 2020 are as follows.

Changes	Name of subsidiaries	Description
Included	Super Series Eighth Securitization Specialty Co., Ltd	Establishment
"	Super Series Ninth Securitization Specialty Co., Ltd	"
"	PT HYUNDAI MOTORS INDONESIA (HMID)	"
"	Genesis Motor Switzerland AG (GMCH)	"
"	Genesis Air Mobility LLC	"
"	Autopia Sixty- Ninth Asset Securitization Specialty Company	"
"	Autopia Seventieth Asset Securitization Specialty Company	"
"	Zavurov First Co., Ltd.	"
"	PT. HYUNDAI CAPITAL INDONESIA (HCID)	"
"	Hyundai Truck & Bus (China) Co., Ltd. (HTBC)	Acquisition
Excluded	Autopia Fifty- Seventh Asset Securitization Specialty Company	Liquidation
"	Autopia Fifty- Eighth Asset Securitization Specialty Company	"
"	Autopia Fifty- Ninth Asset Securitization Specialty Company	"
"	Autopia Sixtieth Asset Securitization Specialty Company	"
"	Autopia Sixty- First Asset Securitization Specialty Company	"
"	Autopia Sixty- Second Asset Securitization Specialty Company	"
"	Super Series Third Securitization Specialty Co., Ltd	"
"	Super Series Fourth Securitization Specialty Co., Ltd	"
"	Green Air Co., Ltd.	Disposition
"	HYUNDAI MOTOR SINGAPORE PTE. LTD. (HMS)	Changed to equity method

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of consolidated financial statements preparation

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

The significant accounting policies used for the preparation of the consolidated financial statements are summarized below. These accounting policies are consistent with those applied to the consolidated financial statements for the year ended December 31, 2019, except for the adoption effect of the new accounting standards and interpretations described below.

1) New and revised standards that have been applied from the year beginning on January 1, 2020 are as follows:

The Group applied *Definition of a Business* (Amendments to K-IFRS 1103 ‘*Business Combinations*’) and *Interest Rate Benchmark Reform* (Amendments to K-IFRS 1109 ‘*Financial Instruments*’, K-IFRS 1039 ‘*Financial Instruments: Recognition and Measurement*’ and K-IFRS 1107 ‘*Financial Instruments: Disclosures*’) for the first time on January 1, 2020. These standards and other new accounting standards effective from January 1, 2020 do not have a material impact on the Group’s consolidated financial statements.

2) A number of new standards are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

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

- COVID-19 Related Rent Concessions (Amendments to K-IFRS 1116 ‘*Leases*’)
- Proceeds before Intended Use (Amendments to K-IFRS 1016 ‘*Property, Plant and Equipment*’)
- References to Conceptual Framework (Amendments to K-IFRS 1103 ‘*Business Combinations*’)
- Classification of Liabilities as Current or Non-current (Amendments to K-IFRS 1001 ‘*Presentation of Financial Statements*’)
- K-IFRS 1117 ‘*Insurance Contracts*’ and its amendments
- Interest Rate Benchmark Reform-Phase 2 (K-IFRS 1109 ‘*Financial Instruments*’, K-IFRS 1039 ‘*Financial Instruments: Recognition and Measurement*’, K-IFRS 1107 ‘*Financial Instruments: Disclosures*’, K-IFRS 1104 ‘*Insurance contracts*’ and K-IFRS 1116 ‘*Leases*’)

The consolidated financial statements were approved by the Board of Directors on March 4, 2021 and are expected to be submitted for the Company’s annual general meeting of shareholders.

(2) Basis of measurement

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

(3) Basis of consolidations

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

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

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

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

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

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

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

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

(4) Business combination

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

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

(5) Revenue recognition

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

1) Identification of performance obligations

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

2) Performance obligations satisfied at a point in time

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

3) Performance obligations satisfied over time

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

4) Allocation of transaction price

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

5) Variable consideration

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

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

6) Significant financing element

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

7) Construction contracts

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

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

(6) Foreign currency translation

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

In preparing the financial statements of the individual entities, transactions occurring in currencies other than their functional currency (foreign currencies) are recorded using the exchange rate on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated using the exchange rate at the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign

currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences resulting from settlement of assets or liabilities and translation of monetary items denominated in foreign currencies are recognized in profit or loss in the period in which they arise except for some exceptions.

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

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

(7) Financial Assets

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

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

1) Classification of financial assets

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

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

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

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVPL).

Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

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

1-1) Amortization cost and effective interest rate method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any

loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance. Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVOCI.

1-2) Debt instruments classified as at FVOCI

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

1-3) Equity instruments designated as at FVOCI

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

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

1-4) Financial assets measured at FVPL

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

2) Foreign exchange gain / loss

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

(8) Impairment of financial assets

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

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

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

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

1) Significant increase in credit risk

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

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

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

2) Definition of default

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

3) Credit-impaired financial assets

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

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

4) Measurements and recognition of expected credit losses

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

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

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

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

(9) Derecognition of financial assets

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

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on

derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(10) Inventory

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

(11) Investments in associates and joint ventures

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

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

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

When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

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

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

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

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

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

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

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

(12) Property, plant and equipment

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

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

	<u>Representative useful lives (years)</u>
Buildings and structures	12 – 50
Machinery and equipment	6 – 15
Vehicles	6 – 15
Dies, mold and tools	4 – 6
Office equipment	3 – 15
Other	2 – 20

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

(13) Investment properties

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

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

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

(14) Intangible assets

1) Goodwill

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

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

Goodwill is not amortized, but tested for impairment at least annually. For purposes of impairment tests, goodwill is allocated to those cash-generating units ("CGU") of the Group expected to have synergies from the business combination. CGU that goodwill has been allocated is tested for impairment every year or when an event occurs that indicates impairment.

If the recoverable amount of a CGU is less than its carrying amount, the impairment will first decrease the goodwill allocated to that CGU and the remaining impairment will be allocated among other assets relative to its carrying value. Impairment recognized for goodwill may not be reversed. When disposing a subsidiary, related goodwill will be included in gain or loss from disposal.

2) Development costs

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

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

3) Intangible assets acquired separately

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

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

The representative useful lives are as follows:

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

(15) Impairment of non-financial assets

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

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

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

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

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

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

(17) Lease

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

1) As a lessee

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

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

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

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

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

2) As a lessor

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

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

(18) Borrowing costs

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

(19) Retirement benefit plans

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

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

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

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

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

(20) Provisions

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

value of the cash flows estimated to settle the present obligation. The increase in provision due to passage of time is recognized as interest expense.

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

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

(21) Taxation

Income tax expense is composed of current and deferred tax.

1) Current tax

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

2) Deferred tax

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

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

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

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

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

3) Recognition of current and deferred taxes

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

(22) Treasury stock

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

(23) Financial liabilities and equity instruments

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

1) Equity instruments

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

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

2) Financial guarantee liability

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

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

3) Financial liabilities measured at FVPL

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

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

4) Financial liabilities measured subsequently at amortized cost

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

5) Derecognition of financial liabilities

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

(24) Derivatives

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

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

1) Fair value hedges

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

2) Cash flow hedges

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

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

(25) Fair value

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

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

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

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

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

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

The management expects that the COVID-19 outbreak from early 2020 will have an impact on most of the regional and operating sectors in which the Group operates. However, as the extent and duration of the impacts of COVID-19 outbreak remain uncertain, the financial impact cannot be reasonably estimated.

Information about assumptions and estimation uncertainties at December 31, 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is as follows:

1) Impairment test for goodwill and non-financial assets

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

2) Warranty provision

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

3) Defined benefit plans

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

4) Taxation

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

5) Fair value of financial instruments

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

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

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

7) Credit loss allowance

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

3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) Trade notes and accounts receivable as of December 31, 2020 and December 31, 2019 are as follows

Description	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 3,338,865	₩ 128,599	₩ 3,580,654	₩ 131,089
Loss allowance	(54,893)	(317)	(67,564)	-
Present value discount accounts	-	(4,013)	-	(3,659)
	<u>₩ 3,283,972</u>	<u>₩ 124,269</u>	<u>₩ 3,513,090</u>	<u>₩ 127,430</u>

(2) Aging analysis of trade notes and accounts receivable

As of December 31, 2020, aging analysis of total trade notes and accounts receivable that are past due, but not impaired are as follows.

Description	Not due	Overdue Within 90days	Overdue Within 180days More than 91days	Overdue More than 181 days	Total amounts	Amount of impaired receivables
Total trade note and accounts receivable	₩ 2,937,200	₩ 438,770	₩ 3,677	₩ 87,817	₩ 3,467,464	₩ 55,210

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

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

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

As of December 31, 2020 and December 31, 2019, total trade notes and accounts receivable (including inter-company receivables within the Group) which the Group transferred to financial institutions but did not qualify for derecognition, amount to ₩2,914,830 million and ₩2,898,539 million, respectively. Cash and cash equivalents received as consideration for the transfer are recognized as short-term borrowings due to the fact that the risks and rewards were not transferred substantially.

(4) Changes in loss allowance for the years ended December 31, 2020 and December 31, 2019 are as follows

Description	December 31, 2020		December 31, 2019	
	(In millions of Korean Won)			
Beginning of the year	₩	67,564	₩	69,363
Reversal		(16,595)		(1,983)
Write-off		(1,296)		(3,133)
Effect of foreign exchange differences and others		5,537		3,317
End of the year	<u>₩</u>	<u>55,210</u>	<u>₩</u>	<u>67,564</u>

4. **OTHER RECEIVABLES:**

(1) Other receivables as of December 31, 2020 and December 31, 2019 are as follows

Description	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accounts receivable – others (*)	₩ 2,757,116	₩ 350,549	₩ 2,219,810	₩ 345,978
Due from customers for contract work	1,252,117	-	1,171,029	-
Lease and rental deposits	16,296	302,052	19,259	313,334
Deposits	5,268	39,752	2,626	41,139
Others	4,050	10,282	4,738	4,703
Loss allowance	(17,875)	(294)	(15,403)	-
	₩ 4,016,972	₩ 702,341	₩ 3,402,059	₩ 705,154

(*) As of December 31, 2020 and 2019, the Group recognized the reimbursement related to the settlement of warranty provisions as a separate asset in the amount of ₩1,073,098 million and ₩658,338 million, respectively.

(2) The changes in other allowance for the years ended December 31, 2020 and December 31, 2019 are as follows:

Description	December 31, 2020		December 31, 2019	
	(In millions of Korean Won)			
Beginning of the year	₩ 15,403		₩ 13,826	
Impairment loss	4,174		2,573	
Write-off	(1,409)		(1,005)	
Effect of foreign exchange differences	1		9	
End of the year	₩ 18,169		₩ 15,403	

5. **OTHER FINANCIAL ASSETS:**

(1) Other financial assets as of December 31, 2020 are as follows.

Description	December 31, 2020	
	Current	Non-current
	(In millions of Korean Won)	
Financial assets measured at FVPL	₩ 12,705,388	₩ 388,069
Financial assets measured at FVOCI	36,831	2,286,113
Financial assets measured at amortized cost	29,565	8,400
Derivative assets that are effective hedging instruments	125,324	96,645
	₩ 12,897,108	₩ 2,779,227

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

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

(2) Financial assets measured at FVOCI as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020		December 31, 2019	
	Acquisition cost	Book value	Book value	Book value
	(In millions of Korean Won)			
Debt instruments	₩ 307,070	₩ 327,730	₩ 361,138	
Equity instruments (*)	1,859,856	1,995,214	1,917,496	
	<u>₩ 2,166,926</u>	<u>₩ 2,322,944</u>	<u>₩ 2,278,634</u>	

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

(3) Equity instruments classified into financial assets measured at FVOCI as of December 31, 2020 and December 31, 2019 are as follows.

Name of the company	Ownership percentage (%)	December 31, 2020		December 31, 2019	
		Acquisition cost	Book value	Book value	Book value
		(In millions of Korean Won)			
Hyundai Steel Company (*1)	6.87	₩ 903,897	₩ 451,650	₩ 358,697	
Hyundai Glovis Co., Ltd.	4.88	210,688	336,893	261,824	
Hyundai Oilbank Co., Ltd.	4.35	53,734	222,524	276,152	
Korea Shipbuilding & Offshore Engineering Co., Ltd.	2.31	42,443	177,165	206,557	
Korea Aerospace Industries, Ltd. (*2)	-	73,331	122,061	161,092	
Hyundai Heavy Industries Holdings Co., Ltd.	2.20	9,018	98,361	117,270	
NICE Information Service Co., Ltd.	2.25	3,312	33,875	19,055	
Hyundai Green Food Co., Ltd.	2.36	15,005	20,215	27,346	
Hyundai M Partners Co., Ltd.	9.29	9,888	16,708	9,704	
NICE Holdings Co., Ltd.	1.30	3,491	9,562	10,275	
KT Corporation	0.09	8,655	5,762	6,482	
Hyundai Asan Corporation	1.40	22,500	2,117	2,117	
HMM Co., Ltd. (Formerly. Hyundai Merchant Marine Co., Ltd.) (*3)	-	-	-	351	
Others		503,894	498,321	460,574	
		<u>₩ 1,859,856</u>	<u>₩ 1,995,214</u>	<u>₩ 1,917,496</u>	

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

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

(*3) For the year ended December 31, 2020, the name of the company has been changed from Hyundai Merchant Marine Co., Ltd. to HMM Co., Ltd. and the Group has completed the process of disposal of all of its shares.

6. INVENTORIES:

Inventories as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020		December 31, 2019	
	(In millions of Korean Won)			
Finished goods	₩	6,844,023	₩	6,828,461
Merchandise		44,356		45,235
Semifinished goods		576,950		550,146
Work in progress		404,504		424,261
Raw materials		1,633,579		1,468,306
Supplies		299,259		305,130
Materials in transit		625,833		690,342
Others (*1)		905,230		1,351,967
Total (*2)	₩	11,333,734	₩	11,663,848

(*1) As of December 31, 2020 and December 31, 2019, others include inventories provided by operating lease with repurchase agreement in the amount of ₩89,059 million and ₩558,239 million, respectively.

(*2) As of December 31, 2020 and December 31, 2019, the Group recognized a valuation allowance in the amount of ₩164,980 million and ₩166,016 million, respectively.

7. OTHER ASSETS:

Other assets as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accrued income	₩ 327,079	₩ 866	₩ 329,909	₩ 1,257
Advanced payments	726,609	-	686,785	-
Prepaid expenses	459,580	792,529	427,780	780,503
Prepaid value-added tax and others	520,103	86,114	333,153	84,007
	₩ 2,033,371	₩ 879,509	₩ 1,777,627	₩ 865,767

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

(1) Non-current assets classified as held for sale as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020		December 31, 2019	
	(In millions of Korean Won)			
Land	₩	7,426	₩	8,169
Building		-		3,324
Subsidiary (*)		297,043		-
Total	₩	304,469	₩	11,493
Non-current liabilities classified as held for sale (*)	₩	214,066	₩	-

(*) Hyundai Autron Company Ltd., a subsidiary of the Company, entered into an agreement to transfer a portion of its business segment to Hyundai MOBIS Co., Ltd., a related party of the Company on January 1, 2021. Hyundai Autoever Corp., an associate of the Company, entered into a contract to merge with Hyundai Autron Company Ltd., the subsidiary of the Company, and HYUNDAI MNSOFT, Inc., the associate of the Company, in December 2020 and the merger is in progress. Accordingly, the Group classified the assets and liabilities related to Hyundai Autron Company Ltd. to disposal group held for sale.

- (2) Major assets and liabilities classified as disposal group held for sale as of December 31, 2020 consist of the following:

Description	December 31, 2020	
	(In millions of Korean Won)	
The disposal group as held for sale		
Cash and cash equivalents	₩	27,784
Other financial assets		3,524
Trade notes and accounts receivable		152,230
Other receivables		15,374
Inventories		65
Other assets		3,076
Property, plant and equipment		13,595
Intangible assets		71,798
Deferred tax assets		3,333
Right-of-use assets		6,264
Total assets	₩	<u>297,043</u>
Liabilities directly related to the disposal group as held for sale		
Trade notes and accounts payable		91,505
Other payables		9,498
Income tax payable		785
Other liabilities		22,415
Lease liabilities		6,188
Debentures		79,721
Provisions		3,883
Net defined benefit liabilities		71
Total liabilities	₩	<u>214,066</u>

- (*) There are no cumulative income or expenses recognized in accumulated other comprehensive income or loss related to the disposal group held for sale.

9. PROPERTY, PLANT AND EQUIPMENT:

- (1) Property, plant and equipment ("PP&E") as of December 31, 2020 and 2019 are as follows.

Description	December 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated depreciation (*)	Book value	Acquisition cost	Accumulated depreciation (*)	Book value
(In millions of Korean Won)						
Land	₩ 12,047,003	₩ -	₩ 12,047,003	₩ 12,039,472	₩ -	₩ 12,039,472
Buildings	10,067,787	(3,711,935)	6,355,852	9,701,282	(3,471,456)	6,229,826
Structures	1,497,951	(735,703)	762,248	1,488,988	(739,417)	749,571
Machinery and equipment	16,517,625	(9,848,680)	6,668,945	16,246,503	(9,712,086)	6,534,417
Vehicles	396,899	(191,797)	205,102	368,948	(170,618)	198,330
Dies, molds and tools	12,532,468	(8,695,190)	3,837,278	10,995,970	(7,961,360)	3,034,610
Office equipment	1,772,099	(1,386,336)	385,763	1,754,531	(1,339,358)	415,173
Others	162,951	(87,328)	75,623	116,526	(73,209)	43,317
Construction in progress	3,754,415	-	3,754,415	3,586,808	-	3,586,808
	<u>₩ 58,749,198</u>	<u>₩ (24,656,969)</u>	<u>₩ 34,092,229</u>	<u>₩ 56,299,028</u>	<u>₩ (23,467,504)</u>	<u>₩ 32,831,524</u>

- (*) Accumulated impairment losses are included.

(2) The changes in PP&E for the year ended December 31, 2020 are as follows.

Description	Beginning of the year	Acquisitions	Transfers within PP&E	Disposals	Depreciation	Transfer to assets classified as held for sale	Others (*)	End of the year
(In millions of Korean Won)								
Land	₩ 12,039,472	₩ 28,943	₩ 98,961	₩ (39,754)	₩ -	₩ (65,287)	₩ (15,332)	₩ 12,047,003
Buildings	6,229,826	9,425	453,705	(23,812)	(308,194)	(12,504)	7,406	6,355,852
Structures	749,571	12,974	77,409	(3,990)	(66,178)	(519)	(7,019)	762,248
Machinery and equipment	6,534,417	10,812	1,347,753	(70,689)	(1,002,135)	(408)	(150,805)	6,668,945
Vehicles	198,330	37,379	89,552	(49,189)	(58,213)	(62)	(12,695)	205,102
Dies, molds and tools	3,034,610	7,060	1,998,356	(11,715)	(1,122,396)	(5,156)	(63,481)	3,837,278
Office equipment	415,173	37,533	112,808	(1,292)	(161,624)	(8,398)	(8,437)	385,763
Others	43,317	31,310	32,849	(2,074)	(20,445)	(53)	(9,281)	75,623
Construction-in-progress	3,586,808	4,495,312	(4,211,393)	(742)	-	-	(115,570)	3,754,415
	<u>₩ 32,831,524</u>	<u>₩ 4,670,748</u>	<u>₩ -</u>	<u>₩ (203,257)</u>	<u>₩ (2,739,185)</u>	<u>₩ (92,387)</u>	<u>₩ (375,214)</u>	<u>₩ 34,092,229</u>

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

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

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

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

10. INVESTMENT PROPERTY:

(1) Investment property as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
	(In millions of Korean Won)					
Land	₩ 56,046	₩ -	₩ 56,046	₩ 56,046	₩ -	₩ 56,046
Buildings	298,673	(204,673)	94,000	298,245	(194,127)	104,118
Structures	18,630	(7,709)	10,921	18,630	(7,300)	11,330
	₩ 373,349	₩ (212,382)	₩ 160,967	₩ 372,921	₩ (201,427)	₩ 171,494

(2) The changes in Investment property for the year ended December 31, 2020 are as follows.

Description	Beginning of the year	Transfers(*)	Depreciation	Effect of foreign exchange differences	End of the year
	(In millions of Korean Won)				
Land	₩ 56,046	₩ -	₩ -	₩ -	₩ 56,046
Buildings	104,118	10	(9,920)	(208)	94,000
Structures	11,330	-	(408)	(1)	10,921
	₩ 171,494	₩ 10	₩ (10,328)	₩ (209)	₩ 160,967

(*) Transferred amount from Construction-in-progress.

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

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

(3) The fair value of Investment properties as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020		December 31, 2019	
	(In millions of Korean Won)			
Land	₩	56,046	₩	56,046
Buildings		315,854		314,506
Structures		15,496		15,496
	₩	387,396	₩	386,048

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

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

(4) Income and expenses related to Investment properties for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Rental income	₩ 49,536	₩ 50,308
Operating and maintenance expenses	17,141	16,943

11. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated amortization (*)	Book value	Acquisition cost	Accumulated amortization (*)	Book value
	(In millions of Korean Won)					
Goodwill	₩ 377,015	₩ (35,539)	₩ 341,476	₩ 296,095	₩ (34,570)	₩ 261,525
Development costs	9,957,047	(5,679,376)	4,277,671	9,349,676	(5,273,333)	4,076,343
Industrial property rights	447,109	(201,709)	245,400	310,908	(177,633)	133,275
Software	1,397,880	(978,779)	419,101	1,242,304	(924,315)	317,989
Others	486,459	(235,196)	251,263	514,273	(264,325)	249,948
Construction in progress	146,890	(4,234)	142,656	249,787	(22,371)	227,416
	₩ 12,812,400	₩ (7,134,833)	₩ 5,677,567	₩ 11,963,043	₩ (6,696,547)	₩ 5,266,496

(*) Accumulated impairment losses are included.

(2) The changes in intangible assets for the year ended December 31, 2020 are as follows.

Description	Beginning of the year	Internal developments	External acquisition	Transfers within intangible assets	Disposals
	(In millions of Korean Won)				
Goodwill	₩ 261,525	₩ -	₩ -	₩ -	₩ -
Development Costs	4,076,343	1,532,411	25,070	35,848	(4,306)
Industrial property rights	133,275	153	1,579	25,032	(610)
Software	317,989	7,827	38,409	129,436	(1,072)
Others	249,948	-	10,166	4,189	(2,217)
Construction in progress	227,416	48,189	64,514	(194,505)	-
	₩ 5,266,496	₩ 1,588,580	₩ 139,738	₩ -	₩ (8,205)

Description	Amortization	Impairment loss (*1)	Transfer to Non-current assets classified as held for sale	Others (*2)	End of the year
	(In millions of Korean Won)				
Goodwill	₩ -	₩ -	₩ -	₩ 79,951	₩ 341,476
Development Costs	(1,244,996)	(187,580)	(58,341)	103,222	4,277,671
Industrial property rights	(25,261)	-	(2,680)	113,912	245,400
Software	(154,890)	(42)	(9,975)	91,419	419,101
Others	(10,713)	(339)	(752)	981	251,263
Construction in progress	-	(1,567)	(50)	(1,341)	142,656
	₩ (1,435,860)	₩ (189,528)	₩ (71,798)	₩ 388,144	₩ 5,677,567

(*1) Impairment losses were recognized for development costs and others due to the discontinued sales and development projects for the year ended December 31, 2020.

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

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

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

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

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

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

(3) Development costs of intangible assets as of December 31, 2020 consist of as follows.

Description	Book value	Remaining amortization period (*)
(In millions of Korean Won)		
Automobile	₩ 1,609,463	-
"	Amortizing	2,145,937
Powertrain	109,467	-
"	Amortizing	236,310
Others	190	-
"	Amortizing	176,304
	<u>₩ 4,277,671</u>	

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

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

Description		Book value	Residual useful lives (*)
		(In millions of Korean Won)	
Automobile	Developing	₩ 1,946,181	-
"	Amortizing	1,528,805	34 months
Powertrain	Developing	182,753	-
"	Amortizing	184,044	28 months
Others	Developing	30,870	-
"	Amortizing	203,690	33 months
		<u>₩ 4,076,343</u>	

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

(4) Research and development expenditures for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Development costs (intangible assets)	₩ 1,557,481	₩ 1,532,655
Research and development costs (*1)	1,539,580	1,489,028
Total (*2)	<u>₩ 3,097,061</u>	<u>₩ 3,021,683</u>

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

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

(5) Impairment test of goodwill

The allocation of goodwill amongst the Group's CGUs as of December 31, 2020 and December 31, 2019 are as follows.

Segment	December 31, 2020	December 31, 2019
	(In millions of Korean Won)	
Vehicle	₩ 240,514	₩ 160,563
Finance	482	482
Others	100,480	100,480
	<u>₩ 341,476</u>	<u>₩ 261,525</u>

The recoverable amounts of the Group's CGUs are measured as their value-in-use calculated based on cash flow projections of financial budgets for the next five years approved by management. The pre-tax discount rate applied to the cash flow projections for the years ended December 31, 2020 and 2019, are 11.9% and 12.5% respectively. Cash flow projections beyond the five-year period are extrapolated by using the estimated growth rate which does not exceed the long-term average growth rate of the region and industry to which the CGU belongs. No impairment loss has been recognized for the years ended December 31, 2020 and 2019.

12. LEASES (AS A LESSEE):

(1) The changes in right-of-use assets for the year ended December 31, 2020 are as follows.

Description	Beginning of the year	Acquisitions	Disposals	Depreciation	Others(*)	End of the year
Land	₩ 20,487	₩ 4,323	₩ (1)	₩ (7,766)	₩ 126,636	₩ 143,679
Buildings	689,563	221,356	(45,158)	(173,087)	(11,339)	681,335
Structures	3,087	2,086	(218)	(2,080)	(203)	2,672
Others	21,405	9,595	-	(12,944)	(9,418)	8,638
	₩ 734,542	₩ 237,360	₩ (45,377)	₩ (195,877)	₩ 105,676	₩ 836,324

(*) Others include the effect of foreign exchange differences, changes in the scope of consolidation and others.

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

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

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

(2) Lease liabilities as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020	December 31, 2019
	(In millions of Korean Won)	
Undiscounted lease liabilities	₩ 943,470	₩ 979,101
Discounted lease liabilities	757,044	767,984
Current	141,478	132,388
Non-current	615,566	635,596

(3) Expenses recognized in relation to leases for the years ended December 31, 2020 and 2019 are as follows.

Description	December 31, 2020	December 31, 2019
	(In millions of Korean Won)	
Interest on lease liabilities	₩ 30,580	₩ 29,404
Expenses in relation to leases of short-term and low-value assets	21,342	21,617

13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

(1) Investments in joint ventures and associates as of December 31, 2020 are as follows.

Name of the company	Nature of business	Location	Ownership percentage	Book value
			(%)	(In millions of Korean Won)
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00	₩ 779,958
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	627,895
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	31.40	224,979
Motional AD LLC (*1,4)	R&D	USA	26.00	1,053,282
Hyundai Capital Bank Europe GmbH (HCBE)	Financing	Germany	49.00	495,999
Kia Motors Corporation	Manufacturing	Korea	33.88	9,972,824
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	2,835,399
Hyundai Transys Inc.	Manufacturing	Korea	41.13	1,017,906
Hyundai WIA Corporation	Manufacturing	Korea	25.35	694,991
Hyundai Motor Securities Co., Ltd.	Securities brokerage	Korea	27.49	310,472
Hyundai Commercial Inc.	Financing	Korea	37.50	261,601
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	150,503
Hyundai Autoever Corp.	IT service	Korea	28.48	158,073
Haevichi Hotels & Resorts Co., Ltd.	Hotelkeeping	Korea	41.90	97,655
Others				1,243,723
				₩ 19,925,260

(*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) During the year ended December 31, 2020, the name of the company was changed from Hyundai-Aptiv AD LLC to Motional AD LLC.

Investments in joint ventures and associates as of December 31, 2019 are as follows.

Name of the company	Nature of business	Location	Ownership percentage	Book value
			(%)	(In millions of Korean Won)
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00	₩ 1,256,925
Beijing Hyundai Qiche Financing Company (BHAF) (*1,3)	Financing	China	53.00	577,810
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00	154,136
Hyundai Capital Bank Europe GmbH (HCBE) (*6)	Financing	Germany	49.00	159,948
Kia Motors Corporation	Manufacturing	Korea	33.88	9,655,017
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	2,859,169
Hyundai Transys Inc. (Formerly. Hyundai Dymos Inc.) (*4)	Manufacturing	Korea	41.13	1,026,563
Hyundai WIA Corporation	Manufacturing	Korea	25.35	682,526
Hyundai Motor Securities Co., Ltd.	Securities brokerage	Korea	27.49	283,446
Hyundai Commercial Inc.	Financing	Korea	37.50	255,800
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	173,212
Hyundai Autoever Corp.	IT service	Korea	28.48	145,076
Haevichi Hotels & Resorts Co., Ltd.	Hotelkeeping	Korea	41.90	101,578
Hyundai Powertech Co., Ltd.(*4)	Manufacturing	Korea	-	-
Others (*5)				1,044,084
				₩ 18,375,290

- (*1) Each of the joint arrangements in which the Group retains joint control is structured through a separate entity and there are no contractual terms stating that the parties retain rights to the assets and obligations for the liabilities relating to the joint arrangement or other relevant facts and circumstances. As a result, the Group considers that the parties that retain joint control in the arrangement have rights to the net assets and classifies the joint arrangements as joint ventures. Also, there are restrictions, which require consent from the director who is designated by the other investors, for certain transactions, such as payment of dividend.
- (*2) As the Group is considered to be able to exercise significant influence by representation on the board of directors of the investee and other reasons, although the total ownership percentage is less than 20%, the investment is accounted for using the equity method.
- (*3) The entity is categorized as a joint venture although the Group's total ownership percentage is a majority share of 53%, because the Group does not have control over the entity by virtue of an agreement with the other investors.
- (*4) Hyundai Dymos Inc. merged with Hyundai Powertech Co., Ltd., and changed the name of company to Hyundai Transys Co., Ltd. as of January 1, 2019.
- (*5) The Group has stopped recognising its share of losses of the Sichuan Hyundai Motor Company (CHMC) and unrecognized share of losses of a joint venture, after the capital increase in 2019, for the year ended December 31, 2019 and cumulatively as of December 31, 2019 are ₩35,692 million and ₩35,692 million, respectively.
- (*6) The Group reclassified this former subsidiary to an associate due to the partial disposal of its shares which resulted in a loss of control during the year ended December 31, 2019.

(2) The changes in investments in joint ventures and associates for the year ended December 31, 2020 are as follows.

Name of the company	Beginning of the year	Acquisitions (disposals)	Share of profits (losses) for the period	Dividends	Others (*1)	End of the year
(In millions of Korean Won)						
BHMC	₩ 1,256,925	₩ -	₩ (498,581)	₩ -	₩ 21,614	₩ 779,958
BHAF	577,810	-	46,908	-	3,177	627,895
WAE	154,136	76,683	(6,077)	-	237	224,979
Motional AD LLC(*2)	-	1,294,367	(99,103)	-	(141,982)	1,053,282
HCBE	159,948	330,158	1,219	-	4,674	495,999
Kia Motors Corporation	9,655,017	-	505,155	(157,916)	(29,432)	9,972,824
Hyundai Engineering & Construction Co., Ltd.	2,859,169	-	2,166	(13,997)	(11,939)	2,835,399
Hyundai Transys Inc.	1,026,563	-	(3,269)	-	(5,388)	1,017,906
Hyundai WIA Corporation	682,526	-	20,022	(4,826)	(2,731)	694,991
Hyundai Motor Securities Co., Ltd.	283,446	-	29,156	(4,839)	2,709	310,472
Hyundai Commercial Inc.	255,800	-	43,937	-	(38,136)	261,601
Eukor Car Carriers Inc.	173,212	-	(13,300)	-	(9,409)	150,503
Hyundai Autoever Corp.	145,076	-	16,808	(4,246)	435	158,073
Haevichi Hotels & Resorts Co., Ltd.	101,578	-	(2,802)	-	(1,121)	97,655
Others	1,044,084	164,664	61,437	(14,707)	(11,755)	1,243,723
	<u>₩ 18,375,290</u>	<u>₩ 1,865,872</u>	<u>₩ 103,676</u>	<u>₩ (200,531)</u>	<u>₩ (219,047)</u>	<u>₩ 19,925,260</u>

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

(*2) The joint venture was incorporated during the year ended December 31, 2020, and the acquisition cost is measured as the fair value of paid cash, contributed patent licenses and the provision of services in exchange for the shares of the joint venture.

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

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

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

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

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

(3) Summarized financial information of the Group's major joint ventures and associates as of and for the year ended December 31, 2020 is as follows.

Name of the company	Current assets		Non-current assets		Current liabilities		Non-current liabilities	
	(In millions of Korean Won)							
BHMC	₩	4,213,182	₩	4,178,661	₩	6,050,736	₩	722,467
BHAF (*)		6,077,427		-		4,892,720		-
WAE		577,626		640,138		273,051		279,354
Motional AD LLC		1,618,551		2,681,753		70,266		76,808
HCBE (*)		5,635,284		-		4,648,027		-
Kia Motors Corporation		26,093,382		34,397,061		21,097,589		9,501,182
Hyundai Engineering & Construction Co., Ltd.		13,341,687		4,540,331		6,410,469		2,705,171
Hyundai Transys Inc.		3,279,222		2,747,382		2,200,265		1,381,699
Hyundai WIA Corporation		3,987,965		3,731,941		1,985,718		2,208,328
Hyundai Motor Securities Co., Ltd (*)		9,167,903		-		8,102,116		-
Hyundai Commercial Inc. (*)		9,369,111		-		8,075,656		-
Eukor Car Carriers Inc.		318,448		2,849,023		524,472		1,390,993
Hyundai Autoever Corp.		797,280		279,747		417,384		97,262
Haevichi Hotels & Resorts Co., Ltd.		37,870		412,409		219,589		59,072

Name of the company	Sales	Profit (loss) for	Other	Total
		the period from	comprehensive	comprehensive
		continuing	income (loss)	income (loss)
		operations		
(In millions of Korean Won)				
BHMC	₩ 6,872,866	₩ (1,152,001)	₩ -	₩ (1,152,001)
BHAF (*)	229,501	88,503	-	88,503
WAE	962,901	(41,366)	-	(41,366)
Motional AD LLC	645	(231,530)	(16)	(231,546)
HCBE (*)	540,080	5,216	8,080	13,296
Kia Motors Corporation	59,168,096	1,487,585	(112,980)	1,374,605
Hyundai Engineering & Construction Co., Ltd.	16,970,859	227,697	(90,687)	137,010
Hyundai Transys Inc.	7,253,615	(5,164)	(9,813)	(14,977)
Hyundai WIA Corporation	6,592,242	53,672	(22,193)	31,479
Hyundai Motor Securities Co., Ltd. (*)	839,993	84,299	13,792	98,091
Hyundai Commercial Inc. (*)	440,093	122,554	9,828	132,382
Eukor Car Carriers Inc.	1,292,324	(110,202)	(77,690)	(187,892)
Hyundai Autoever Corp.	1,562,593	60,786	1,494	62,280
Haevichi Hotels & Resorts Co., Ltd.	91,780	(5,683)	(654)	(6,337)

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

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

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

Name of the company	Sales	Profit (loss) for the period from continuing operations	Other comprehensive income (loss)	Total comprehensive income (loss)
(In millions of Korean Won)				
BHMC	₩ 10,205,560	₩ (523,419)	₩ -	₩ (523,419)
BHAF (*)	220,102	78,067	-	78,067
WAE	1,313,265	551	58,339	58,890
HCBE (*)	75,416	(11,175)	3,667	(7,508)
Kia Motors Corporation	58,145,959	1,826,659	268,853	2,095,512
Hyundai Engineering & Construction Co., Ltd.	17,278,792	573,331	(33,165)	540,166
Hyundai Transys Inc.	7,678,085	135,769	19,571	155,340
Hyundai WIA Corporation	7,314,626	55,207	15,608	70,815
Hyundai Motor Securities Co., Ltd. (*)	716,183	71,844	4,808	76,652
Hyundai Commercial Inc. (*)	477,666	87,760	26,654	114,414
Eukor Car Carriers Inc.	1,747,310	64,695	47,725	112,420
Hyundai Autoever Corp.	1,571,818	56,873	5,196	62,069
Haevichi Hotels & Resorts Co., Ltd.	126,935	2,025	(185)	1,840

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

(4) Summarized additional financial information of the Group's major joint ventures as of and for the year ended December 31, 2020 is as follows.

Name of the company	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation and amortization	Interest income	Interest expenses	Income tax expense
(In millions of Korean Won)							
BHMC	₩ 721,882	₩ 634,448	₩ 562,975	₩ 478,859	₩ 12,959	₩ 88,336	₩ 1,153
BHAF(*)	1,513,718	4,603,376	-	7,156	428,836	185,578	29,937
Motional AD LLC	1,577,353	9,756	60,970	43,646	1,739	4	(11,664)

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

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

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

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

(5) Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of December 31, 2020 is as follows.

Name of the company	Group's share of net assets		Goodwill	Unrealised profit (loss) and others		Carrying amounts		
	₩			₩	₩			
(In millions of Korean Won)								
BHMC	₩	809,320	₩	-	₩	(29,362)	₩	779,958
BHAF		627,895		-		-		627,895
WAE (*)		217,132		7,809		38		224,979
Motional AD LLC		1,079,841		-		(26,559)		1,053,282
HCBE		472,534		22,341		1,124		495,999
Kia Motors Corporation		9,857,162		197,089		(81,427)		9,972,824
Hyundai Engineering & Construction Co., Ltd. (*)		2,104,036		731,362		1		2,835,399
Hyundai Transys Inc.		1,003,185		-		14,721		1,017,906
Hyundai WIA Corporation		789,544		-		(94,553)		694,991
Hyundai Motor Securities Co., Ltd.		271,503		40,052		(1,083)		310,472
Hyundai Commercial Inc.		261,601		-		-		261,601
Eukor Car Carriers Inc.		150,241		-		262		150,503
Hyundai Autoever Corp.		158,073		-		-		158,073
Haevichi Hotels & Resorts Co., Ltd. (*)		94,079		3,576		-		97,655

(*) 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, 2019 is as follows.

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

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

(6) The market price of listed equity securities as of December 31, 2020 is as follows.

Name of the company	Price per share	Total number of	Market value
		shares	
(In millions of Korean Won, except price per share)			
Kia Motors Corporation	₩ 62,400	137,318,251	₩ 8,568,659
Hyundai Engineering & Construction Co., Ltd.	37,450	23,327,400	873,611
Hyundai WIA Corporation	53,500	6,893,596	368,807
Hyundai Motor Securities Co., Ltd	12,600	8,065,595	101,626
Hyundai Autoever Corp.	123,500	5,980,000	738,530

14. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31,	
	2020	2019
(In millions of Korean Won)		
Loans	₩ 52,461,355	₩ 46,523,263
Card receivables	17,094,598	15,266,417
Financial lease receivables	2,429,420	2,706,819
Others	34,407	36,217
	72,019,780	64,532,716
Loss allowance	(1,685,229)	(1,480,555)
Loan origination fee	(643,063)	(771,405)
Present value discount accounts	(26,278)	(22,130)
	₩ 69,665,210	₩ 62,258,626

(2) Transfer of financial services receivables

As of December 31, 2020 and December 31, 2019, the Group has issued asset-backed securities with loan obligations for which card receivables are underlying assets and related asset-backed securities have the right of recourse. As of December 31, 2020, the carrying amount of financial assets that were transferred but not derecognized (including inter-company bonds) amounted to ₩19,287,184 million and its fair value is ₩19,308,126 million. The carrying amount of related liabilities is ₩13,918,870 million and its fair value is ₩14,036,642 million, thus, net position of fair value is ₩5,271,484 million. As of December 31, 2019, the carrying amount of financial assets that were transferred but not derecognized (including inter-company bonds) amounted to ₩17,957,555 million and its fair value is ₩17,899,262 million. The carrying amount of related liabilities is ₩11,477,650 million and its fair value is ₩11,538,647 million, thus net position of fair value is ₩6,360,615 million.

(3) The changes in loss allowance of financial services receivables for the year ended December 31, 2020 are as follows.

Description	Loan Obligations					
	12-Month expected credit losses	Lifetime expected credit losses		Total loan obligations		
		Not Impaired	Impaired			
	(In millions of Korean Won)					
Beginning of the year	₩ 356,282	₩ 289,464	₩ 319,719	₩	965,465	
Transfer to 12-Month expected credit losses	64,127	(60,543)	(3,584)		-	
Transfer to lifetime expected credit losses	(23,721)	25,806	(2,085)		-	
Transfer to credit-impaired financial assets	(4,071)	(10,396)	14,467		-	
Impairment loss (reversal)	65,196	310,654	283,921		659,771	
Collection (write-off)	5	(241,481)	(148,399)		(389,875)	
Disposals and others	(31)	(4)	(148,693)		(148,728)	
Effect of foreign exchange differences	(16,595)	(13,418)	(210)		(30,223)	
End of the year	₩ 441,192	₩ 300,082	₩ 315,136	₩	1,056,410	

Description	Card receivables					
	12-Month expected credit losses	Lifetime expected credit losses		Total card receivables		
		Not Impaired	Impaired			
	(In millions of Korean Won)					
Beginning of the year	₩ 165,702	₩ 145,892	₩ 131,201	₩	442,795	
Transfer to 12-Month expected credit losses	49,038	(48,900)	(138)		-	
Transfer to lifetime expected credit losses	(11,360)	11,487	(127)		-	
Transfer to credit-impaired financial assets	(36,499)	(13,123)	49,622		-	
Impairment loss (reversal)	44,514	67,788	105,270		217,572	
Collection (write-off)	-	-	(50,972)		(50,972)	
Disposals and others	(24,955)	(20,754)	(9,558)		(55,267)	
End of the year	₩ 186,440	₩ 142,390	₩ 225,298	₩	554,128	

Description	Others						
	12-Month expected credit losses	Lifetime expected credit losses		Total others	Total Allowances		
		Not Impaired	Impaired				
	(In millions of Korean Won)						
Beginning of the year	₩ 15,508	₩ 9,046	₩ 47,741	₩ 72,295	₩	1,480,555	
Transfer to 12-Month expected credit losses	5,099	(2,647)	(2,452)	-		-	
Transfer to lifetime expected credit losses	(1,331)	2,228	(897)	-		-	
Transfer to credit-impaired financial assets	(207)	(840)	1,047	-		-	
Impairment loss (reversal)	1,190	(598)	5,708	6,300		883,643	
Collection (write-off)	-	-	(798)	(798)		(441,645)	
Disposals and others	(2,227)	(821)	(58)	(3,106)		(207,101)	
Effect of foreign exchange differences	-	-	-	-		(30,223)	
End of the year	₩ 18,032	₩ 6,368	₩ 50,291	₩ 74,691	₩	1,685,229	

The changes in allowance for doubtful accounts of financial services receivables for the year ended December 31, 2019 are as follows.

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

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

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

(4) Gross investments in financial leases and their present value of minimum lease payment receipts as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020		December 31, 2019	
	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	₩ 979,318	₩ 875,646	₩ 1,145,339	₩ 1,014,549
Later than one year and not later than five years	1,643,708	1,542,578	1,808,521	1,682,796
Later than five years	6,908	6,691	5,225	5,030
	<u>₩ 2,629,934</u>	<u>₩ 2,424,915</u>	<u>₩ 2,959,085</u>	<u>₩ 2,702,375</u>

(5) Unearned interest income of financial leases as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020	December 31, 2019
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 2,629,934	₩ 2,959,085
Net lease investments:		
Present value of minimum lease payment receivable	2,424,915	2,702,375
Present value of unguaranteed residual value	4,505	4,444
	<u>2,429,420</u>	<u>2,706,819</u>
Unearned interest income	<u>₩ 200,514</u>	<u>₩ 252,266</u>

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

(1) Investments in operating leases as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020	December 31, 2019
	(In millions of Korean Won)	
Acquisition cost	₩ 23,322,479	₩ 25,143,563
Accumulated depreciation	(2,688,950)	(3,945,005)
Accumulated impairment loss	(131,838)	(130,218)
	<u>₩ 20,501,691</u>	<u>₩ 21,068,340</u>

(2) Future minimum lease payment receivable related to investments in operating leases as of December 31, 2020 and December 31, 2019 is as follows.

Description	December 31, 2020	December 31, 2019
	(In millions of Korean Won)	
Not later than one year	₩ 4,091,315	₩ 3,856,057
Later than one year and not later than five years	4,454,173	4,027,982
Later than five years	-	3
	<u>₩ 8,545,488</u>	<u>₩ 7,884,042</u>

16. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of December 31, 2020 and December 31, 2019 are as follows.

Description	Lender	Annual interest rate (%)	December 31, 2020	December 31, 2019
(In millions of Korean Won)				
Overdrafts	Citi Bank and others	0.12~1.23	₩ 650,851	₩ 256,616
General borrowings	Korea Development Bank and others	0.14~6.38	3,735,030	3,736,689
Borrowings collateralized by trade receivables	KEB Hana Bank and others	0.05~0.80	2,914,830	2,898,539
Banker's Usance	KEB Hana Bank and others	0.04~3.53	373,230	504,769
Commercial paper	Shinhan Bank and others	0.20~2.83	4,827,568	4,429,668
Asset-backed securities	RBC and others	0.36~1.34	1,279,161	744,412
			₩ 13,780,670	₩ 12,570,693

(2) Long-term debt as of December 31, 2020 and December 31, 2019 are as follows.

Description	Lender	Annual interest rate (%)	December 31, 2020	December 31, 2019
(In millions of Korean Won)				
General borrowings	Mizuho Bank and others	0.10~7.62	₩ 8,911,475	₩ 7,088,777
Credit facilities	NH Bank and others	1.57~2.05	551,100	160,463
Commercial paper	BNK Investment & Securities and others	1.37~2.55	1,490,000	2,380,000
Asset-backed securities	HSBC and others	0.64~2.79	5,652,711	5,885,638
Others(*)	NH Investment & Securities and others		435,607	435,607
			17,040,893	15,950,485
Less: present value discounts			(90,201)	(106,883)
Less: current maturities			(4,223,968)	(4,626,514)
			₩ 12,726,724	₩ 11,217,088

(*) 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 owns the majority of the risks and rewards of ownership of the transferred shares. Also, the Group recognized the amount received from disposal as borrowings.

(3) Debentures as of December 31, 2020 and December 31, 2019 are as follows.

Description	Latest maturity date	Annual interest rate (%)	December 31, 2020	December 31, 2019
(In millions of Korean Won)				
Non-guaranteed public debentures	November 12, 2030	0.96~4.04	₩ 30,083,284	₩ 23,691,000
Non-guaranteed private debentures	April 8, 2030	1.04~6.38	16,774,640	17,872,007
Asset-backed securities	December 15, 2026	0.20~3.31	13,931,180	11,486,855
			60,789,104	53,049,862
Less: discount on debentures			(113,706)	(92,004)
Less: current maturities			(11,880,037)	(11,152,044)
			₩ 48,795,361	₩ 41,805,814

17. PROVISIONS:

(1) Provisions as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020		December 31, 2019	
	(In millions of Korean Won)			
Warranty	₩	8,514,173	₩	5,447,307
Other long-term employee benefits		729,996		726,356
Others		1,126,719		971,266
	₩	10,370,888	₩	7,144,929

(2) The changes in provisions for the year ended December 31, 2020 are as follows.

Description	Warranty (*)		Other long-term employee benefits		Others	
	(In millions of Korean Won)					
Beginning of the year	₩	5,447,307	₩	726,356	₩	971,266
Charged		5,170,165		82,965		739,545
Utilized		(1,963,782)		(77,324)		(573,081)
Effect of foreign exchange differences and others		(139,517)		(2,001)		(11,011)
End of the year	₩	8,514,173	₩	729,996	₩	1,126,719

(*) During the year ended December 31, 2020, the Group has reflected effect of new information and longer period of historical claim data in the measurement of warranty provisions in relation to the recall of theta 2 and other engines.

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

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

18. OTHER FINANCIAL LIABILITIES:

(1) Other financial liabilities as of December 31, 2020 are as follows.

Description	December 31, 2020			
	Current		Non-current	
	(In millions of Korean Won)			
Financial liabilities measured at FVPL	₩	5,285	₩	25,759
Derivative liabilities that are effective hedging instruments		95,043		433,748
	₩	100,328	₩	459,507

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

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

19. OTHER LIABILITIES:

Other liabilities as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Advances received	₩ 1,080,726	₩ 22,580	₩ 1,482,982	₩ 22,559
Withholdings	1,094,177	194,927	1,020,551	197,722
Accrued expenses	2,957,418	-	2,850,091	-
Unearned income	742,484	1,705,607	608,090	1,455,882
Due to customers for contract work	855,866	-	775,972	-
Others	561,914	689,638	523,143	876,656
	<u>₩ 7,292,585</u>	<u>₩ 2,612,752</u>	<u>₩ 7,260,829</u>	<u>₩ 2,552,819</u>

20. FINANCIAL INSTRUMENTS:

(1) Financial assets by categories as of December 31, 2020 are as follows.

Description	Financial assets measured at		Financial assets measured at		Financial assets measured at		Derivative assets that are effective hedging instruments		Book value	Fair value
	FVPL	amortised cost	FVOCI	FVOCI	FVOCI	instruments				
	(In millions of Korean Won)									
Cash and cash equivalents	₩ -	₩ 9,862,136	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 9,862,136	₩ 9,862,136	
Short-term and long-term financial instruments	-	7,281,554	-	-	-	-	-	7,281,554	7,281,554	
Trade notes and accounts receivable	-	3,408,241	-	-	-	-	-	3,408,241	3,408,241	
Other receivables	-	3,025,835	-	-	-	-	-	3,025,835	3,025,835	
Other financial assets	13,093,457	37,965	2,322,944	-	221,969	-	-	15,676,335	15,676,335	
Other assets	24,203	303,986	-	-	-	-	-	328,189	328,189	
Financial services receivables	-	69,665,210	-	-	-	-	-	69,665,210	70,435,392	
	<u>₩ 13,117,660</u>	<u>₩ 93,584,927</u>	<u>₩ 2,322,944</u>	<u>₩ -</u>	<u>₩ 221,969</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 109,247,500</u>	<u>₩ 110,017,682</u>	

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

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

(2) Financial liabilities by categories as of December 31, 2020 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	₩	-	₩	8,793,179	₩	-	₩ 8,793,179	₩ 8,793,179
Other payables		-		5,280,286		-	5,280,286	5,280,286
Borrowings and debentures		-		91,406,760		-	91,406,760	92,947,639
Other financial liabilities		31,044		-		528,791	559,835	559,835
Lease liabilities		-		757,044		-	757,044	757,044
Other liabilities		-		2,519,044		-	2,519,044	2,519,044
	₩	31,044	₩	108,756,313	₩	528,791	₩ 109,316,148	₩ 110,857,027

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

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

(3) Fair value estimation

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

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

Fair value measurements of financial instruments by fair value hierarchy levels as of December 31, 2020 are as follows.

Description	December 31, 2020			
	Level 1	Level 2	Level 3	Total
(In millions of Korean Won)				
Financial assets:				
Financial assets measured at FVPL	₩ 96,561	₩ 12,506,079	₩ 515,020	₩ 13,117,660
Derivative assets that are effective hedging instruments	-	221,969	-	221,969
Financial assets measured at FVOCI	1,264,786	318,489	739,669	2,322,944
	<u>₩ 1,361,347</u>	<u>₩ 13,046,537</u>	<u>₩ 1,254,689</u>	<u>₩ 15,662,573</u>
Financial liabilities:				
Financial liabilities measured at FVPL	₩ -	₩ 31,044	₩ -	₩ 31,044
Derivative liabilities that are effective hedging instruments	-	528,791	-	528,791
	<u>₩ -</u>	<u>₩ 559,835</u>	<u>₩ -</u>	<u>₩ 559,835</u>

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

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

The changes in financial instruments classified as Level 3 for the year ended December 31, 2020 are as follows.

Description	Beginning of the period	Purchases	Disposals	Valuation	Others	End of the period
Financial assets measured at FVPL	₩ 572,618	₩ 38,704	₩ (24,842)	₩ (77,767)	₩ 6,307	₩ 515,020
Financial assets measured at FVOCI	748,091	35,745	-	(52,030)	7,863	739,669

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

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

(4) Financial assets and liabilities subject to offsetting, and financial instruments subject to an enforceable master netting arrangement or similar agreement as of December 31, 2020 are as follows.

Description	Gross amounts of recognized financial assets and liabilities	Gross amounts of recognized financial assets and liabilities set off in the consolidated statement of financial position	Net amounts of financial assets and liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position - financial instruments	Related amounts not set off in the statement of financial position - collateral received (pledged)	Net amounts
(In millions of Korean Won)						
Financial assets:						
Trade notes and accounts receivable	₩ 3,592,148	₩ 183,907	₩ 3,408,241	₩ -	₩ -	₩ 3,408,241
Other receivables	3,388,160	362,325	3,025,835	-	-	3,025,835
Financial assets measured at FVPL	160,692	-	160,692	-	-	160,692
Derivative assets that are effective hedging instruments (*)	221,969	-	221,969	68,885	-	153,084
	<u>₩ 7,362,969</u>	<u>₩ 546,232</u>	<u>₩ 6,816,737</u>	<u>₩ 68,885</u>	<u>₩ -</u>	<u>₩ 6,747,852</u>
Financial liabilities:						
Trade notes and accounts payable	₩ 9,167,936	₩ 374,757	₩ 8,793,179	₩ -	₩ -	₩ 8,793,179
Other payables	5,451,761	171,475	5,280,286	-	-	5,280,286
Financial liabilities measured at FVPL	31,044	-	31,044	-	-	31,044
Derivative liabilities that are effective hedging instruments (*)	528,791	-	528,791	68,885	-	459,906
	<u>₩ 15,179,532</u>	<u>₩ 546,232</u>	<u>₩ 14,633,300</u>	<u>₩ 68,885</u>	<u>₩ -</u>	<u>₩ 14,564,415</u>

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

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

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

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

(5) Interest income, dividend income and interest expenses by categories of financial instruments for the year ended December 31, 2020 are as follows.

Description	2020		
	Interest income	Dividend income	Interest expenses
	(In millions of Korean Won)		
Non-financial services:			
Financial assets measured at amortised cost	₩ 289,171	₩ -	₩ -
Financial assets measured at FVPL	112,176	-	-
Financial assets measured at FVOCI	-	31,650	-
Financial liabilities measured at amortised cost	-	-	295,069
	<u>₩ 401,347</u>	<u>₩ 31,650</u>	<u>₩ 295,069</u>
Financial services:			
Financial assets measured at amortised cost	₩ 3,930,986	₩ -	₩ -
Financial assets measured at FVPL	5,621	2,227	-
Financial assets measured at FVOCI	882	-	-
Financial liabilities measured at amortised cost	-	-	1,847,378
	<u>₩ 3,937,489</u>	<u>₩ 2,227</u>	<u>₩ 1,847,378</u>

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

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

- (6) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities measured at FVPL for the years ended December 31, 2020 and 2019 are ₩784,509 million and ₩841,525 million, respectively. In addition, the fee expenses (cost of sales from financial services) related to financial assets or liabilities other than financial assets or liabilities measured at FVPL for the years ended December 31, 2020 and 2019 are ₩319,684 million and ₩409,039 million, respectively.
- (7) The Group recognizes transfers between levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There are no significant transfers between Level 1 and Level 2 for the year ended December 31, 2020.
- (8) Descriptions of the valuation techniques and the inputs used in the fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy are as follows.

- Currency forwards, options and swap

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

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

- Interest rate swap

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

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

- Debt instruments including corporate bonds

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

- Unlisted equity securities

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

- Total return swap (Derivatives)

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

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

Description	Fair value at December 31, 2020 (In millions of Korean Won)	Valuation techniques	Unobservable inputs	Range	Description of relationship
Unlisted equity securities, total return swap and others	₩ 1,254,689	Discounted cash flow and others	Sales growth rate Pre-tax operating income margin ratio Discount rate	5.1% ~ 23.0% 0.2% ~ 12.8% 7.2% ~ 10.3%	If the sales growth rate and the pretax operating income margin ratio rise or the discount rate declines, the fair value increases.

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

21. CAPITAL STOCK:

The Company's number of shares authorized is 600,000,000 shares. Common stock and preferred stock as of December 31, 2020 and December 31, 2019 are as follows.

- (1) Common stock

Description	December 31, 2020		December 31, 2019	
	(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%
		<u>63,270,871 shares</u>	<u>₩ 331,011</u>	

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

22. CAPITAL SURPLUS:

Capital surplus as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020	December 31, 2019
	(In millions of Korean Won)	
Paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Others	868,759	875,681
	<u>₩ 4,190,093</u>	<u>₩ 4,197,015</u>

23. OTHER CAPITAL ITEMS:

Other capital items consist of treasury stocks purchased for the stabilization of stock price. Number of treasury stocks as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020	December 31, 2019
	(Number of shares)	
Common stock	13,091,418	11,835,151
1 st preferred stock	2,186,993	2,046,959
2 nd preferred stock	1,353,570	1,142,140
3 rd preferred stock	48,574	34,545

24. ACCUMULATED OTHER COMPREHENSIVE LOSS:

(1) Accumulated other comprehensive loss as of December 31, 2020 is as follows.

Description	December 31, 2020
	(In millions of Korean Won)
Gain on valuation of financial assets measured at FVOCI	₩ 453,715
Loss on valuation of financial assets measured at FVOCI	(351,813)
Gain on valuation of cash flow hedge derivatives	102,057
Loss on valuation of cash flow hedge derivatives	(40,175)
Gain on share of the other comprehensive income of equity-accounted investees	22,501
Loss on share of the other comprehensive income of equity-accounted investees	(925,992)
Loss on foreign operations translation, net	(2,669,954)
	<u>₩ (3,409,661)</u>

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

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

25. RETAINED EARNINGS:

(1) Retained earnings as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020		December 31, 2019	
	(In millions of Korean Won)			
Legal reserve (*)	₩	744,836	₩	744,836
Discretionary reserve		48,333,996		46,591,396
Unappropriated		19,832,968		20,913,401
	₩	68,911,800	₩	68,249,633

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

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

(2) There are no interim dividends for the year ended December 31, 2020 and the computation of the interim dividends for the year ended December 31, 2019 are as follows.

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

(3) The computation of the proposed dividends for the year ended December 31, 2020 is as follows.

Description	Common stock	1 st Preferred stock	2 nd Preferred stock	3 rd Preferred stock
(In millions of Korean Won, except per share amounts)				
Par value per share	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Shares, net of treasury stocks	200,576,769	22,169,692	35,131,881	2,380,161
Dividends per share	₩ 3,000	₩ 3,050	₩ 3,100	₩ 3,050
Dividend rate	60%	61%	62%	61%
Dividends declared	601,730	67,618	108,909	7,259

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

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

26. **HYBRID BOND:**

(1) Hyundai Card Co., Ltd., a subsidiary of the Company, issued hybrid bond and the Group classified it as equity (non-controlling interests). As of December 31, 2020, hybrid bond is as follows.

Description	Issue date	Maturity date	Annual interest rate (%)	December 31, 2020 (In millions of Korean Won)
The 731st Hybrid Tier 1 (Private)	July 5, 2018	July 5, 2048	4.70	₩ 300,000
Issue cost				(760)
				₩ 299,240

Hyundai Rotem Company, a subsidiary of the Company, issued hybrid bond and the Group classified it as equity (non-controlling interests). As of December 31, 2020, hybrid bond is as follows.

Description	Issue date	Maturity date	Annual interest rate (%)	December 31, 2020 (In millions of Korean Won)
The 1st Hybrid Tier 1 (Private)	November 8, 2019	November 8, 2049	4.50	₩ 106,000
The 2nd Hybrid Tier 1 (Private)	December 23, 2019	December 23, 2049	4.50	45,000
Issue cost				(677)
				₩ 150,323

(2) As of December 31, 2020, 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 which is limited to one time only in accordance with Step-up clause
Interest payment condition	Three months, optional postponement of payment
Others	Repayment before maturity by issuer is available after five years from issue date

As of December 31, 2020, the conditions of hybrid bond that Hyundai Rotem Company, a subsidiary of the Company issued are as follows.

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

(*) Adjusted interest rate equals the interest rate for two-year maturity treasury bond interest rate at 2 working days before the 2nd anniversary of the issue date less the interest rate of two-year treasury bond at 2 working days before the issue date (zero when it is minus).

27. SALES:

(1) Sales for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Sales of goods	₩ 87,288,494	₩ 89,820,812
Rendering of services	2,329,450	2,659,058
Royalties	188,293	96,935
Financial services revenue	10,920,622	10,529,505
Revenue related to construction contracts	2,691,090	2,218,890
Others	579,652	421,222
	₩ 103,997,601	₩ 105,746,422

(2) As of December 31, 2020, the aggregate transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligation that is expected to be recognized as revenue in future periods is as follows.

Description	Within a year	After a year
	(In millions of Korean Won)	
Deferred revenue and others	₩ 1,314,506	₩ 1,626,650

28. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Selling expenses:		
Export expenses	₩ 59,617	₩ 77,962
Overseas market expenses	352,869	382,220
Advertisements and sales promotion	2,241,458	2,551,347
Sales commissions	971,086	801,798
Expenses for warranties	4,813,729	2,609,744
Transportation expenses	109,251	122,997
	8,548,010	6,546,068
Administrative expenses:		
Payroll	2,688,556	2,713,209
Post-employment benefits	183,312	183,357
Welfare expenses	464,627	428,622
Service charges	1,415,025	1,388,469
Research	1,337,872	1,289,715
Others	1,449,597	1,500,068
	7,538,989	7,503,440
	₩ 16,086,999	₩ 14,049,508

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

Gain and loss on investments in joint ventures and associates for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Gain on share of earnings of equity-accounted investees, net	₩ 103,676	₩ 570,735
Gain on disposals of investments in associates	58,486	14,266
Impairment loss on investments in associates	-	(42,175)
	₩ 162,162	₩ 542,826

30. FINANCE INCOME AND EXPENSES:

(1) Finance income for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Interest income	₩ 401,347	₩ 512,596
Gain on foreign exchange transactions	55,468	69,689
Gain on foreign currency translation	239,554	119,282
Dividend income	31,650	32,504
Gain on derivatives	80,654	85,663
Others	5,243	7,386
	₩ 813,916	₩ 827,120

(2) Finance expenses for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Interest expenses	₩ 362,377	₩ 316,979
Loss on foreign exchange transactions	180,732	32,142
Loss on foreign currency translation	304,377	100,282
Loss on derivatives and others	108,505	25,815
	₩ 955,991	₩ 475,218

31. OTHER INCOME AND EXPENSES:

(1) Other income for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Gain on foreign exchange transactions	₩ 446,641	₩ 404,363
Gain on foreign currency translation	192,825	184,211
Gain on disposals of PP&E	37,485	30,742
Commission income	43,601	108,154
Rental income	93,566	87,283
Others	494,524	306,205
	₩ 1,308,642	₩ 1,120,958

(2) Other expenses for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Loss on foreign exchange transactions	₩ 590,009	₩ 364,593
Loss on foreign currency translation	264,399	158,369
Loss on disposals of PP&E	106,761	159,484
Donations	73,553	65,807
Others	595,422	709,172
	₩ 1,630,144	₩ 1,457,425

32. EXPENSES BY NATURE:

Expenses by nature for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Changes in inventories	₩ (22,609)	₩ (400,318)
Raw materials and merchandise used	59,084,867	62,258,658
Employee benefits	9,098,752	9,396,921
Depreciation	2,749,513	2,545,183
Amortization	1,435,860	1,286,689
Others	30,886,691	28,511,209
Total (*)	₩ 103,233,074	₩ 103,598,342

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

33. EARNINGS PER COMMON STOCK AND PREFERRED STOCK:

Basic earnings per common stock and preferred stock are computed by dividing profit available to common stock and preferred stock by the weighted-average number of common stock and preferred stock outstanding during the year. The Group does not compute diluted earnings per common stock for the years ended December 31, 2020 and 2019, since there are no dilutive items during the years.

Basic earnings per common stock and preferred stock for the years ended December 31, 2020 and 2019 are computed as follows.

Description	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Profit attributable to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share	Profit attributable to share	Weighted-average number of shares outstanding (*1)	Basic earnings per share
	(In millions of Korean Won, except per share amounts)					
Common stock	₩ 1,094,134	200,628,493	₩ 5,454	₩ 2,293,070	202,742,139	₩ 11,310
1 st Preferred stock (*2)	122,043	22,181,699	5,502	254,581	22,420,995	11,355
2 nd Preferred stock	195,156	35,149,829	5,552	405,077	35,511,588	11,407
3 rd Preferred stock	13,103	2,381,349	5,502	27,321	2,404,883	11,360

(*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:

(1) The components of income tax expense for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Current tax expense	₩ 1,201,923	₩ 1,302,225
Adjustments recognized in the current year in relation to the prior years	(286,756)	1,684
Changes in deferred taxes relating to		
Temporary differences	(782,752)	133,459
Tax losses and tax credits	49,890	(444,494)
Items that are charged or credited directly to equity	(56,735)	1,937
Effect of foreign exchange differences and others	43,133	(16,691)
Income tax expense	₩ 168,703	₩ 978,120

- (2) The reconciliation from profit before income tax to income tax expense for the years ended December 31, 2020 and 2019 are as follows.

Description	2020		2019	
	(In millions of Korean Won)			
Profit before income tax	₩	2,093,256	₩	4,163,766
Income tax expense calculated at the applicable tax rates of 26.6% in 2020 and 33.8% in 2019		556,247		1,406,867
Adjustments:				
Non-taxable income		(84,808)		(65,019)
Non-deductible expenses		55,101		141,309
Tax credits		(198,374)		(532,420)
Others		(159,463)		27,383
		<u>(387,544)</u>		<u>(428,747)</u>
Income tax expense	₩	168,703	₩	978,120
Effective tax rate		8.1%		23.5%

- (3) The changes in deferred tax assets (liabilities) for the year ended December 31, 2020 are as follows.

Description	Beginning of the year		Changes		End of the year	
	(In millions of Korean Won)					
Provisions	₩	2,004,413	₩	709,317	₩	2,713,730
Financial assets measured at FVPL		1,907		(112)		1,795
Financial assets measured at FVOCI		(124,498)		(12,773)		(137,271)
Investment of subsidiaries, associates and joint ventures		(1,565,485)		48,756		(1,516,729)
Derivatives		(35,584)		(10,113)		(45,697)
PP&E		(5,165,608)		106,882		(5,058,726)
Accrued income		137,079		(75,893)		61,186
Gain (loss) on foreign currency translation, net		(19)		450		431
Others		887,008		16,238		903,246
		<u>(3,860,787)</u>		<u>782,752</u>		<u>(3,078,035)</u>
Carryforward of tax losses and tax credits		2,697,806		(49,890)		2,647,916
	₩	<u>(1,162,981)</u>	₩	<u>732,862</u>	₩	<u>(430,119)</u>

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

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

- (4) Income taxes relating to items that are charged or credited directly to equity for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Loss (gain) on disposal of treasury stocks	₩ 828	₩ (821)
Loss (gain) on financial assets measured at FVOCI, net	(9,472)	16,770
Gain on valuation of cash flow hedge derivatives, net	(36,505)	(15,118)
Remeasurements of defined benefit plans	(16,403)	18,028
Changes in retained earnings of equity-accounted investees, net	4,817	(16,922)
	₩ (56,735)	₩ 1,937

- (5) The amount of temporary differences associated with investments in subsidiaries, joint ventures and associates, for which deferred tax liabilities are not recognized, are ₩ 4,046,187 million and ₩ 6,852,098 million as of December 31, 2020 and 2019, respectively.

35. RETIREMENT BENEFIT PLAN:

- (1) Expenses recognized in relation to defined contribution plans for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Paid-in cash	₩ 10,651	₩ 10,103
Recognized liability	2,932	3,591
	₩ 13,583	₩ 13,694

- (2) The significant actuarial assumptions used by the Group as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020	December 31, 2019
Discount rate (*)	3.44%	2.95%
Rate of expected future salary increase	4.37%	4.15%

- (*) The Group applied the market yields of high-quality corporate bonds (AA+) and others as the discount rate at December 31, 2020, to discount the defined benefit obligation to the present value, and the same discount rate was applied as the expected return rate when calculating interest income on plan assets.

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

- (3) The amounts recognized in the consolidated statements of financial position related to defined benefit plans as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020	December 31, 2019
	(In millions of Korean Won)	
Present value of defined benefit obligations	₩ 6,490,583	₩ 6,321,408
Fair value of plan assets	(6,253,299)	(5,913,514)
	₩ 237,284	₩ 407,894
Net defined benefit liabilities	247,566	412,598
Net defined benefit assets	(10,282)	(4,704)

(4) Changes in net defined benefit assets and liabilities for the year ended December 31, 2020 are as follows.

Description	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean Won)		
Beginning of the year	₩ 6,321,408	₩ (5,913,514)	₩ 407,894
Current service cost	613,775	-	613,775
Interest expenses (income)	135,718	(131,067)	4,651
Past service cost	23	-	23
	7,070,924	(6,044,581)	1,026,343
Remeasurements:			
Return on plan assets	-	(45,079)	(45,079)
Actuarial gains and losses arising from changes in demographic assumptions	2,337	-	2,337
Actuarial gains and losses arising from changes in financial assumptions	(4,282)	-	(4,282)
Actuarial gains and losses arising from experience adjustments and others	(8,943)	-	(8,943)
	(10,888)	(45,079)	(55,967)
Contributions	-	(606,302)	(606,302)
Benefits paid	(531,416)	400,577	(130,839)
Transfers in (out)	2,620	(1,306)	1,314
Effect of foreign exchange differences and others	(40,657)	43,392	2,735
End of the year	₩ 6,490,583	₩ (6,253,299)	₩ 237,284

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

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

- (5) The sensitivity analysis based on reasonably possible changes of the significant assumptions as of December 31, 2020 and December 31, 2019, while all the other assumptions are retained, are as follows.

Description	Effect on the net defined benefit liabilities			
	December 31, 2020		December 31, 2019	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)		(In millions of Korean Won)	
Discount rate	₩ (489,893)	₩ 578,549	₩ (488,706)	₩ 569,850
Rate of expected future salary increase	529,477	(461,638)	522,318	(460,796)

- (6) The fair value of the plan assets as of December 31, 2020 and December 31, 2019 is as follows.

Description	December 31, 2020		December 31, 2019	
	(In millions of Korean Won)			
Insurance instruments	₩	6,249,450	₩	5,909,102
Others		3,849		4,412
	₩	6,253,299	₩	5,913,514

- (7) The Group expects to pay contribution of approximately ₩ 752,861 million to the plan in 2021 and the weighted average duration of the defined benefit obligation as of December 31, 2020 is 8.5 years.

36. CASH GENERATED FROM OPERATIONS:

(1) Cash generated from operations for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Profit for the year	₩ 1,924,553	₩ 3,185,646
Adjustments:		
Retirement benefit costs	621,381	618,501
Depreciation	2,749,513	2,545,183
Amortization of intangible assets	1,435,860	1,286,689
Provision for warranties	4,619,516	2,417,953
Income tax expense	168,703	978,120
Loss (gain) on foreign currency translation, net	136,397	(44,842)
Loss on disposals of PP&E, net	69,276	128,742
Interest income, net	(38,970)	(195,617)
Gain on share of earnings of equity-accounted investees, net	(103,676)	(570,735)
Cost of sales from financial services, net	6,604,787	6,832,433
Impairment loss on investments in associates	-	42,175
Others	545,598	1,107,393
	16,808,385	15,145,995
Changes in operating assets and liabilities:		
Decrease (increase) in trade notes and accounts receivable	(130,504)	240,973
Decrease (increase) in other receivables	(95,065)	20,004
Increase in other financial assets	(729,250)	(156,683)
Increase in inventories	(39,007)	(1,107,426)
Increase in other assets	(510,142)	(208,333)
Increase (decrease) in trade notes and accounts payable	1,517,930	(277,383)
Increase in other payables	121,283	328,290
Increase in other liabilities	669,528	1,600,044
Decrease in other financial liabilities	(26,285)	(11,946)
Changes in net defined benefit liabilities	(593,606)	(617,864)
Payment of severance benefits	(130,839)	(87,866)
Decrease in provisions	(2,605,537)	(3,033,915)
Changes in financial services receivables	(10,253,842)	(8,493,115)
Investment in operating leases	(4,269,649)	(3,812,572)
Others	83,214	(26,535)
	(16,991,771)	(15,644,327)
Cash generated from operations	₩ 1,741,167	₩ 2,687,314

(2) Major non-cash transactions not stated on the consolidated statements of cash flows from investing and financing activities for the years ended December 31, 2020 and 2019 are as follows.

Description	2020	2019
	(In millions of Korean Won)	
Reclassification of the current portion of long-term debt and debentures	₩ 19,220,065	₩ 16,462,173
Reclassification of construction-in-progress to PP&E	4,211,393	3,244,243
Reclassification of construction-in-progress to intangible assets	194,505	133,398
Increase in long-term and short-term other payables for public contributions under the new construction project	-	950,745
Contributions in kind (rendering of services) in joint venture	381,517	-

(3) Changes in liabilities arising from major financial activities for the year ended December 31, 2020 are as follows.

Description	Beginning of the year	Cash flows from financing activities	Changes from non-cash transactions				End of the year
			Reclassified to current portion	Effect of exchange rate changes	Present value discounts	Others(*)	
(In millions of Korean Won)							
Short-term borrowings (including current portion)	₩ 28,349,251	₩ (17,547,902)	₩ 19,220,065	₩ (901,820)	₩ 41,183	₩ 723,898	₩ 29,884,675
Long-term debts	11,217,088	8,432,439	(6,406,492)	(477,249)	9,882	(48,944)	12,726,724
Debentures	41,805,814	21,894,431	(12,813,573)	(1,822,914)	21,329	(289,726)	48,795,361

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

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

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

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

37. RISK MANAGEMENT:

(1) Capital risk management

The Group manages its capital to maintain an optimal capital structure for maximizing profit of its shareholder and reducing the cost of capital. Debt to equity ratio calculated as total liabilities divided by total equity is used as an index to manage the Group's capital. The overall capital risk management policy is consistent with that of the prior period. Debt to equity ratios as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020		December 31, 2019	
	(In millions of Korean Won)			
Total liabilities	₩	133,003,242	₩	118,146,466
Total equity		76,340,970		76,365,754
Debt-to-equity ratio		174.2%		154.7%

(2) Financial risk management

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

1) Market risk

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

a) Foreign exchange risk management

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

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

Sensitivity analysis for a 5% change in exchange rate of the functional currency against each foreign currency on profit before income tax as of December 31, 2020 is as follows.

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ (33,014)	₩ 33,014
EUR	(37,574)	37,574
JPY	(5,516)	5,516

b) Interest rate risk management

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

Sensitivity analysis for a 1% change in interest rates on profit before income tax as of December 31, 2020 is as follows.

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 22,631	₩ (22,631)
Financial assets measured at FVPL	(6,433)	6,773
Short-term and long-term financial instruments	13,023	(13,023)
Borrowings and debentures	(144,642)	144,642

The Company's subsidiaries, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., that are operating financial business, are managing interest rate risk by utilizing value at risk (VaR). VaR is defined as a threshold value which is a statistical estimate of the maximum potential loss based on normal distribution. As of December 31, 2020 and December 31, 2019, the amounts of interest rate risk measured at VaR are ₩180,240 million and ₩159,980 million, respectively.

c) Price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of December 31, 2020, the amounts of financial assets measured at FVPL and financial assets measured at FVOCI are ₩254,480 million and ₩1,995,214 million, respectively.

2) Credit risk

The Group is exposed to credit risk when a counterparty defaults on its contractual obligation resulting in a financial loss for the Group. The Group operates a policy to transact with counterparties who only meet a certain level of credit rating which was evaluated based on the counterparty's financial conditions, default history, and other factors. The credit risk in the liquid funds and derivative financial instruments is limited as the Group transacts only with financial institutions with high credit-ratings assigned by international credit-rating agencies. Except for the guarantee of indebtedness discussed in Note 39, the book value of financial assets in the consolidated financial statements represents the maximum amounts of exposure to credit risk. In addition, the Company's subsidiaries, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., that are operating financial business, assesses their credit stability according to their internal credit ratings and manage credit risk concentrations by debtor. As of December 31, 2020, credit risk concentrations are 89% for households and 11% for companies.

3) Liquidity risk

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

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

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

The Group's maturity analysis of its non-derivative liabilities according to their remaining contract period before expiration as of December 31, 2020 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	
Non-interest-bearing liabilities	₩ 16,580,466	₩ 11,705	₩ -	₩ 16,592,171
Interest-bearing liabilities	31,469,278	57,118,882	8,338,438	96,926,598
Financial guarantee	1,027,073	11,791	36	1,038,900

(In millions of Korean Won)

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

(3) Derivative instruments

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

As of December 31, 2020 and December 31, 2019, the Group recognized an accumulative net profit of ₩61,882 million and net loss of ₩28,383 million, respectively, in accumulated other comprehensive profit or loss, for effective cash flow hedging instruments.

The longest period in which the forecasted transactions are expected to occur is within 105 months as of December 31, 2020.

For the years ended December 31, 2020 and 2019, the Group recognized a net loss of ₩509,252 million and net profit of ₩240,206 million in profit or loss (before tax), respectively, which resulted from the ineffective portion of its cash flow hedging instruments and changes in the valuation of its other non-hedging derivative instruments.

In addition, the Company's subsidiaries, Hyundai Card Co. Ltd. and Hyundai Capital Services, Inc., that are operating financial business, use interest rate swaps and currency swaps to hedge the risks of future cash flows,

which related to borrowings, debentures and others, due to market interest rate fluctuations and exchange rate fluctuations. As of December 31, 2020, the average hedge ratio is 100%.

38. RELATED-PARTY AND OTHER TRANSACTIONS:

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

- (1) For the year ended December 31, 2020, 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.	₩ 1,182,103	₩ 97,974	₩ 7,608,254	₩ 73,025
	Mobis Alabama, LLC	228,571	1,853	1,253,916	8,791
	Mobis Automotive Czech s.r.o.	7	530	1,752,089	28,556
	Mobis India, Ltd.	9,665	2,508	842,492	16,874
	Mobis Parts America, LLC	73,764	3,541	906,939	729
	Mobis Module CIS, LLC.	-	323	337,999	10
	Mobis Parts Europe N.V.	17,863	4,667	365,834	6
	Others	34,398	1,802	844,106	9,565
Joint ventures and associates	Kia Motors Corporation	981,100	674,137	337,027	705,038
	Kia Motors Russia LLC.	961,759	125	-	-
	Kia Motors Slovakia s.r.o.	98,792	3,060	395,545	-
	Kia Motors Manufacturing Georgia, Inc	344,749	1,646	75	-
	BHMC	232,357	45	97,181	15,277
	HMGC	20,321	16	64,627	42,957
	Hyundai WIA Corporation	116,640	2,752	1,252,893	42,905
	Others	711,231	61,490	4,051,200	1,809,744
Other related parties	7,639	4,835	103	4	
Affiliates by the Act	818,760	241,185	6,641,683	737,717	

For the year ended December 31, 2019, 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.	₩ 967,724	₩ 13,997	₩ 7,026,246	₩ 69,854
	Mobis Alabama, LLC	179,952	4,220	1,463,259	16,521
	Mobis Automotive Czech s.r.o.	-	514	1,499,675	7,228
	Mobis India, Ltd.	12,279	6,002	1,144,736	21,526
	Mobis Parts America, LLC	59,520	3,399	962,301	696
	Mobis Module CIS, LLC	-	338	432,428	-
	Mobis Parts Europe N.V.	17,522	5,499	409,133	-
	Others	33,630	2,136	1,009,179	23,024
Joint ventures and associates	Kia Motors Corporation	1,090,223	667,705	168,907	688,919
	Kia Motors Russia LLC	1,136,574	-	-	-
	Kia Motors Slovakia s.r.o.	122,710	252	488,346	-
	Kia Motors Mexico S.A de C.V.	97	12,876	528,950	-
	BHMC	452,376	31,523	144,335	-
	HMGC	2,994	16	59,639	44,847
	Hyundai WIA Corporation	139,092	2,314	1,258,211	48,576
	Others	965,766	57,385	3,833,178	1,901,640
Other related parties	8,124	5,894	98	5	
Affiliates by the Act	1,158,010	182,994	7,559,328	1,148,542	

- (2) As of December 31, 2020, 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.	₩ 305,479	₩ 422,870	₩ 1,326,453	₩ 363,166
	Mobis Alabama, LLC	10,425	-	135,098	3,116
	Mobis Automotive Czech s.r.o.	-	160	236,598	2,420
	Mobis India, Ltd.	2,021	3	172,639	4
	Mobis Parts America, LLC	19,410	71	73,300	-
	Mobis Module CIS, LLC	-	33	41,556	-
	Mobis Parts Europe N.V.	1,242	106	27,709	-
	Others	5,121	1,404	74,319	8,078
Joint ventures and associates	Kia Motors Corporation	451,424	227,908	87,563	173,321
	Kia Motors Russia LLC.	136,195	21	-	-
	Kia Motors Slovakia s.r.o.	7,501	676	55,316	87
	Kia Motors Manufacturing Georgia, Inc.	57,050	96,725	2,292	4,517
	Kia Motors America, Inc.	-	93,361	69	19,491
	BHMC	84,642	15,409	7,552	1,801
	HMGC	16,103	19,546	10,739	28,404
	Hyundai WIA Corporation	34,683	10,120	206,312	44,536
	Others	240,510	59,201	693,955	901,694
Other related parties		57	600	10	-
Affiliates by the Act		166,666	35,421	991,058	337,537

- (*1) The Group has recognized the loss allowance for the related parties' receivables in the amount of ₩265 million as of December 31, 2020 and the reversal of impairment loss is recognized in the amount of ₩171 million for the year ended December 31, 2020.
- (*2) As of December 31, 2020, outstanding payment of ₩44,930 million of corporate purchase card agreement provided by Hyundai Card Co., Ltd. is included. For the year ended December 31, 2020, amount used and repayment of agreement are ₩296,011 million and ₩272,308 million, respectively.

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

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

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

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

(3) Significant fund transactions and equity contribution transactions for the year ended December 31, 2020, between the Group and related parties are as follows.

Description	Loans		Borrowings		Equity contribution
	Lending	Collection	Borrowing	Repayment	
(In thousands of USD Dollar and Chinese Yuan, In millions of Korean won)					
Joint ventures and associates	-	¥ 5,000	\$ 5,000	-	₩ 1,867,971
			₩ 16,000	-	

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

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

For the years ended December 31, 2020 and 2019, the Group received dividends of ₩213,820 million and ₩182,613 million from related parties and affiliates by the Act, respectively and paid dividends of ₩240,877 million and ₩277,504 million to related parties, respectively. During 2020, the Group traded in other financial assets and others of ₩2,940,000 million with HYUNDAI MOTOR SECURITIES Co., Ltd., an associate of the Group. The Group has other financial assets of ₩1,030,000 million in the consolidated statement of financial position as of December 31, 2020. For the year ended December 31, 2020, HYUNDAI MOTOR SECURITIES CO., Ltd, an associate of the Group, acquired bonds issued by the consolidated entities, Hyundai Capital Services

Inc. and Hyundai Card Co, Ltd. in amount of ₩30,000 million and ₩40,000 million respectively, and there was no such transaction for the year ended December 31, 2019.

- (4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the years ended December 31, 2020 and 2019 are as follows.

Description	2020		2019	
	(In millions of Korean Won)			
Short-term employee salaries	₩	270,833	₩	274,556
Retirement benefit costs		45,683		47,280
Other long-term benefits		964		1,147
	₩	317,480	₩	322,983

- (5) For the year ended December 31, 2020, the Group offer payment guarantee to related parties and affiliates by the Act.

39. COMMITMENTS AND CONTINGENCIES:

- (1) As of December 31, 2020, 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	₩	28,299	₩	-
To others		9,358		1,032,214
	₩	37,657	₩	1,032,214

- (*) The guarantee amounts in foreign currencies are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of December 31, 2020.
- (2) As of December 31, 2020, the Group is involved in domestic and foreign lawsuits as a defendant. In addition, the Group is involved in lawsuits for product liabilities and others. The Group obtains insurance for potential losses which may result from product liabilities and other lawsuits. In addition, as of December 31, 2020, the Group is under investigation by related authorities in relation to the theta 2 engine recall, and its results and impacts are unpredictable. The Group is unable to estimate the outcome of the lawsuits and the amount and timing of outflows of resources are uncertain. The Group expects that the impact on the consolidated financial statements will not be material.
- (3) As of December 31, 2020, a substantial portion of the Group's PP&E is pledged as collateral for various loans and leasehold deposits up to ₩554,571 million. In addition, the Group pledged certain bank deposits, checks and promissory notes, including 213,466 shares of Kia Motors Corporation, as collateral to financial institutions and others. Certain receivables held by the Company's foreign subsidiaries, such as financial services receivables are pledged as collateral for their borrowings.
- (4) As of December 31, 2020, the Group has overdrafts, general loans, and trade-financing agreements with numerous financial institutions including Kookmin Bank, with a combined limit of up to USD 27,000 million, and ₩6,180,100 million.
- (5) As of December 31, 2020, Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd. have entered into agreements for certain borrowings including trigger clauses for the purpose of credit enhancement. If the credit rating of Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd. falls below a certain level, this may result in early repayment of the borrowings or termination of the contracts.
- (6) As of December 31, 2020, Hyundai Capital Services, Inc. and Hyundai Card Co., Ltd., the subsidiaries of the Company are able to exercise the priority purchasing rights for the leased office building when the lessor wants to sell the building or after 4 years and 5 months from the lease contract commencement date.

- (7) As of December 31, 2020, the Company entered into a total return swap contract for stocks of Hyundai Capital Services, Inc., the subsidiary of the Company, held by other investors of a third parties.
- (8) As of December 31, 2020, the Company has a shareholder agreement with investors of third parties regarding shares of Hyundai Card Co., Ltd. and Hyundai Commercial Inc. This includes the call options that allow the Company to buy shares from the investors and the Put options that allow the investors to dispose of the shares to the Company.
- (9) In December 2019, the Company entered into an agreement to invest ₩1,408,220 million in the construction of new Global Business Centre (GBC). As of December 31, 2020, the Company has recognized relevant liability in the amount of ₩941,713 million in accordance with the agreement with the Seoul government to implement public contributions relating to the new construction project.
- (10) For the year ended December 31, 2020, the Group entered into a contract to acquire Boston Dynamics with Hyundai MOBIS Co., Ltd. and Hyundai Glovis Co., Ltd. in order to expand robotics capabilities and enhance synergy with new business.
- (11) Financial instruments with restricted use as of December 31, 2020 and 2019 are as follows.

Description	December 31, 2020		December 31, 2019	
	(In millions of Korean Won)			
Short-term and long-term financial instruments	₩	840,628	₩	959,783
Cash and cash equivalents		113,799		173,602
Other financial assets		7,969		7,963
	₩	962,396	₩	1,141,348

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 profit by operating segments for the years ended December 31, 2020 and 2019 are as follows.

	For the year ended December 31, 2020				
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 123,033,884	₩ 17,201,787	₩ 8,056,115	₩ (44,294,185)	₩ 103,997,601
Inter-company sales(*)	(42,456,564)	(353,708)	(1,483,913)	44,294,185	-
Net sales	80,577,320	16,848,079	6,572,202	-	103,997,601
Operating profit	663,559	1,367,913	298,619	64,580	2,394,671

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

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

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

(3) Assets and liabilities by operating segments as of December 31, 2020 are as follows.

	December 31, 2020				
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 115,561,852	₩ 102,201,169	₩ 8,532,445	₩ (16,951,254)	₩ 209,344,212
Total liabilities	50,893,713	88,267,154	5,182,892	(11,340,517)	133,003,242
Borrowings and debentures	10,920,355	80,440,613	2,520,615	(2,474,823)	91,406,760

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

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

(4) Sales by region based on where the Group's entities are located in for the years ended December 31, 2020 and 2019 are as follows.

	For the year ended December 31, 2020						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 61,826,076	₩ 43,542,625	₩ 9,135,222	₩ 31,898,789	₩ 1,889,074	₩ (44,294,185)	₩ 103,997,601
Inter-company sales	(21,541,834)	(6,914,260)	(383,198)	(15,451,152)	(3,741)	44,294,185	-
Net sales	₩ 40,284,242	₩ 36,628,365	₩ 8,752,024	₩ 16,447,637	₩ 1,885,333	₩ -	₩ 103,997,601

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

(5) Non-current assets by region where the Group's entities are located in as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31,	
	2020	2019
	(In millions of Korean Won)	
Korea	₩ 32,562,450	₩ 32,022,342
North America	2,691,789	2,588,893
Asia	2,429,368	1,527,181
Europe	2,234,466	1,962,133
Others	354,279	449,771
	40,272,352	38,550,320
Consolidation adjustments	(341,589)	(280,806)
Total (*)	₩ 39,930,763	₩ 38,269,514

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

(6) There is no single external customer who represents 10% or more of the Group's revenue for the years ended December 31, 2020 and 2019.

41. CONSTRUCTION CONTRACTS:

- (1) Cost, income and loss and claimed construction from construction in progress as of December 31, 2020 and December 31, 2019 are as follows.

Description	December 31, 2020	December 31, 2019
	(In millions of Korean Won)	
Accumulated cost	₩ 11,602,563	₩ 10,298,750
Accumulated income	254,593	271,874
Accumulated construction in process	11,857,156	10,570,624
Progress billing	11,460,905	10,175,567
Due from customers	1,252,117	1,171,029
Due to customers	855,866	775,972
Reserve (*)	95,459	95,404

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

- (2) Effects on profit or loss of current and future periods, due from customers related to changes in accounting estimates of total contract revenue and total contract costs of ongoing contracts of Hyundai Rotem, a subsidiary of the Company, as of December 31, 2020 are as follows.

Description	December 31, 2020
	(In millions of Korean Won)
Changes in accounting estimates of total contract revenue	₩ (101,893)
Changes in accounting estimates of total contract costs	(291,949)
Effects on profit or loss of current period	(30,345)
Effects on profit or loss of future periods	220,401
Changes in due from customers	(6,151)
Provision for construction loss	53,471

Effects on profit or loss of current and future periods were calculated with estimated total contract costs and estimated total contract revenue based on factors that are considered to be relevant from commencement of the contract to December 31, 2020. Total contract revenue and costs may change in future periods.

- (3) There is no contract as of December 31, 2020, in which contract revenue is recognized by the proportion of contract costs incurred, that accounted for more than 5% of the Group's revenue in the prior period.

42. BUSINESS COMBINATION:

The Group acquired additional 50% of the shares of the Sichuan Hyundai Motor Company (CHMC) on January 19, 2020.

The accounting for the business combination at the acquisition date is as follows.

Description	Amount
	(In millions of Korean Won)
Total considerations transferred	₩ 92,328
Assets and liabilities acquired:	
Current assets	249,089
Non-current assets	
Property, plant and equipment	436,954
Intangible assets	178,515
Other assets	134,329
	749,798
Current liabilities	799,488
Non-current liabilities	183,876
Fair value of identifiable net assets	15,523
Goodwill	₩ 76,805

The amounts of sales and net loss of the acquiree since the acquisition date included in the consolidated statement of income for the year ended December 31, 2020 are ₩238,517 million and ₩123,540 million, respectively.

43. SUBSEQUENT EVENT:

Hyundai Autron Company Ltd., a subsidiary, completed the disposal of semiconductor business to Hyundai MOBIS Co., Ltd., a related party, for ₩133,200 million on January 1, 2021.