

HYUNDAI CORPORATION and Subsidiaries

**Consolidated Financial Statements
December 31, 2015 and 2014**

HYUNDAI CORPORATION and Subsidiaries
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December 31, 2015 and 2014

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
HYUNDAI CORPORATION

We have audited the accompanying consolidated financial statements of HYUNDAI CORPORATION and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hyundai Corporation and its subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Emphasis of matter

Without qualifying our opinion, we draw attention to Notes 1 and 38 to these financial statements which discuss that upon the approval of the Board of Directors on May 27, 2015, and the shareholders' meeting on August 28, 2015, the Company was split into the existing company HYUNDAI Corporation, trading and petroleum and mineral development division, and the newly established company, HYUNDAI C&F Co., Ltd., brand and new business division.

Other Matters

The accompanying consolidated financial statements as of and for the years ended December 31, 2015 and 2014, have been translated into US dollars solely for the convenience of the reader and have been translated on the basis set forth in Note 39 to the consolidated financial statements.

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

The image shows a handwritten signature in black ink. The signature reads "Samil PricewaterhouseCoopers". The word "Samil" is written in a cursive, flowing style, while "PricewaterhouseCoopers" is written in a more structured, blocky cursive style.

Seoul, Korea
March 17, 2016

This report is effective as of March 17, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI CORPORATION and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2015 and 2014

(in thousands of Korean won
and thousands of US dollars)

	Notes	2015	2014	2015 (in US dollars) (Note 39)
Assets				
Current assets				
Cash and cash equivalents	4,7,8,11	₩ 69,742,974	₩ 305,561,694	\$ 59,508
Short-term financial instruments	4,7,8	-	13,100,000	-
Trade accounts receivable	4,7,8,9,12,36	516,946,067	773,620,594	441,080
Inventories	13	341,181,676	267,359,107	291,111
Derivative financial assets	4,7,8,17,35	1,726,508	1,379,627	1,473
Current portion of long-term loans		10,802,686	-	9,217
Current tax asset		143,597	89,531	123
Other accounts receivable	4,7,8,14,36	73,048,058	20,886,097	62,328
Other current assets	14,36	44,459,394	51,087,862	37,935
		<u>1,058,050,960</u>	<u>1,433,084,512</u>	<u>902,775</u>
Non-current assets				
Long-term financial instruments	4,7,8,10	21,000	27,581	18
Available-for-sale financial assets	5,7,15,17	88,370,932	64,658,499	75,402
Investments in associates	16,17	279,833,554	341,297,784	238,766
Long-term loans receivable	4,7,8,17,36	32,320,035	16,792,817	27,577
Investments in development projects	4,7,8,17,36	4,786,493	4,786,493	4,084
Property and equipment	18	5,256,062	5,084,267	4,485
Intangible assets	17,19	31,183,295	55,919,142	26,607
Deferred income tax assets	24	630,718	698,679	538
Other non-current assets	4,7,8,14	3,533,437	4,310,712	3,015
		<u>445,935,526</u>	<u>493,575,974</u>	<u>380,492</u>
Total assets		<u>₩ 1,503,986,486</u>	<u>₩ 1,926,660,486</u>	<u>\$ 1,283,267</u>
Liabilities				
Current liabilities				
Trade accounts and notes payable	4,7,36	₩ 464,791,893	₩ 577,009,535	\$ 396,580
Other payables	4,7,36	92,522,437	40,061,949	78,944
Advances from customers	36	47,994,609	70,234,912	40,951
Short-term borrowings	4,7,9,21	288,191,909	437,269,687	245,898
Current portion of long-term borrowings	4,7,21	7,486,992	7,430,238	6,388
Current portion of provisions	23	718,113	717,059	613
Current tax liabilities		3,546,389	5,291,202	3,026
Derivative financial liabilities	4,5,7,35	1,169,118	248,782	998
Other current liabilities	4,7,20	7,598,670	7,753,886	6,484
		<u>914,020,130</u>	<u>1,146,017,250</u>	<u>779,882</u>
Non-current liabilities				
Long-term borrowings	4,7,21	7,961,353	14,786,074	6,793
Net defined benefit liability	22	1,486,068	1,329,365	1,268
Provisions	23	5,288,350	4,874,524	4,512
Deferred income tax liabilities	24	83,723,368	92,631,446	71,436
Other non-current liabilities	4,7,20,36	295,708	-	252
Non-current tax liability		1,235,962	-	1,055
		<u>99,990,809</u>	<u>113,621,409</u>	<u>85,316</u>
Total liabilities		<u>1,014,010,939</u>	<u>1,259,638,659</u>	<u>865,198</u>
Equity				
Equity attributable to owners of the Parent				
Paid-in capital				
Capital stock	1	66,144,830	111,649,010	56,438
Other components of equity	25	(261,068,002)	(18,865,482)	(222,754)
Accumulated other comprehensive income	5,25	255,045,399	279,919,031	217,616
Retained earnings	26	429,046,759	293,600,720	366,081
Non-controlling interest		<u>806,561</u>	<u>718,548</u>	<u>688</u>
Total equity		<u>489,975,547</u>	<u>667,021,827</u>	<u>418,069</u>
Total liabilities and equity		<u>₩ 1,503,986,486</u>	<u>₩ 1,926,660,486</u>	<u>\$ 1,283,267</u>

The accompanying notes are an integral part of these consolidated financial statements.
The US dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 39.

HYUNDAI CORPORATION and Subsidiaries

Consolidated Statements of Income

Years Ended December 31, 2015 and 2014

(in thousands of Korean won
and thousands of US dollars,
except per share amounts)

	Notes	2015	2014	2015 (in US dollars) (Note 39)
Net sales	6,27,36	₩ 4,261,900,488	₩ 5,264,867,952	\$ 3,636,434
Cost of sales	27,28,29,36	(4,156,305,881)	(5,157,413,257)	(3,546,336)
Gross profit		105,594,607	107,454,695	90,098
Selling and administrative expenses	28,29	(82,148,172)	(78,057,872)	(70,092)
Operating income	6	23,446,435	29,396,823	20,006
Other non-operating income	30,37	100,935,418	104,041,235	86,122
Other non-operating expenses	30	(108,681,681)	(101,150,939)	(92,732)
Gain on investments in associates	16	20,478,966	9,552,234	17,474
Finance income	31	32,279,985	24,590,538	27,543
Finance expenses	31	(30,085,549)	(25,322,908)	(25,670)
Income before income tax		38,373,574	41,106,983	32,743
Income tax expense	24	(11,015,557)	(15,158,394)	(9,399)
Profit from continuing operations		27,358,018	25,948,588	23,343
Profit from discontinuing operations	38	119,872,085	7,909,872	102,280
Income for the year		₩ 147,230,103	₩ 33,858,460	\$ 125,623
Profit attributable to:				
Owners of the parent		147,159,973	33,762,779	125,563
Non-controlling interests		70,130	95,681	60
Earnings per share during the year (in won and US dollars)				
Income per share from continuing operations	32	₩ 1,362	₩ 1,158	\$ 1
Income per share from discontinuing operations	32	₩ 5,983	₩ 354	\$ 5
Basic earnings per share	32	₩ 7,345	₩ 1,512	\$ 6

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HYUNDAI CORPORATION and Subsidiaries
Consolidated Statements of Comprehensive Income
Years ended December 31, 2015 and 2014

<i>(in thousands of Korean won and thousands of US dollars)</i>	2015	2014	2015 (in US dollars) (Note 39)
Income for the year	₩ 147,230,103	₩ 33,858,460	\$ 125,623
Other comprehensive income			
Items not to be			
subsequently reclassifiable to profit or loss :			
Changes in retained earnings under the equity method	-	(9,428)	-
Remeasurements of net defined benefit liabilities	(549,033)	(1,286,428)	(468)
Items to be			
subsequently reclassifiable to profit or loss :			
Loss on valuation of available-for-sale financial assets	15,375,604	(19,801,684)	13,119
Changes in equity of equity method investees	(41,012,245)	73,734,947	(34,993)
Changes in equity method investees with accumulated comprehensive expense	(51,584)	-	(44)
Changes in foreign operation currency translation differences	826,694	(2,692,545)	705
Other comprehensive loss for the year, net of tax	<u>(25,410,564)</u>	<u>49,944,862</u>	<u>(21,681)</u>
Total comprehensive income for the year	<u>₩ 121,819,539</u>	<u>₩ 83,803,322</u>	<u>\$ 103,942</u>
Comprehensive income attributable to:			
Owners of the parent	121,737,308	83,697,865	103,872
Non-controlling interests	82,230	105,457	70

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HYUNDAI CORPORATION and Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended December 31, 2015 and 2014

	Attributable to equity holders of the Company							U.S. Dollars (Note 39)
	Capital Stock	Other components of equity	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling Interest	Total Equity	
<i>(in thousands of Korean won and thousands of US dollars)</i>								
Balance at January 1, 2014	₩ 111,649,010	₩ (18,865,482)	₩ 228,688,091	₩ 272,298,698	₩ 593,770,317	₩ 613,091	₩ 594,383,408	\$ 507,153
Comprehensive income								
Income for the year	-	-	-	33,762,779	33,762,779	95,681	33,858,460	28,889
Loss on valuation of available-for-sale financial assets	-	-	(19,801,684)	-	(19,801,684)	-	(19,801,684)	(16,896)
Changes in equity of equity method investees	-	-	73,734,947	-	73,734,947	-	73,734,947	62,914
Negative changes in equity of equity method investees	-	-	-	(9,428)	(9,428)	-	(9,428)	(8)
Remeasurements of net defined liabilities	-	-	-	(1,286,428)	(1,286,428)	-	(1,286,428)	(1,098)
Changes in foreign operation currency translation differences	-	-	(2,702,323)	-	(2,702,323)	9,776	(2,692,547)	(2,297)
Transaction with equity holders								
Dividends	-	-	-	(11,164,901)	(11,164,901)	-	(11,164,901)	(9,526)
Balance at December 31, 2014	₩ 111,649,010	₩ (18,865,482)	₩ 279,919,031	₩ 293,600,720	₩ 666,303,279	₩ 718,548	₩ 667,021,827	\$ 569,131
Balance at January 1, 2015	₩ 111,649,010	₩ (18,865,482)	₩ 279,919,031	₩ 293,600,720	₩ 666,303,279	₩ 718,548	₩ 667,021,827	\$ 569,131
Comprehensive income								
Income for the year	-	-	-	147,159,973	147,159,973	70,130	147,230,103	125,623
Loss on valuation of available-for-sale financial assets	-	-	15,375,604	-	15,375,604	-	15,375,604	13,119
Changes in equity of equity method investees	-	-	(41,012,245)	-	(41,012,245)	-	(41,012,245)	(34,993)
Negative changes in equity of equity method investees	-	-	(51,584)	-	(51,584)	-	(51,584)	(44)
Remeasurements of net defined liabilities	-	-	-	(549,033)	(549,033)	-	(549,033)	(468)
Changes in foreign operation currency translation differences	-	-	814,593	-	814,593	12,100	826,693	705
Transaction with equity holders								
Dividends	-	-	-	(11,164,901)	(11,164,901)	-	(11,164,901)	(9,526)
Treasury stock	-	(151,700)	-	-	(151,700)	-	(151,700)	(129)
Changes due to spin-off	(45,504,180)	(242,050,820)	-	-	(287,555,000)	-	(287,555,000)	(245,354)
Loss in capital transactions with non-controlling interests	-	-	-	-	-	5,783	5,783	5
Balance at December 31, 2015	₩ 66,144,830	₩ (261,068,002)	₩ 255,045,399	₩ 429,046,759	₩ 489,168,986	₩ 806,561	₩ 489,975,547	\$ 418,069

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HYUNDAI CORPORATION and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

<i>(in thousands of Korean won and thousands of US dollars)</i>	Notes	2015	2014	2015 (in US dollars) (Note 39)
Cash flows from operating activities				
Cash generated from operations	33	₩ 56,376,875	₩ (82,112,852)	\$ 48,103
Interest received		5,844,344	6,943,208	4,987
Interest paid		(5,000,579)	(6,415,746)	(4,267)
Dividends		31,065,817	34,543,768	26,507
Income tax paid		<u>(13,472,396)</u>	<u>(13,308,488)</u>	<u>(11,495)</u>
Net cash inflow(outflow) from operating activities		<u>74,814,061</u>	<u>(60,350,110)</u>	<u>63,835</u>
Cash flows from investing activities				
Proceeds from disposal of short-term financial instruments, net		13,100,000	26,900,000	11,177
Collection of short-term loans receivable		-	10,690,100	-
Disposal of investment from related companies		4,750,000	-	4,053
Decrease of long-term financial instrument		6,581	-	6
Disposal of available-for-sale financial assets		334,133	-	285
Acquisition of investments in petroleum and mineral development projects		-	54,711,616	-
Collection of long-term loans receivable		7,548,415	5,560,925	6,441
Disposal of property and equipment		142,591	29,786	122
Disposal of intangible assets		1,402,934	454,545	1,197
Increase of leasehold deposits received		295,709	-	-
Cash outflows for business combination		(216,571)	-	-
Acquisition of investments in associates		-	(10,719,000)	-
Gain of convertible bonds		(3,600,000)	-	-
Short-term loans receivable provided		-	(1,099,200)	-
Long-term loans receivable provided		(31,461,469)	(202,534)	(26,844)
Acquisition of property and equipment		(1,538,300)	(3,023,220)	(1,313)
Acquisition of intangible assets		<u>(7,744,906)</u>	<u>(7,522,544)</u>	<u>(6,608)</u>
Net cash inflow(outflow) from investing activities		<u>(16,980,883)</u>	<u>75,780,474</u>	<u>(11,484)</u>
Cash flows from financing activities				
Increase(decrease) in short-term borrowings, net		(149,840,498)	110,190,161	(127,850)
Payment of current portion of borrowings		(7,430,238)	(48,824,920)	(6,340)
Payment of long-term borrowings		-	(11,092,923)	-
Dividends paid		(11,164,901)	(11,164,901)	(9,526)
Acquisition of non-controlling interest		5,783	-	5
Acquisition of treasury shares		(151,700)	-	-
Changes in spin-off		<u>(125,000,000)</u>	<u>-</u>	<u>-</u>
Net cash inflow(outflow) from financing activities		<u>(293,581,554)</u>	<u>39,107,417</u>	<u>(143,711)</u>
Net increase(decrease) in cash and cash equivalents		(235,748,376)	54,537,781	(201,150)
Exchange rate effect of cash and cash equivalents		(70,344)	(3,832,590)	(60)
Cash and cash equivalents at the beginning of year		305,561,694	254,856,503	260,718
Cash and cash equivalents at the end of year		<u>₩ 69,742,974</u>	<u>₩ 305,561,694</u>	<u>\$ 59,508</u>

The accompanying notes are an integral part of these consolidated financial statements.
The US dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 39.

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

1. Organization

The consolidated financial statements, which include those of the Parent Company, HYUNDAI CORPORATION (the "Company"), and its 15 consolidated subsidiaries, including Hyundai Corp. USA (collectively referred to as the "Group"), and five associates, including PTHD INTI. DEVE., which are accounted for using the equity method.

1.1 Company

The Company was established on December 8, 1976, under the Commercial Code of the Republic of Korea to engage mainly in export and import goods. On December 1, 1977, the Company's shares of stock were listed in the Korean Stock Exchange. The Company has been designated as a general trading company by the government of the Republic of Korea since February 11, 1978. As of December 31, 2015, the Company has 30 overseas branches. The Company mainly exports vehicles, steel products, machinery, electronic goods, and exports vessels and plants on a deferred payment basis. During the past several years, the Company has been actively engaged in the overseas exploration of petroleum and minerals.

Meanwhile, upon the approval of the Board of Directors on May 27, 2015, and the shareholders' meeting on August 28, 2015, the Company was split into the existing company HYUNDAI Corporation (trading and petroleum and mineral development division) and the newly established company HYUNDAI C&F Co., Ltd. (brand and new business division) (Note 38).

The Company is authorized to issue 80 million shares with a par value of ₩5,000 per share and its initial paid in capital amounted to ₩50 million. As of December 31, 2015, it has 13,228,966 common shares issued and outstanding, and its capital stock amounts to ₩66,145 million after several capital increases, conversions of bonds and capital reduction.

In 2015, the majority shareholder of the Company changed from HYUNDAI HEAVY INDUSTRIES CO., LTD. to HYUNDAI C&F CO., Ltd. As of December 31, 2015, the Company's major shareholders are as follows:

Shareholders	Number of shares	Percentage of ownership (%)
HYUNDAI C&F INC.	2,562,000	19.37
Chung Mong-hyuk	1,097,601	8.30
KCC Corporation	1,587,475	12.00
National Pension Service	565,749	4.28
HYUNDAI HEAVY INDUSTRIES CO.,LTD.	395,900	2.99
Hyundai Development Co. - Engineering & Construction	264,579	2.00
Chung Mong-seok	264,579	2.00
Halla Holdings Corporation	264,579	2.00
Others	6,221,871	47.02
	13,224,333	99.96
Treasury stock	4,633	0.04
	13,228,966	100.00

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

1.2 Consolidated Subsidiaries

Details of the consolidated subsidiaries as of December 31, 2015 and 2014, are as follows:

Name	Country	Percentage of ownership (%)		Closing month	Main business
		2015	2014		
HYUNDAI CORP. USA	U.S.A	100	100	December	Trading
HYUNDAI AUSTRALIA PTY., LTD.	Australia	100	100	December	Trading and Mining
HYUNDAI JAPAN CO., LTD.	Japan	100	100	December	Trading
HYUNDAI CANADA INC.	Canada	100	100	December	Trading
HYUNDAI CORP. EUROPE GMBH	Germany	100	100	December	Trading
HYUNDAI SANGSA H.K, LTD.	Hong Kong	100	100	December	Trading
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	Singapore	100	100	December	Trading
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	China	100	100	December	Trading
POS-HYUNDAI STEEL MFG. (I) PVT. LTD.	India	94	94	March	Manufacture of steel
Hyundai Energy&Resources Co., Ltd.	South Korea	100	10	December	Energy and Resources
HYUNDAI ONE ASIA PTE. LTD.	Singapore	100	100	December	Trading
HYUNDAI CORPORATION (CAMBODIA) CO., LTD.	Cambodia	100	-	December	Trading
HYUNDAI CORPORATION PHNOM PENH- INVESTMENT CO., LTD. ¹	Cambodia	49	-	December	Trading and Farming
HYUNDAI PLATFORM CORP	U.S.A	100	-	December	Transport and Installation
HYUNDAI ONE EUROPE B.V.	Holland	100	-	December	Trading

¹Although the Group owns less than 50% of the voting rights of HYUNDAI CORPORATION PHNOM PENH INVESTMENT CO., LTD., the Group is considered to have control over HYUNDAI CORPORATION PHNOM PENH INVESTMENT CO., LTD., as the Group has a right to appoint or dismiss the majority of its board of directors by virtue of an agreement with the other investors.

1.3 Summarized Financial Information

Summarized financial information for consolidated subsidiaries as of and for the years ended December 31, 2015 and 2014, is as follows:

(in millions of Korean won)

	2015					
	Assets	Liabilities	Equity	Sales	Profit(loss) for the year	Total comprehensive income (loss)
HYUNDAI CORP. USA	225,410	194,958	30,452	575,769	4,429	6,194
HYUNDAI AUSTRALIA PTY., LTD.	3,974	3,414	560	12,050	(2,034)	(2,182)
HYUNDAI JAPAN CO., LTD.	23,381	14,863	8,518	144,112	999	1,438
HYUNDAI CANADA INC.	24,068	16,973	7,095	51,457	1,359	596
HYUNDAI CORP. EUROPE GMBH	40,361	32,408	7,953	72,763	(62)	(413)
HYUNDAI SANGSA H.K, LTD.	519	-	519	-	204	231
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	54,750	43,260	11,490	393,006	365	1,068
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	4,272	5	4,267	5,877	(16)	24
POS-HYUNDAI STEEL MFG. (I) PVT. LTD.	19,259	5,882	13,377	28,837	1,202	1,401
Hyundai Energy&Resources Co., Ltd.	1,297	40	1,257	689	(7)	(7)
HYUNDAI ONE ASIA PTE. LTD.	1,902	1,732	170	1,387	(156)	(141)
HYUNDAI CORPORATION (CAMBODIA) CO., LTD.	579	616	(37)	44	(149)	(145)
HYUNDAI CORPORATION PHNOM PENH- INVESTMENT CO., LTD.(*)	242	234	8	-	(4)	(4)
HYUNDAI PLATFORM CORP	770	9	761	-	(58)	(30)
HYUNDAI ONE EUROPE B.V.	-	-	-	-	-	-

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

(in millions of Korean won)

	2014					
	Assets	Liabilities	Equity	Sales	Profit(loss) for the year	Total comprehensive income (loss)
HYUNDAI CORP. USA	221,014	196,756	24,258	463,085	7,259	8,242
HYUNDAI AUSTRALIA PTY., LTD.	13,516	10,774	2,742	24,907	(4,603)	(4,682)
HYUNDAI JAPAN CO., LTD.	38,703	31,623	7,080	175,331	923	280
HYUNDAI CANADA INC.	36,472	29,973	6,499	72,360	993	728
HYUNDAI CORP. EUROPE GMBH	31,610	23,244	8,366	38,009	(499)	(1,269)
HYUNDAI SANGSA H.K., LTD.	288	-	288	-	(15)	(4)
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	69,918	59,497	10,421	643,906	(592)	(177)
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	12,121	7,879	4,242	16,476	(289)	(229)
POS-HYUNDAI STEEL MFG. (I) PVT. LTD.	23,833	11,857	11,976	34,946	1,595	1,758
HYUNDAI ONE ASIA PTE. LTD.	311	-	311	-	(18)	1

1.4 Changes in Scope for Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2015:

Subsidiary	Reason
Hyundai Energy&Resources Co., Ltd.	By additionally acquiring 90% of the share, it was incorporated as consolidated subsidiary from related company.
HYUNDAI CORPORATION (CAMBODIA) CO., LTD.	Newly established
HYUNDAI CORPORATION PHNOM PENH- INVESTMENT CO., LTD.	Newly established
HYUNDAI ONE EUROPE B.V.	Newly established
HYUNDAI PLATFORM CORP.	Newly established

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

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2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group

The Group newly applied the following amended and enacted standards for the annual period beginning on January 1, 2015:

- Amendment to Korean IFRS 1019, *Employee Benefits*

Korean IFRS 1019, *Employee Benefits*, allows a practical expedient for companies that operate defined benefit plans and when contributions are made by employees or third parties. The application of this amendment does not have a material impact on the consolidated financial statements.

- Annual Improvements to Korean IFRS 2010-2012 *Cycle*

• Amendment to Korean IFRS 1102, *Share-based payment*

Korean IFRS 1102, *Share-based payment*, clarifies the definition of a 'vesting conditions', 'performance condition', and 'service condition'.

• Amendment to Korean IFRS 1103, *Business Combination*

Korean IFRS 1103, *Business Combination*, clarifies the classification and measurement of contingent consideration in the business combination.

• Amendment to Korean IFRS 1108, *Operating Segments*

Korean IFRS 1108, *Operating Segments*, requires disclosures of the judgments made by management in aggregating operating segments and a reconciliation of the reportable segments' assets to the entity's assets.

• Amendment to Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1038, *Intangible assets*

Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1038, *Intangible assets*, clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

• Amendment to Korean IFRS 1024, *Related Party Disclosures*

Korean IFRS 1024, *Related Party Disclosures*, includes, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

- Annual Improvements to Korean IFRS 2011-2013 *Cycle*:

• Amendment to Korean IFRS 1103, *Business Combination*

Korean IFRS 1103, *Business Combination*, clarifies that Korean IFRS 1103 does not apply to the

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accounting for the formation of any joint arrangement.

- Amendment to Korean IFRS 1113, *Fair Value Measurement*

Korean IFRS 1113, *Fair Value Measurement*, clarifies that the portfolio exception, which allows an entity to measure the fair value of a group of financial instruments on a net basis, applies to all contracts (including non-financial contracts) within the scope of Korean IFRS 1039.

- Amendment to Korean IFRS 1040, *Investment property*

Korean IFRS 1040, *Investment property*, clarifies that Korean IFRS 1040 and Korean IFRS 1103 are not mutually exclusive.

Other standards and amendments which are effective for the annual period beginning on January 1, 2015, do not have a material impact on the consolidated financial statements of the Group.

(b) New standards and interpretations not yet adopted by the Group

Amendments issued but not effective for the financial year beginning January 1, 2015, and not early adopted are enumerated below. The Group expects that these standards and amendments would not have a material impact on its consolidated financial statements.

- Amendment to Korean IFRS 1001, *Presentation of Financial Statements*

- Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1041, *Agriculture and fishing: Productive plants*

- Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1038, *Intangible assets: Amortization based on revenue*

- Korean IFRS 1110, *Consolidated Financial Statements*, Korean IFRS 1028, *Investments in Associates and Joint Ventures*, and Korean IFRS 1112, *Disclosures of Interests in Other Entities: Exemption for consolidation of investee*

- Korean IFRS 1111, *Joint Arrangements*

- Annual Improvements to Korean IFRS 2012-2014 Cycle

Furthermore, new standards issued, but not effective for the financial year beginning January 1, 2015, and not early adopted are enumerated below:

- Korean IFRS 1109, *Financial Instruments*

The new Standard issued in December 2015 regarding financial instruments replaces Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*.

Korean IFRS 1109, *Financial Instruments*, requires financial assets to be classified and measured on the basis of the holder's business model and the instrument's contractual cash flow characteristics.

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The Standard requires a financial instrument to be classified and measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, and provides guidance on accounting for related gains and losses. The impairment model is changed into an expected credit loss model, and changes in those expected credit losses are recognized in profit or loss. The new Standard is effective for the financial year initially beginning on or after January 1, 2018, but early adoption is allowed. Early adoption of only the requirements related to financial liabilities designated at fair value through profit or loss is also permitted. The Group is in the process of determining the effects resulting from the adoption of the new Standard.

- Korean IFRS 1115, *Revenue from Contracts with Customers*

The new Standard for the recognition of revenue issued in December 2015 will replace Korean IFRS1018, *Revenue*, Korean IFRS 1011, *Construction Contracts*, and related Interpretations.

Korean IFRS 1115, *Revenue from Contracts with Customers*, will replace the risk-and-reward model under the current standards and is based on the principle that revenue is recognized when control of goods or services transfer to the customer by applying the five-step process. Key changes to current practices include guidance on separate recognition of distinct goods or services in any bundled arrangement, constraint on recognizing variable consideration, criteria on recognizing revenue over time, and increased disclosures. The new Standard is effective for annual reporting beginning on or after January 1, 2018, but early application is permitted. The Group is in the process of determining the effects resulting from the adoption of the new Standard.

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110, *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls the corresponding investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidation of a subsidiary begins from the date the Company obtains control of a subsidiary and ceases when the Company loses control of the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. All other non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs. Acquisition-related costs are expensed as incurred. Goodwill is recognized 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 acquirer's previously held equity interest in the acquiree over the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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Balances of receivables and payables, income and expenses and unrealized gains on transactions between the Group subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are all entities over which the Group has significant influence, and investments in associates are initially recognized at acquisition cost using the equity method. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Group recognizes the difference between the recoverable amount of the associate and its book value as impairment loss.

(c) Joint Arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venturer has rights to the net assets relating to the joint venture and accounts for that investment using the equity method.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the each entity operates (the functional currency). The consolidated financial statements are presented in Korean won, which is the Controlling Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Exchange differences arising on non-monetary financial assets and liabilities such as equity instruments at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss and included in other comprehensive income, respectively, as part of the fair value gain or loss.

(c) Translation into the presentation currency

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of income are translated at average exchange rates; and
- equity is translated at the historical exchange rate; and
- all resulting exchange differences are recognized in other comprehensive income.

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2.5 Financial Assets

(a) Classification and measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets. Regular purchases and sales of financial assets are recognized on trade date.

At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of income. After the initial recognition, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables, and held-to-maturity investments are subsequently carried at amortized cost using the effective interest rate method.

Changes in fair value of financial assets at fair value through profit or loss are recognized in profit or loss and changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When the available-for-sale financial assets are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

(b) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Impairment of loans and receivables is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Group writes off financial assets when the assets are determined to be no longer recoverable.

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a prolonged delinquency in interest or principal payments. A significant and prolonged decline in the fair value of an available-for-sale equity instrument from its cost is also objective evidence of impairment.

(c) Derecognition

If the Group transfers a financial asset and the transfer does not result in derecognition because the Group has retained substantially of all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as 'borrowings' in the consolidated statement of financial position (Note 9).

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

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2.6 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the consolidated statement of income within 'other non-operating income (expenses)' according to the nature of transactions.

The Group only applies fair value hedge accounting for hedging price risk on metal commodity (aluminum). The effective portion of changes in fair value of derivatives that are designated and qualify as fair value hedges is recognized in 'net sales' and the ineffective portion is recognized in 'other non-operating income (expenses)'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

2.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the specific identification method.

2.8 Property and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Buildings	20, 30 years
Machinery	10~14 years
Vehicles	4~10 years
Machinery and equipment	4~21 years
Leasehold improvements	4 years
Leased assets	5 years

The depreciation method, residual values and useful lives of property, plant and equipment are reviewed at each financial year-end and, if appropriate, accounted for as changes in accounting estimates.

2.9 Government Grants

Government grants are recognized at their fair values when there is reasonable assurance that the grant will be received and the Group will comply with the conditions attaching to it. Government grants related to assets are presented by deducting the grants in arriving at the carrying amount of the assets, and grants related to income are deferred and presented by deducting the related expenses for the purpose of the government grants.

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2.10 Intangible Assets

(a) Foreign mining development expenses

The foreign mining development expenses are amortized using the unit of production method in relation to Vietnam 11-2 sector.

(b) Usage rights

The land usage right that POS-HYUNDAI STEEL MFG. (I) PVT. LTD., a subsidiary, obtained from the government of its country is amortized over the expected usage period for 99 years.

(c) Others

Others included software and membership rights. Software is amortized using the straight-line method over their useful lives of five years. Membership rights and trademark rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the asset is expected to be utilized.

2.11 Impairment of Non-financial Assets

Goodwill or intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Financial Liabilities

(a) Classification and measurement

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'trade payables', 'trade payables', 'other payables', 'other current liabilities' and 'long and short-term borrowings' in the consolidated statement of financial position.

(b) Derecognition

Financial liabilities are removed from the consolidated statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

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2.13 Financial Guarantee Contracts

Financial guarantees contracts provided by the Group are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amounts below

- the amount determined in accordance with Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*; or
- the initial amount, less accumulated amortization recognized in accordance with Korean IFRS1018, *Revenue*.

2.14 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the increase in the provision due to passage of time is recognized as interest expense.

2.15 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Tax is recognized on the profit for the period in the consolidated statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates tax policies that are applied in tax returns in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of the amount expected to be paid to the tax authorities.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that 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. In addition, deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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 the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Post-employment benefits

(a) *Defined benefit liabilities*

The Group has defined benefit plans. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit

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obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

(b) Other long-term employee benefits

The Group provides long-term employee benefits, which are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year.

2.17 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services arising from the normal activities of the Group. It is stated as net of value added taxes, returns, rebates and discounts, after elimination of intra-company transactions.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods

The Group operates trade business as a general trading company. Revenue from the sales of goods is recognized when products are delivered to the purchaser. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the purchaser has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Rendering of services

Rendering of services are recognized by reference to the stage of completion of a service. The stage of completion of a service is determined by the proportion that costs incurred for work performed to date bear the estimated total costs.

(c) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(d) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

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(e) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.18 Segment Reporting

Information of each operating segment is reported in a manner consistent with the business segment reporting provided to the chief operating decision-maker (Note 6). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, makes strategic decisions.

2.19 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2015 consolidated financial statements of the Group was approved by the Board of Directors on February 12, 2016, which is subject to change with the approval of the shareholders at their annual shareholders' meeting.

3. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The estimates and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 24).

If certain portion of the taxable income is not used for investments, increase in wages, or dividends in accordance with the Tax System For Recirculation of Corporate Income, the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there exists uncertainty with regard to measuring the final tax effects.

(b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5).

(c) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 22).

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(d) Provisions

The Group recognizes provisions for returned goods, financial guarantees and restoration related to overseas explorations as of the reporting date. The amounts are estimated based on historical data (Note 23).

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Market risk

i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and the Japanese yen. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

The Group operates hedging policies (reduction of exposure through matching) for each Group within the Group, considering the nature of business and the existence of instruments to cope with the risks of exchange rate fluctuation. Additionally, the Group periodically evaluates and handles such risks exposed through managing system for receivables and payables denominated in foreign currencies, and reports the results to the management.

As of December 31, 2015, if the foreign exchange rate of the Korean won fluctuated by 10% while other variables were fixed, the effects on net income before tax would be as follows:

<i>(in millions of Korean won)</i>	2015		2014	
	10% increase	10% decrease	10% increase	10% decrease
Income effect before tax	(7,460)	7,460	(9,191)	9,191

The above sensitivity analysis was performed just for the assets and liabilities denominated in foreign currencies which are not the Company's functional currency.

ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position either as available-for-sale. The fair value (carrying value for unlisted stocks measured using cost method) of equity securities investment of the Group (excluding subsidiaries and associates) amounts to ₩88,371 million (2014: ₩64,658 million) (Note 15).

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iii) Cash flow and interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises through floating rate deposits and borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

Based on the simulations performed, with all other variables held constant, the impact on interest income and interest expense of a 0.1% interest rate shift on borrowings issued at variable rates is as follows:

<i>(in millions of Korean won)</i>	2015		2014	
	0.1% increase	0.1% decrease	0.1% increase	0.1% decrease
Interest expenses	(15)	15	(49)	49
Interest income	80	(80)	294	(294)

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with excellent credit rating are accepted. For the general customers, the Group hedges credit risks by assessing level of credit ratings and entering into an export credit insurance contracts with Korea Trade Insurance Corporation.

The maximum exposure to credit risk as of December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015	2014
Cash and cash equivalents	69,644	305,538
Short-term financial instruments	-	13,100
Trade accounts receivable, net	516,946	773,621
Other accounts receivable, net	73,048	20,886
Derivative financial assets	1,727	1,380
Long-term financial instruments	21	28
Current portion of long-term loans receivable	43,123	16,793
Investments in petroleum and mineral development projects	4,786	4,786
Other non-current assets	3,310	3,893
Financial guarantee contracts	1,924	2,949
Performance guarantee contracts	32,773	31,323
	<u>747,302</u>	<u>1,174,297</u>

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(c) Liquidity Risk

In order to maintain appropriate amount of liquidity, the Group manages liquidity risk by making cyclical expectations and adjustments of capital inflows and outflows. The Group management team monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements.

Details of the Group's liquidity risk analysis as of December 31, 2015 and 2014, are as follows.

(in millions of Korean won)

	2015				Total
	Less than 1 year	1 ~ 2 years	2 ~ 3 years	Over 3 years	
Trade accounts and notes payable	464,792	-	-	-	464,792
Other payables	92,522	-	-	-	92,522
Other current liabilities	2,597	-	-	-	2,597
Derivative financial liabilities	1,169	-	-	-	1,169
Short-term borrowings	288,192	-	-	-	288,192
Long-term borrowings	7,568	3,192	-	4,786	15,546
Financial guarantee contracts	1,924	-	-	-	1,924
Performance guarantee contracts	32,773	-	-	-	32,773
	<u>891,537</u>	<u>3,192</u>	<u>-</u>	<u>4,786</u>	<u>899,515</u>

(in millions of Korean won)

	2014				Total
	Less than 1 year	1 ~ 2 years	2 ~ 3 years	Over 3 years	
Trade accounts and notes payable	577,010	-	-	-	577,010
Other payables	40,062	-	-	-	40,062
Other current liabilities	2,860	-	-	-	2,860
Derivative financial liabilities	249	-	-	-	249
Short-term borrowings	437,283	-	-	-	437,283
Long-term borrowings	7,569	7,082	3,003	4,798	22,452
Financial guarantee contracts	2,949	-	-	-	2,949
Performance guarantee contracts	31,323	-	-	-	31,323
	<u>1,099,305</u>	<u>7,082</u>	<u>3,003</u>	<u>4,798</u>	<u>1,114,188</u>

The table above analyzes the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings is based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

4.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group uses debt-to-equity ratio for capital management. This ratio is calculated as total debts divided by total equity as shown in the consolidated statement of financial position.

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Debt-to-equity ratios as of December 31, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	2015	2014
Liabilities	1,014,011	1,259,639
Equity	489,976	667,022
Debt-to-equity ratio (%)	207.0	188.8

5. Fair Value

5.1 Fair Value of Financial Instruments by Category

There are no significant differences between carrying value and fair value of financial instruments except for available-for-sale financial assets measured at cost, which do not have a quoted price in an active market and their fair value cannot be measured reliably and thus excluded from the fair value disclosures.

5.2 Financial Instruments Measured at Cost

Details of available-for-sale financial assets measured at cost as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Drayton Coal Shipping Pty Limited	244	257
SEGINIAGA(M) SDN. BHD.	159	159
EUROTEM DEMIRYOLU ARA-LARI SAN	19	19

The above securities are measured at cost as the variability of estimated cash flows is significant and the probabilities of the various estimates cannot be reasonably assessed.

5.3 Fair Value Hierarchy

Financial instruments measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

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

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The following table presents the Group's financial assets and financial liabilities that are measured at fair value as of December 31, 2015:

<i>(In millions of Korean won)</i>	2015			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Derivative financial assets	-	1,389	338	1,727
Available-for-sale financial assets	-	-	87,949	87,949
Derivative financial liabilities	-	1,169	-	1,169

5.4 Changes in Level 3 of the fair value hierarchy for the recurring fair value measurements

Details of changes in Level 3 of the fair value hierarchy for the recurring fair value measurements are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Beginning balance	64,223	90,347
Acquisition	3,600	-
Amount recognized in other comprehensive income ¹	20,464	(26,124)
Ending balance	88,287	64,223
Unrealized gains	81,017	60,733

¹ This represents gain or loss on valuation of available-for-sale financial assets as changes in unrealized gains or losses related to available-for-sale equity securities as of December 31, 2015 and 2014.

5.5 Valuation Technique and the Inputs

Valuation techniques and inputs used in the fair values categorized within Level 3 of the fair value hierarchy as of December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	Fair value	Valuation techniques	Inputs	Range of inputs
KOREA Ras Laffan LNG Ltd.	₩ 84,507	Present value technique	Discount rate Unit cost of major products(\$/mmbtu) Period of cash flow projections	8.70% 8.99 ~ 14.76 FY 2029
TM Shipping (Available for sale financial assets)	3,442	Present value technique	Discount rate Period of cash flow projections	6.48% FY 2018
Embedded derivative (conversion rights)	338	Binomial model	Implied Volatility	42.57%

The Group measured Korea Ras Laffan LNG Ltd., an available-for-sale financial asset related to the investments in exploration of resources, at fair value. As the 2016 Work Program and Budget, the business plan of Ras Laffan Liquefied Natural Gas Company Limited used to measure the fair value, is not an input based on observable market data, the instrument was classified as Level 3.

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5.6 Valuation Processes for Fair Value Measurements Categorized Within Level 3

The Group's finance team performs the fair value measurements each period through the independent appraiser, these fair value measurements are classified as level 3.

5.7 Sensitivity analysis for Recurring Fair Value Measurements Categorized Within Level 3

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable.

The results of the sensitivity analysis from changes in inputs for available-for-sale financial assets, which is categorized within Level 3 and subject to sensitivity analysis, are as follows:

<i>(in millions of Korean won)</i>	Favorable change	Unfavorable change
Change in value of available-for-sale financial assets	5,413	(4,947)

For equity securities, changes in their fair value are calculated by considering changes of discount rate (1% increase/decrease) which are significant unobservable inputs.

6. Segment Information

Management who making strategic decisions determines the group's business. Management makes decisions about allocation of resources, and reviews to assess performance of the operating segments on the basis of sales. Based on product type, they are categorized in petroleum and mineral development, vehicle, steel, chemistry, and the Group's business is segmented into industry.

For the years ended December 31, 2015 and 2014, the Group's financial information by segments is as follows:

<i>(in millions of Korean won)</i>		2015			
Segment	Sales	Operating income(loss)¹	Depreciation	Amortization	
Plant	831,212	4,419	163	2,813	
Vehicle	679,730	6,169	177	201	
Steel	1,971,413	12,356	566	921	
Chemicals	1,428,512	180	339	291	
Petroleum and mineral development	16,895	(477)	31	5,518	
Adjustment of intergroup transactons	(665,862)	799	-	-	
	<u>4,261,900</u>	<u>23,446</u>	<u>1,276</u>	<u>9,744</u>	

<i>(in millions of Korean won)</i>		2014			
Segment	Sales	Operating income(loss)¹	Depreciation	Amortization	
Plant	1,061,273	3,209	259	141	
Vehicle	794,959	10,925	231	140	
Steel	2,149,682	19,429	776	635	
Chemicals	1,936,714	(269)	392	238	
Petroleum and mineral development	15,470	(1,591)	5	10,728	
Adjustment of intergroup transactons	(693,230)	(2,306)	-	-	
	<u>5,264,868</u>	<u>29,397</u>	<u>1,663</u>	<u>11,882</u>	

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¹This represents amounts excluding gains on equity-method valuation and other non-operating income (dividend income) of ₩31,177 million (2014: ₩34,631 million).

Assets and liabilities of segments are not reported to the chief operating decision-maker. Accordingly, its information is not presented. Other non-operating income (expenses) and financial income (expenses), which are not included in segments' income (loss), are not presented in the above tables.

For the years ended December 31, 2015 and 2014, the Group's sales information by regions is as follows:

	2015	2014
<i>(in millions of Korean won)</i>		
America	1,688,672	1,786,013
Asia	2,488,229	3,100,142
Europe	469,223	607,242
Others	281,638	464,701
Adjustment of intergroup transactions	(665,862)	(693,230)
	4,261,900	5,264,868

7. Financial Instruments by Category

As of December 31, 2015 and 2014, financial assets by category, are as follows:

(in millions of Korean won)

	2015				Total
	Loans and receivables	Financial assets at fair value through profit or loss	Available -for-sale	Derivative financial instruments for hedging	
Financial assets					
Cash and cash equivalents	69,743	-	-	-	69,743
Trade accounts receivable, net	516,946	-	-	-	516,946
Other accounts receivable, net	73,048	-	-	-	73,048
Derivative financial assets	-	1,724	-	3	1,727
Long-term financial instruments	21	-	-	-	21
Available-for-sale financial assets	-	-	88,371	-	88,371
Long-term loans receivable	43,123	-	-	-	43,123
Other non-current assets	3,310	-	-	-	3,310
Investments in petroleum and mineral development projects	4,786	-	-	-	4,786
	710,977	1,724	88,371	3	801,075

(in millions of Korean won)

	2014				Total
	Loans and receivables	Financial assets at fair value through profit or loss	Available -for-sale	Derivative financial instruments for hedging	
Financial assets					
Cash and cash equivalents	305,562	-	-	-	305,562
Short-term financial instruments	13,100	-	-	-	13,100
Trade accounts receivable, net	773,621	-	-	-	773,621
Other accounts receivable, net	20,886	-	-	-	20,886
Derivative financial assets	-	1,375	-	5	1,380
Long-term financial instruments	28	-	-	-	28
Available-for-sale financial assets	-	-	64,658	-	64,658
Long-term loans receivable	16,793	-	-	-	16,793
Investments in petroleum and mineral development projects	4,786	-	-	-	4,786
Other non-current assets	3,893	-	-	-	3,893
	1,138,669	1,375	64,658	5	1,204,707

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As of December 31, 2015 and 2014, financial liabilities by category, are as follows:

(in millions of Korean won)

	2015				Total
	Carried at amortized cost	Financial liabilities at fair value through profit	Derivative financial instruments for holding	Others	
Financial liabilities					
Trade accounts and notes payable	464,792	-	-	-	464,792
Other accounts payable	92,522	-	-	-	92,522
Other current liabilities	2,597	-	-	-	2,597
Derivative financial liabilities	-	1,166	3	-	1,169
Short-term borrowings	1,080	-	-	287,112	288,192
Long-term borrowings	15,448	-	-	-	15,448
	<u>576,439</u>	<u>1,166</u>	<u>3</u>	<u>287,112</u>	<u>864,720</u>

(in millions of Korean won)

	2014				Total
	Carried at amortized cost	Financial liabilities at fair value through profit	Derivative financial instruments for holding	Others	
Financial liabilities					
Trade accounts and notes payable	577,010	-	-	-	577,010
Other accounts payable	40,062	-	-	-	40,062
Other current liabilities	2,860	-	-	-	2,860
Derivative financial liabilities	-	246	3	-	249
Short-term borrowings	26,930	-	-	410,340	437,270
Long-term borrowings	22,216	-	-	-	22,216
	<u>669,078</u>	<u>246</u>	<u>3</u>	<u>410,340</u>	<u>1,079,667</u>

Income and loss of financial instruments by category for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015			
	Interest income	Interest expense	Others	Other comprehensive income(loss)
Loans and receivables	6,357	-	(20,332)	-
Financial assets at fair value through profit or loss	-	-	272	-
Available-for-sale financial assets	-	-	8,439	15,376
Financial liabilities carried at amortized cost	-	(5,244)	-	-
	<u>6,357</u>	<u>(5,244)</u>	<u>(11,621)</u>	<u>15,376</u>

(in millions of Korean won)

	2014			
	Interest income	Interest expense	Others	Other comprehensive income(loss)
Loans and receivables	7,146	-	(10,134)	-
Financial assets at fair value through profit or loss	-	-	1,746	-
Available-for-sale financial assets	-	-	11,458	(19,802)
Financial liabilities carried at amortized cost	-	(6,366)	-	-
	<u>7,146</u>	<u>(6,366)</u>	<u>3,070</u>	<u>(19,802)</u>

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8. Credit Quality of Financial Assets

As of December 31, 2015 and 2014, financial assets exposed to credit risk are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Neither past due nor impaired	540,126	971,247
Past due but not impaired	-	-
Impaired	222,683	206,569
	<u>762,809</u>	<u>1,177,816</u>

The Group classifies credit quality of financial assets depending on counterparty and nature. As of December 31, 2015 and 2014, details of the classified financial assets are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Associates	39,935	20,387
Equity method investor	4,285	8,026
Financial institution	71,607	320,199
Trade accounts receivable ¹	387,440	586,135
Investments in petroleum and mineral development projects	4,786	4,786
Loans for petroleum and mineral	17,576	16,484
Employees and others	304	309
Others	14,193	14,921
	<u>540,126</u>	<u>971,247</u>

¹ Some of the trade accounts receivable are covered with export insurance with Korea Trade Insurance Corporation in order to avoid credit risk.

As of December 31, 2015, the Group has recognized provision and impairment losses for financial assets amounting to ₩49,882 million (2014: ₩37,768 million).

9. Transfers of Financial Assets

9.1 Transferred Financial Assets that are not Derecognized in Their Entirety

The D/A export receivables that have not matured have been discounted with banks (categorized as 'borrowing' transaction). Financial assets which were transferred but not derecognized as of December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	Type	Loans and receivables (trade receivables)
	Book value of asset	260,106
	Book value of related liabilities ¹	259,486

¹ Net amount after deducting prepaid interest amount.

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9.2 Transferred Financial Assets that are Derecognized in Their Entirety

For the D/A export receivables that have not matured, the Group has export insurance (Korea Trade Insurance Corporation) at the time when the receivables were discounted with the banks. The Group derecognized the export receivables from the financial statements on transfer date by transferring substantially all the risks and rewards. As of December 31, 2015, the carrying amount of receivables which have not matured amounts to ₩116,656 million. Meanwhile, the Company is constantly partly engaged in transferred export receivable, and the maximum exposure of related loss amounts to ₩1,158 million.

10. Restricted Financial Instruments

As of December 31, 2015 and 2014, restricted financial instruments are as follows:

<i>(in millions of Korean won)</i>	2015	2014	Remarks
Long-term financial instruments	21	28	Maintaining deposit for Checking accounts

11. Cash and Cash Equivalents

As of December 31, 2015 and 2014, cash and cash equivalents are as follows:

<i>(In millions of Korean won)</i>	2015	2014
Cash in bank and on hand	56,755	90,893
Short-term bank deposits	12,988	214,669
	<u>69,743</u>	<u>305,562</u>

12. Trade Accounts Receivable

As of December 31, 2015 and 2014, trade receivables are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Receivables	549,069	808,015
Less: allowance for bad debts	<u>(32,123)</u>	<u>(34,394)</u>
Receivables, net	<u>516,946</u>	<u>773,621</u>

The maximum exposure of trade receivables to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

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As of December 31, 2015 and 2014, the aging analysis of trade receivables is as follows:

<i>(in millions of Korean won)</i>	2015	2014
Receivables not past due	394,418	605,946
Impaired		
Up to 1 year	76,135	94,336
Over 1 year	78,516	107,733
	<u>154,651</u>	<u>202,069</u>
	<u>549,069</u>	<u>808,015</u>

For the years ended December 31, 2015 and 2014, movements in the Group provision for impairment of trade receivables are as follows:

<i>(in millions of Korean won)</i>	2015	2014
At January 1	34,394	71,677
Provision for receivables impairment	6,007	2,959
Receivables written off during the year as uncollectible	(5,559)	(47,974)
Other changes	(2,850)	7,917
Effects of changes in foreign exchange rates	131	(185)
At December 31	<u>32,123</u>	<u>34,394</u>

The creation and release of provision for impaired receivables have been included in 'selling, marketing and administrative expenses' in the consolidated statements of income.

13. Inventories

As of December 31, 2015 and 2014, inventories are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Goods and others	335,100	260,031
Finished goods	1,036	999
Raw materials	4,978	6,230
Work in progress	68	99
	<u>341,182</u>	<u>267,359</u>

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩4,088,622 million (2014: ₩5,001,084 million).

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14. Other Assets and Other Accounts Receivable

As of December 31, 2015 and 2014, other assets are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Advance payments	41,384	47,673
Prepaid expenses	1,957	2,125
Other quick assets	1,118	1,290
Long-term accrued income	3,310	3,893
Long-term prepaid expenses	223	418
	<u>47,992</u>	<u>55,399</u>

As of December 31, 2015 and 2014, other accounts receivable are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Other accounts receivable	82,240	15,674
Less: allowance for bad debts	(17,716)	(3,329)
Accrued income	6,982	6,209
Guarantee deposits	370	1,233
Short-term loans	1,172	1,099
	<u>73,048</u>	<u>20,886</u>

The maximum exposure of other current receivables to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

15. Available-for-sale financial assets

The changes in available-for-sale financial assets for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
At January 1	64,658	90,775
Acquisitions	3,262	19
Net losses transfer to equity ¹	20,464	(26,124)
Effects of changes in foreign exchange rates	(13)	(12)
At December 31	<u>88,371</u>	<u>64,658</u>

¹ The amount is before income tax effect.

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As of December 31, 2015 and 2014, available-for-sale financial assets are as follows:

<i>(in millions of Korean won)</i>	2015			2014
	Acquisition Cost	FMV or net asset value	Book Value	Book Value
Investee				
Non-marketable equity				
Korea Ras Laffan LNG Ltd. ¹	3,490	84,507	84,507	64,223
Drayton Coal Shipping Pty Limited ²	244	244	244	257
SEGINIAGA(M) SDN. BHD. ²	159	58	159	159
Others ²	24,805	1,626	19	19
Debt securities				
Others	3,262	3,442	3,442	-
	<u>31,960</u>	<u>89,877</u>	<u>88,371</u>	<u>64,658</u>

¹ The Group recognized a gain of ₩81,017 million (2014: ₩60,733 million) (before reflecting tax effects) as a result of measuring Korea Ras Laffan LNG Ltd. shares at fair value (Note 5).

² The fair values of non-marketable equity securities could not be reliably estimated due to the lack of financial information of the said companies. Accordingly, these equities were presented at their acquisition cost. When the recoverable value is less than the acquisition cost, impairment losses are recognized in the consolidated statements of income.

16. Investments in Associates

As of December 31, 2015 and 2014, associates are as follows:

<i>(in millions of Korean won)</i>	Percentage of ownership (%)		Location	Date of financial statements	Description
	2015	2014			
Associates					
PTHD Intl. DEVE. ¹	55.0	55.0	Indonesia	December 31	Management of facility
KOREA LNG LIMITED	20.0	20.0	Bermuda	December 31	OMAN LNG development
HYUNDAI YEMEN LNG COMPANY LIMITED ¹	51.0	51.0	Bermuda	December 31	Yemen LNG development
PT. HYUNDAI MACHINERY INDONESIA	48.6	48.6	Indonesia	December 31	Manufacture and sale of heavy equipment
Hyundai Energy & Resources Co., Ltd. ²	100.0	10.0	Korea	December 31	Management of petroleum development projects
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	30.6	30.6	China	December 31	Shipbuilding and repairs

¹ The Group cannot exercise control due to agreement with investors, the above companies were excluded from subsidiaries.

² Reclassified as a subsidiary from an associate as the Group obtained control during the year ended December 31, 2015.

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Details of valuation of investments in associates under the equity method for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015					Ending balance
	Beginning balance	Acquisition (Disposal)	Gain or loss on equity method investments	Other comprehensive income or loss	Others	
PTHD INTI. DEVE.	1,292	-	469	(52)	(463)	1,246
KOREA LNG LIMITED	78,707	-	12,363	(19,835)	(12,197)	59,038
HYUNDAI YEMEN LNG COMPANY LIMITED	244,023	-	10,733	(34,340)	(10,242)	210,174
PT. HYUNDAI MACHINERY INDONESIA	-	-	(15)	15	-	-
Hyundai-ENR	4,892	(4,750)	(25)	-	(117)	-
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	12,384	-	(3,046)	38	-	9,376
	<u>341,298</u>	<u>(4,750)</u>	<u>20,479</u>	<u>(54,174)</u>	<u>(23,019)</u>	<u>279,834</u>

(in millions of Korean won)

	2014					Ending balance
	Beginning balance	Acquisition (Disposal)	Gain or loss on equity method investments	Other comprehensive income or loss	Others	
PTHD INTI. DEVE.	1,189	-	565	21	(483)	1,292
KOREA LNG LIMITED	76,261	-	18,629	2,431	(18,614)	78,707
HYUNDAI YEMEN LNG COMPANY LIMITED	148,528	-	4,684	94,741	(3,930)	244,023
PT. HYUNDAI MACHINERY INDONESIA	-	-	11	(11)	-	-
Hyundai-ENR	4,930	-	(28)	-	(10)	4,892
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	15,906	10,719	(14,309)	68	-	12,384
	<u>246,814</u>	<u>10,719</u>	<u>9,552</u>	<u>97,250</u>	<u>(23,037)</u>	<u>341,298</u>

Summary of condensed financial information of associates and dividends received from associates as of and for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015					
	Assets	Liabilities	Sales and others	Profit or loss for the year	Total comprehensive income(loss)	Dividends
PTHD INTI. DEVE.	2,593	328	3,309	853	759	463
KOREA LNG LIMITED	295,226	36	63,585	61,816	(37,359)	12,197
HYUNDAI YEMEN LNG COMPANY LIMITED	459,176	47,071	21,282	21,044	(46,292)	10,241
PT. HYUNDAI MACHINERY INDONESIA	9,559	11,906	13,310	(1,372)	(1,341)	-
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	16,895	19,507	61	(9,956)	(9,832)	-

(in millions of Korean won)

	2014					
	Assets	Liabilities	Sales and others	Profit or loss for the year	Total comprehensive income(loss)	Dividends
PTHD INTI. DEVE.	2,779	430	2,991	1,028	1,066	484
KOREA LNG LIMITED	393,581	45	94,983	93,148	105,302	18,614
HYUNDAI YEMEN LNG COMPANY LIMITED	523,092	44,616	8,223	7,001	192,768	3,930
PT. HYUNDAI MACHINERY INDONESIA	12,885	13,891	23,129	744	722	-
Hyundai-ENR	49,394	472	2,983	(280)	(374)	-
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	16,231	9,011	145	(46,775)	(46,552)	-

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Details of adjustments from financial information of associates to their book value for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015				
	Interests in net assets	Goodwill	Intergroup transactions	Others	Book value
PTHD INTI. DEVE.	1,246	-	-	-	1,246
KOREA LNG LIMITED	59,038	-	-	-	59,038
HYUNDAI YEMEN LNG COMPANY LIMITED	210,174	-	-	-	210,174
PT. HYUNDAI MACHINERY INDONESIA	(1,141)	-	(97)	1,238	-
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	(799)	10,175	-	-	9,376

(in millions of Korean won)

	2014				
	Interests in net assets	Goodwill	Intergroup transactions	Others	Book value
PTHD INTI. DEVE.	1,291	-	-	-	1,291
KOREA LNG LIMITED	78,707	-	-	-	78,707
HYUNDAI YEMEN LNG COMPANY LIMITED	244,023	-	-	-	244,023
PT. HYUNDAI MACHINERY INDONESIA	(489)	-	(77)	566	-
Hyundai-ENR	4,893	-	-	-	4,893
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	2,209	10,175	-	-	12,384

Accumulated unrecognized changes in equity due to discontinued use of equity method for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015		2014	
	Unrecognized loss	Unrecognized accumulated losses	Unrecognized loss	Unrecognized accumulated losses
PT. HYUNDAI MACHINERY INDONESIA	(672)	(1,238)	(351)	(566)

17. Investments in Exploration of Resources

As of December 31, 2015 and 2014, the Group organized a consortium that includes Korea National Oil Corporation to invest in resource exploration projects, and the details are as follows:

(in millions of Korean won)

Project name	Accounts	2015	2014	Remarks
Vietnam (11-2prospect)	Mining rights	18,847	20,406	Commenced in 2007
Yemen LNG ¹	Equity method investments	210,174	244,023	
	Long-term loans	17,576	16,484	Commenced in 2009
	Investments in petroleum development projects	4,786	4,786	Under liquidation
West Kamchatka Prospect ²				
Oman LNG (KOLNG)	Equity method investments	59,038	78,707	Commenced in 2000
Qatar LNG(KORAS)	Available-for-sale financial assets	84,507	64,223	Commenced in 1999
Drayton Coal Mine and others	Available-for-sale financial assets	244	258	
	Mining rights	1,351	2,749	Commenced in 1983

¹ The Group entered into a sales contract with Korea Gas Corporation, Suez LNG Trading S.A. and Total Gas & Power Ltd., through Hyundai Yemen LNG Company Limited. Meanwhile, the production has been suspended due to Yemen civil war since April 2015. As of December 31, 2015, production resumption cannot be predicted.

² The investments in petroleum development projects in oilfield in West Kamchatka (Russia) whose liquidation is in progress are valued at their recoverable amount.

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As of December 31, 2015 and 2014, the revenues from investments in resource exploration are as follows:

(in millions of Korean won)

Project name	Description	2015	2014
Vietnam (11-2prospect)	Sales	9,990	7,701
Yemen LNG	Gain on equity-method valuation	10,733	4,684
Oman LNG (KOLNG)	Gain on equity-method valuation	12,363	18,629
Qatar LNG(KORAS)	Dividend income	8,082	11,317
Drayton Coal Mine	Sales	4,463	6,824
		<u>45,631</u>	<u>49,155</u>

The percentages of ownership in investments in the exploration of resources as of December 31, 2015, are as follows:

	Consortium ownership in investments¹	Percentage of ownership of the Company in consortium²
Vietnam (11-2prospect)	75.0 %	6.5 %
Yemen LNG	5.9 %	51.0 %
Oman LNG (KOLNG)	5.0 %	20.0 %
Qatar LNG(KORAS)	5.0 %	8.0 %
Drayton Coal Mine	100.0 %	2.5 %

¹ Ownership of the consortium in these entities.

² The Group's share in the consortium.

18. Property and Equipment

Changes in property and equipment for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015		
	Buildings and structures	Others	Total
At January 1	1,963	3,121	5,084
Acquisition	550	989	1,539
Disposal	-	(115)	(115)
Depreciation ¹	(112)	(1,183)	(1,295)
Changes in foreign exchange rates	33	35	68
Changes in scope of consolidation	-	30	30
Transfer ²	-	(55)	(55)
At December 31	<u>2,434</u>	<u>2,822</u>	<u>5,256</u>
Acquisition cost	6,199	12,058	18,257
Accumulated depreciation	(1,926)	(9,236)	(11,162)
Accumulated impairment losses	(1,839)	-	(1,839)

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	2014		
	Buildings and structures	Others	Total
At January 1	2,055	1,707	3,762
Acquisition	-	3,023	3,023
Disposal	-	(47)	(47)
Depreciation ¹	(123)	(1,562)	(1,685)
Changes in foreign exchange rates	31	-	31
At December 31	1,963	3,121	5,084
Acquisition cost	5,587	11,556	17,143
Accumulated depreciation	(1,785)	(8,435)	(10,220)
Accumulated impairment losses	(1,839)	-	(1,839)

¹Depreciation expense of ₩133 million (2014: ₩188 million) was charged to 'cost of sales' and ₩1,162 million (2014: ₩1,497 million) to 'selling, marketing and administrative expenses', and includes depreciation cost of ₩19 million (2014: ₩22million) reflected in profits and losses of discontinued operations.

²Transferred to the newly established company due to the spin-off of the Company for the year ended December 31, 2015.

19. Intangible Assets

Changes in intangible assets for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015			
	Usage rights	Mining rights	Others	Total
At January 1	172	23,155	32,592	55,919
Acquisition and others	-	7,324	421	7,745
Amortization ¹	(2)	(8,788)	(966)	(9,756)
Disposal	-	-	(1,156)	(1,156)
Changes in foreign exchange rates	3	(145)	33	(109)
Changes in scope of consolidation	-	-	653	653
Transfer ²	-	-	(20,765)	(20,765)
Impairment loss	-	(1,348)	-	(1,348)
At December 31	173	20,198	10,812	31,183

(in millions of Korean won)

	2014			
	Usage rights	Mining rights	Others	Total
At January 1	171	27,563	33,094	60,828
Acquisition and others	-	6,747	776	7,523
Amortization ¹	(2)	(11,055)	(827)	(11,884)
Disposal	-	-	(469)	(469)
Changes in foreign exchange rates	3	(100)	18	(79)
At December 31	172	23,155	32,592	55,919

¹Amortization of mining rights and other intangible assets is classified as cost of sales, and selling, marketing and administrative expenses, respectively. The depreciation cost of ₩12 million (2014: ₩2million) has been included in profits from discontinuing operation.

²Transferred to the newly established company due to the spin-off of the Company during the year ended December 31, 2015.

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Details of other intangible assets as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015	2014
Trademark ¹	-	20,700
Membership rights	9,548	9,865
Others	1,264	2,027
	<u>10,812</u>	<u>32,592</u>

¹Transferred to the newly established company due to the spin-off of the Company for the year ended December 31, 2015.

20. Other Liabilities

As of December 31, 2015 and 2014, other current liabilities are as follows:

(in millions of Korean won)

	2015	2014
Deposits	6,006	6,070
Guarantee deposits	115	93
Accrued expenses	1,430	1,549
Other current liabilities	48	42
	<u>7,599</u>	<u>7,754</u>

21. Long- term and Short-term Borrowings

As of December 31, 2015 and 2014, long-term and short-term borrowings are as follows:

(in millions of Korean won)

Type	Creditor	Purpose	Interest rate (%)	2015	2014
Foreign currency short-term borrowings ¹	The Korea Development Bank and others	Trading finance	-	287,112	410,340
	HANA BANK	Operational borrowings	LIBOR(1M)+1.2%	1,080	11,542
	HSBC BANK	Operational borrowings	LIBOR(1M)+0.9%	-	15,388
				<u>288,192</u>	<u>437,270</u>
Foreign currency long-term borrowings	Korea National Oil Corporation and others	Investments in petroleum development projects	0.75	8,863	10,929
	CREDIT-AGRICOLE and others	Financial investments in overseas ²	LIBOR(6M)+0.4%	6,585	11,287
				<u>15,448</u>	<u>22,216</u>
		Less: Current portion of long-term liabilities		<u>(7,487)</u>	<u>(7,430)</u>
				<u>7,961</u>	<u>14,786</u>

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¹ Trade accounts receivable are provided as collateral (Note 9).

² The Group is guaranteed by the foreign investment insurance contract with Korea Trade Insurance Corporation in relation to borrowings of foreign investment finance.

The Group has the borrowings of ₩4,786 million, which will not be repaid if the overseas resource exploration project fails.

22. Defined Benefit Liability

Details of net defined benefit liabilities recognized in the consolidated statements of financial position as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Present value of funded obligations	15,914	15,782
Fair value of plan assets ¹	<u>(14,428)</u>	<u>(14,453)</u>
Defined benefit liabilities	1,486	1,329
Present value of other long-term employee benefits obligations	<u>210</u>	<u>335</u>
	<u>1,696</u>	<u>1,664</u>

¹ Includes deposits to the National Pension Fund of ₩34 million (2014: ₩35 million).

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
At January 1	15,782	13,444
Current service cost	2,462	2,240
Interest expense	297	343
Remeasurements	686	1,548
Actuarial gains and losses arising from changes in demographic assumptions	-	96
Actuarial gains and losses arising from changes in financial assumptions	166	728
Actuarial gains and losses arising from experience adjustments	520	724
Transfer from and to related companies	4	-
Benefits paid	(2,868)	(1,888)
Changes in scope of consolidation	562	-
Changes due to spin-off	(1,007)	-
Changes in foreign exchange rates	<u>(4)</u>	<u>95</u>
At December 31	<u>15,914</u>	<u>15,782</u>

Expected maturity analysis of undiscounted pension benefits as of December 31, 2015, is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Pension benefits	2,674	4,225	4,054	27,601	38,554

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The weighted average duration of the defined benefit obligations is 8.04 years.

Changes in the fair value of plan assets for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
At January 1	14,453	12,997
Interest income	281	439
Remeasurements	(41)	(149)
Employer contribution	3,000	3,000
Benefits paid	(2,868)	(1,834)
Changes in scope of consolidation	520	-
Changes due to spin-off	(917)	-
At December 31	14,428	14,453

The principal actuarial assumptions as of December 31, 2015 and 2014, were as follows:

<i>(in percentage)</i>	2015	2014
Discount rate	2.44	2.76
Future salary growth	3.68	3.66

The sensitivity of the overall pension liability as of December 31, 2015, to changes in the weighted principal assumptions is:

	Changes in principal assumption	Impact on overall liability
Discount rate	1% increase / decrease	5.49%decrease/ 6.30%increase
Future salary growth	1% increase / decrease	6.16%increase/ 5.48%decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Plan assets as of December 31, 2015 and 2014, consist of:

<i>(In millions of Korean won)</i>	2015		2014	
	Amount	Composition (%)	Amount	Composition (%)
Contributions to the National Pension	34	0.2	35	0.2
Financial Instruments	14,394	99.8	14,418	99.8
	14,428	100.0	14,453	100.0

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23. Provisions

Details and changes of provisions for liabilities and charges for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015			
	Warranty	Restoration¹	Others	Total
At January 1	717	2,916	1,959	5,592
Addition	-	151	633	784
Reversal	-	(86)	(377)	(463)
Other changes	1	192	(100)	93
At December 31	<u>718</u>	<u>3,173</u>	<u>2,115</u>	<u>6,006</u>
Current	(718)	-	-	(718)
Non-current	-	3,173	2,115	5,288

(in millions of Korean won)

	2014			
	Warranty	Restoration¹	Others	Total
At January 1	716	2,984	8,529	12,229
Addition	-	150	2,068	2,218
Reversal	-	(334)	-	(334)
Other changes	1	116	(8,638)	(8,521)
At December 31	<u>717</u>	<u>2,916</u>	<u>1,959</u>	<u>5,592</u>
Current	717	-	-	717
Non-current	-	2,916	1,959	4,875

¹ The carrying amount of restoration as of December 31, 2015, is netted against the restoration reserve of ₩1,373 million (2014: ₩1,200 million).

24. Tax Expense and Deferred Tax

Income tax expense for the years ended December 31, 2015 and 2014, consists of:

(in millions of Korean won)

	2015	2014
Current tax on profits for the year	13,515	11,411
Origination and reversal of temporary differences	(841)	5,687
Income tax expense	<u>12,674</u>	<u>17,098</u>

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The difference between tax on the Group's profit before tax and the theoretical amount that would arise using the weighted average tax rate applicable to profits for the years ended December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015	2014
Income before tax	159,904	50,956
Tax calculated at domestic tax rates applicable to profits in the respective countries	40,271	15,946
Tax effects of:		
Income not subject to tax/ Expenses not deductible for tax purposes	(21,738)	8,087
Impact of tax credit	(5,859)	(6,935)
Income tax expense ¹	12,674	17,098

¹ Corporate tax of ₩1,658 million (2014: ₩1,939 million) has been included in profit from discontinued operations.

The income tax (charged) / credited directly to equity for the years ended December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015		
	Before tax	Tax (charge credit)	After tax
Fair value gains from available-for-sale	20,284	(4,909)	15,375
Changes in equity of equity method investees	(54,174)	13,111	(41,063)
Foreign operation currency translation differences	1,208	(382)	826
Remeasurement of net defined benefit liability	(728)	179	(549)

<i>(in millions of Korean won)</i>	2014		
	Before tax	Tax (charge credit)	After tax
Fair value gains from available-for-sale	(26,124)	6,322	(19,802)
Changes in equity of equity method investees	97,251	(23,516)	73,735
Foreign operation currency translation differences	(2,579)	(114)	(2,693)
Remeasurement of net defined benefit liability	(1,697)	411	(1,286)

As of December 31, 2015 and 2014, the analyses of deferred tax assets and deferred tax liabilities are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	10,244	10,282
Deferred tax asset to be recovered within 12 months	789	470
	<u>11,033</u>	<u>10,752</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(93,089)	(102,672)
Deferred tax liability to be recovered within 12 months	(1,037)	(13)
	<u>(94,126)</u>	<u>(102,685)</u>
Deferred tax assets (liabilities), net	<u>(83,093)</u>	<u>(91,933)</u>

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Changes in the deferred assets and liabilities for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015				
	January 1	Income statement	Other comprehensive income	Change in scope of consolidation	December 31
Available-for-sale financial assets	(9,595)	(54)	(4,909)	-	(14,558)
Held-to-maturity financial assets	-	-	-	-	-
Investments in petroleum and mineral development projects	-	-	-	-	-
Investments in subsidiaries, joint ventures and associates	(80,744)	(638)	12,729	-	(68,653)
Intangible assets	(750)	750	-	-	-
Allowance for bad debts	581	77	-	-	658
Gain (loss) on foreign currency translation	(69)	112	-	-	43
Provisions	876	99	-	-	975
Net defined benefit liabilities	119	(183)	179	16	131
Others	(2,351)	678	-	(16)	(1,689)
	<u>(91,933)</u>	<u>841</u>	<u>7,999</u>	<u>-</u>	<u>(83,093)</u>

(in millions of Korean won)

	2014			
	January 1	Income statement	Other comprehensive income	December 31
Available-for-sale financial assets	(15,916)	-	6,322	(9,594)
Held-to-maturity financial assets	1,234	(1,234)	-	-
Investments in petroleum and mineral development projects	-	-	-	-
Investments in subsidiaries, joint ventures and associates	(55,483)	(1,631)	(23,630)	(80,744)
Intangible assets	(744)	(6)	-	(750)
Allowance for bad debts	581	-	-	581
Gain (loss) on foreign currency translation	31	(100)	-	(69)
Provisions	892	(16)	-	876
Net defined benefit liabilities	11	(303)	411	119
Others	45	(2,397)	-	(2,352)
	<u>(69,349)</u>	<u>(5,687)</u>	<u>(16,897)</u>	<u>(91,933)</u>

Realization of the future tax benefits related to deferred tax assets is dependent on many factors, including the Group's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion. The Group has not recognized deferred tax assets of ₩94,208 million related to subsidiaries and associates whose realizability is uncertain and such amount can be changed if estimation of the future tax benefits changes.

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25. Accumulated Other Comprehensive Income and Other Components of Equity

As of December 31, 2015 and 2014, accumulated other comprehensive income and other components of equity are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Other components of equity		
Treasury stock	(152)	-
Loss from spin-off ¹	(242,051)	-
Adjustment on other components of equity	(18,865)	(18,865)
	<u>(261,068)</u>	<u>(18,865)</u>
Accumulated other comprehensive income		
Fair value gains from available-for-sale financial assets	61,411	46,035
Changes in equity of equity method investees	202,233	243,246
Changes in equity method investees with accumulated comprehensive expense	(554)	(502)
Foreign operation currency translation differences	(8,045)	(8,860)
	<u>255,045</u>	<u>279,919</u>

¹This loss represents the group of assets that should be distributed to the shareholders according to spin-off at fair value, and includes costs from asset decrease.

Changes in accumulated other comprehensive income after tax for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
At January 1	279,919	228,688
Other increase/decrease	(24,874)	51,231
At December 31	<u>255,045</u>	<u>279,919</u>

26. Retained Earnings

As of December 31, 2015 and 2014, retained earnings consist of:

<i>(in millions of Korean won)</i>	2015	2014
Legal reserve ¹	5,024	3,908
Unappropriated retained earnings	424,023	289,693
	<u>429,047</u>	<u>293,601</u>

¹ The Commercial Code of the Republic of Korea requires the Group to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for cash dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed (in accordance with a resolution of the shareholders' meeting).

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The dividends paid in 2015 and 2014 were ₩11,165 million (₩500 per share), respectively. A dividend in respect of the year ended December 31, 2015, of ₩750 per share, amounting to total dividends of ₩9,918 million, is to be proposed at the annual general meeting on March 25, 2016. These financial statements do not reflect this dividend payable.

27. Sales and Cost of sales

Sales for the years ended December 31, 2015 and 2014, consist of:

<i>(in millions of Korean won)</i>	2015	2014
Sales		
Sales	4,220,751	5,230,985
Commission	26,697	19,358
Resource development	14,452	14,525
	<u>4,261,900</u>	<u>5,264,868</u>

Sales of ₩97,773 (2014: ₩101,947million) has been included in profit from discontinuing operation.

Cost of sales for the years ended December 31, 2015 and 2014, consist of:

<i>(in millions of Korean won)</i>	2015	2014
Cost of sales		
Cost of sales	4,127,428	5,133,629
Cost of commission	14,100	8,843
Cost of resource development	14,778	14,941
	<u>4,156,306</u>	<u>5,157,413</u>

Cost of sale of ₩81,214 million (2014: ₩83,836 million) has been included in profit from discontinuing operations.

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28. Selling, Marketing and Administrative Expenses

Selling, marketing and administrative expenses for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Wages and salaries	32,668	33,832
Severance benefits	2,163	1,798
Employee benefits	4,109	4,027
Travel expense	3,769	3,219
Taxes and dues	1,191	1,233
Entertainment expense	1,782	1,771
Overseas branches expense	10,695	11,359
Rental expenses	3,320	2,975
Service fees	7,151	5,142
Computer system expense	1,855	1,919
Depreciation	1,143	1,475
Amortization	957	826
Bad debts expense	5,992	2,955
Others	5,353	5,527
	<u>82,148</u>	<u>78,058</u>

29. Expenses by Nature

Expenses by nature included in the cost of sales, selling, marketing, and administrative expenses, and other expenses in the income statements for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Changes in inventories	4,088,622	5,001,084
Wages and salaries	35,352	35,630
Employee benefits	4,139	4,027
Depreciation	1,276	1,663
Amortization	9,744	11,882
Others	99,321	181,185
Total ¹	<u>4,238,454</u>	<u>5,235,471</u>

¹The total equals to the sum of cost of sales, selling, marketing and administration expenses in the consolidated statements of income.

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30. Other non-operating Income and Expenses

Other non-operating income for the years ended December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015	2014
Gain on foreign currency assets and liabilities	77,500	75,348
Dividends	8,164	11,458
Gain on derivatives	11,184	7,984
Others	4,087	9,251
	<u>100,935</u>	<u>104,041</u>

Other non-operating expenses for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Loss on foreign currency assets and liabilities	78,846	76,971
Loss on derivatives	10,912	6,238
Financial expenses of disposal of trade receivables	3,283	4,474
Others	15,641	13,468
	<u>108,682</u>	<u>101,151</u>

31. Finance Income and Expenses

Finance income for the years ended December 31, 2015 and 2014, consists of:

<i>(in millions of Korean won)</i>	2015	2014
Gain on foreign currency assets and liabilities	25,923	17,445
Interest income	6,357	7,146
	<u>32,280</u>	<u>24,591</u>

Finance expenses for the years ended December 31, 2015 and 2014, consist of:

<i>(in millions of Korean won)</i>	2015	2014
Loss on foreign currency assets and liabilities	24,842	18,957
Interest expense	5,244	6,366
	<u>30,086</u>	<u>25,323</u>

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32. Earnings per Share

Earnings per share for the years ended December 31, 2015 and 2014, is computed as follows:

<i>(in Korean won)</i>	2015	2014
Income from continued operations		
attributable to controlling shareholders	27,287,887,930	25,852,906,979
Income from discontinued operations		
attributable to controlling shareholders	119,872,084,905	7,909,871,803
	<u>147,159,972,835</u>	<u>33,762,778,782</u>
Weighted Average	20,034,725	22,329,802
Basic earnings per share¹		
Basic earnings per share		
from continuing operations	1,362	1,158
Basic earnings per share		
from discontinuing operations	5,983	354
Basic earnings per share	<u>7,345</u>	<u>1,512</u>

¹ The Group did not issue any potential ordinary shares. Therefore, diluted earnings per share is identical to the basic earnings per share.

Weighted average for the years ended December 31, 2015 and 2014, is computed as follows:

	2015	2014
Ordinary shares outstanding		
at the beginning of the year	22,329,802	22,329,802
Spin-off	(2,293,909)	-
Purchase of treasury shares	(1,168)	-
Weighted Average	<u>20,034,725</u>	<u>22,329,802</u>

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33. Cash Generated from Operations

Reconciliation between operating profit and net cash inflow (outflow) from operating activities is as follows:

Significant transactions not affecting cash flows are as follows:

(in millions of Korean won)

	2015	2014
Income for the year	147,230	33,858
Adjustment		
Interest income	(6,357)	(7,146)
Interest expense	5,244	6,366
Dividends	(8,164)	(11,458)
Tax expense	12,674	17,098
Depreciation	1,295	1,685
Amortization	9,756	11,884
Loss on impairment of intangible assets	1,348	-
Provision for severance benefits	2,478	2,262
Bad debts expense	6,007	2,959
Finance expenses of disposal of trade receivables	3,283	4,474
Gain on equity-method of investments in associates	(20,479)	(9,552)
Gain on valuation of derivatives	(219)	(1,132)
Gain on foreign currency translation	(1,351)	(744)
Gain on disposal of discontinued operations	(113,374)	-
Others	9,156	6,607
	<u>(98,703)</u>	<u>23,303</u>
Changes in operating assets and liabilities		
Trade accounts receivable	185,915	(144,131)
Inventories	(100,839)	(54,905)
Other accounts receivable	(7,666)	(7,041)
Other current assets	2,687	9,311
Other non-current assets	705	4,211
Trade accounts and notes payable	(55,225)	72,327
Other payables	(2,577)	(5,671)
Advances from customers	(16,646)	(3,278)
Other assets and liabilities	1,496	(10,096)
	<u>7,850</u>	<u>(139,273)</u>
Cash generated from operations	<u>56,377</u>	<u>(82,112)</u>

Significant transactions not affecting cash flows are as follows

(in millions of Korean won)

	2015	2014
Reclassification to current portion		
from long-term borrowings	7,487	7,430
Reclassification to current portion		
from loans	10,803	-

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34. Commitments and Contingencies

As of December 31, 2015, the Group is contingently liable for guarantees amounting to US\$ 29,605 thousand for operating activities to financial institutions.

As of December 31, 2015, the Group provided notes and checks, including 12 blank notes as collaterals for the Group's various borrowings and guarantees of indebtedness.

As of December 31, 2015, the Group has filed four lawsuits claiming US\$ 18,419 thousand in damages. As the outcome of these cases cannot be reasonably determined, the Group has not reflected any adjustments that may arise from this uncertainty.

Commitments for trade financial transactions with Korea Exchange Bank and others as of December 31, 2015, are as follows:

<i>(in thousands of US dollars)</i>	Maximum amount¹	Used amount
D/A, D/P ²	1,101,528	317,797
L/C and others	268,050	316,710
Bonds and others	170,927	102,542
	<u>1,540,505</u>	<u>737,049</u>

¹ Maximum amount including comprehensive limit.

² Includes USD 99,536 thousand used for disposal of D/A, D/P trade receivables without recourse.

The Group has pledged vessels and others held by TM SHIPPING CO., LTD. as collateral in relation to loans to TM SHIPPING CO., LTD. amounting to US\$22 million (equivalent to ₩ 25,243 million).

The Group granted options for two counterparties to purchase the Group's remaining interests (30.59%) in Qindao Hyundai Shipbuilding Co., Ltd. at their fair value (the minimum exercise price is US\$8,000 thousand) within the period of one to five years after completion of the increase of capital for Qingdao Hyundai Shipbuilding Co., Ltd. The relevant options are regarded as exercised at the end of the five-year period.

35. Derivatives

Details of the changes in valuation gain or loss on derivatives for years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
	Gain	Loss	Gain	Loss
Foreign currency forward	1,385	1,166	1,375	244
Commodity futures	-	3	3	2
	<u>1,385</u>	<u>1,169</u>	<u>1,378</u>	<u>246</u>

The Group entered into currency forward contracts in order to hedge its risk of fluctuation in the exchange rate of assets and liabilities denominated in foreign currencies with Korea Exchange Bank. These agreements were classified as trading instruments and related derivatives assets and liabilities amount to ₩1,385 million and ₩1,166 million, respectively.

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Details of foreign currency forward contracts that are not past due as of December 31, 2015, are as follows:

Position	Contract amounts	
USD Selling	USD	51,449,410
USD Buying	USD	15,906,908
EUR Selling	EUR	34,799,824
EUR Buying	EUR	11,621,229

In addition, per the commodity futures contract, the Group applies fair value hedge accounting. These agreements are measured at fair value, and the related derivatives liabilities amount to ₩3 million and firm contract assets and liabilities amount to ₩3 million.

36. Related Party Transactions

Details of associates and other related parties that have sales and other transactions with the Group or have receivables and payables balances as of December 31, 2015 and 2014, are as follows:

	2015	2014
Entities with significant influence over the Company	HYUNDAI C&F INC.	HYUNDAI HEAVY INDUSTRIES CO., LTD.
Joint venture and associates	PT. HYUNDAI MACHINERY INDONESIA KOREA LNG LIMITED HYUNDAI YEMEN LNG COMPANY LIMITED PT HYUNDAI INTI DEVELOPMENT	PT. HYUNDAI MACHINERY INDONESIA KOREA LNG LIMITED Hyundai Energy & Resources Co., Ltd. HYUNDAI YEMEN LNG COMPANY LIMITED PT HYUNDAI INTI DEVELOPMENT
Other related parties	HYUNDAI HEAVY INDUSTRIES CO., LTD. ¹ SHIPBUILDING CO.,LTD. HYUNDAI MIPO DOCK YARD CO., LTD. ¹ HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD. ¹ Hyundai Oil Bank Co., Ltd. ¹ Hyundai Oilbank(Singapore) Co., Ltd. ¹ HI INVESTMENT & SECURITIES CO., LTD. ¹ Hyundai Power Transformers USA, Inc. ¹ TM Shipping Hyundai and Shell Base Oil Co., Ltd. ¹ HYUNDAI Heavy Industries Bulgaria ¹	SHIPBUILDING CO.,LTD. HYUNDAI MIPO DOCK YARD CO., LTD. HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD. Hyundai Oil Bank Co., Ltd. Hyundai Oilbank(Shanghai) Co., Ltd. Hyundai Oilbank(Singapore) Co., Ltd. HI INVESTMENT & SECURITIES CO., LTD. Hyundai Power Transformers USA, Inc. Hyundai Heavy Industries Europe N.V. BEIJING HYUNDAI JINGCHENG CONSTRUCTION MACHINERY CO.LTD

¹As of December 31, 2015, HYUNDAI HEAVY INDUSTRIES CO., LTD. and its subsidiaries are excluded from the related parties as HYUNDAI HEAVY INDUSTRIES CO., LTD. sold most of its shares in the Company.

Significant transactions with related parties for years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

		2015		2014	
		Sales and others ¹	Purchase and others ²	Sales and others ¹	Purchase and others ²
Entities with significant influence over the Company	HYUNDAI C&F INC.	180	7	-	-
Joint venture and associates	HYUNDAI HEAVY INDUSTRIES CO., LTD. ³ PT. HYUNDAI MACHINERY INDONESIA HYUNDAI YEMEN LNG COMPANY LIMITED Others	5,449 1,315 334 13	643,544 - - 312	13,119 17,028 422 -	802,960 1,502 - 1,783
Other related parties	Hyundai Oil Bank Co., Ltd. ³ Hyundai Oilbank(Shanghai) Co., Ltd. ³ Hyundai Oilbank(Singapore) Co., Ltd. ³ TM Shipping Others ³	- - - 1,565 299	301,262 - 4,170 - 4,590	29,379 - 29,431 - 1,305	442,115 11,484 173,669 - 10,236
	Total ⁴	9,155	953,885	90,684	1,443,749

¹ Includes merchandise sales, commission income, gain on investments in exploration of resources, and other revenues.

² Includes purchase of goods and services.

³ Includes transactions until the time the relationship ceased.

⁴ Includes amounts transferred to discontinuing operation.

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Significant receivables and payables with related parties as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

		2015		2014	
		Receivables and others ¹	Payables and others ²	Receivables and others ¹	Payables and others ²
Entities with significant influence over the Company	HYUNDAI C&F INC.	5,803	441	-	-
	HYUNDAI HEAVY INDUSTRIES CO., LTD. ³	-	-	46,215	254,214
Joint venture and associates	PT. HYUNDAI MACHINERY INDONESIA	6,101	-	12,913	-
	HYUNDAI YEMEN LNG COMPANY LIMITED	6,793	-	6,100	-
	Others	-	-	-	1,154
	Hyundai Oil Bank Co., Ltd. ³	-	-	39	29,356
Other related parties	TM Shipping	152	-	-	-
	Others ³	-	-	2,897	9,380
		<u>18,849</u>	<u>441</u>	<u>68,164</u>	<u>294,104</u>

¹ The amounts include trade accounts receivable, other accounts receivable, other current assets, investments in petroleum and mineral development projects, long-term loans receivable (related to investments in exploration of resources), other non-current assets and others.

² The amounts include trade accounts and notes payable, other payables, advances from customers, other current liabilities and others.

³ Not a related party as of December 31, 2015.

Fund transactions with related parties for years ended December 31, 2015 and 2014, are as follows:

	2015						
	Foreign						
	Beginning balance	Increase	Recovery	currency translation	Ending balance	Receipt of dividends	Provision of dividends
HYUNDAI YEMEN LNG COMPANY LIMITED	16,484	-	-	1,092	17,576	10,241	-
TM Shipping	-	31,185	(7,282)	1,340	25,243	-	-
KOLNG	-	-	-	-	-	12,197	-
PT. HYUNDAI INTI DEVELOPMENT	-	-	-	-	-	463	-
HYUNDAI HEAVY INDUSTRIES CO., LTD.	-	-	-	-	-	-	2,496

	2014						
	Foreign						
	Beginning balance	Increase	Recovery	currency translation	Ending balance	Receipt of dividends	Provision of dividends
HYUNDAI YEMEN LNG COMPANY LIMITED	75,812	-	(59,986)	658	16,484	3,930	-
KOLNG	-	-	-	-	-	18,614	-
PT HYUNDAI INTI DEVELOPMENT	-	-	-	-	-	484	-
HYUNDAI HEAVY INDUSTRIES CO., LTD.	-	-	-	-	-	-	2,496

In addition, the Group acquired convertible bonds issued by TM SHIPPING CO., LTD. with a par value of ₩3.6 billion on February 24, 2015, and separately recognized conversion rights included in the convertible bonds as derivative financial assets. The details are as follows:

(in millions of Korean won)

	Interest rate	Rate of return	Issuance date~ expiry date (convertible periods)	Book Value
TM SHIPPING CO., LTD. Available-for-sale financial assets	-	3%	2015.2.24~2018.2.23	3,442
TM SHIPPING CO., LTD. Conversion rights	-	-	-	338

As of December 31, 2015, bad debt provision amounting to ₩10 million was made with respect to the receivables from related parties.

After the capital reduction of Hyundai Energy & Resources Co., Ltd., the Group acquired all of its remaining interests from Hyundai Heavy Industries Co., Ltd. and others for ₩523 million during the year ended December 31, 2015.

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The compensation paid or payable to key management for the years ended December 31, 2015 and 2014, consists of:

<i>(in millions of Korean won)</i>	2015	2014
Wages and salaries	1,699	1,622
Servance benefits	(215)	381
	<u>1,484</u>	<u>2,003</u>

37. Business Combinations

The Group obtained control of Hyundai Energy & Resources Co., Ltd. through the acquisition of additional 90% equity shares.

(in millions of Korean won)

Consideration transferred

Fair value of equity interest held before the business combination ¹	58
Fair value of additional consideration	523
Total consideration	<u>581</u>

Recognized amounts of identifiable assets acquired and liabilities

Cash and cash equivalents	306
Trade and other receivables	506
Property, equipment and intangible assets	683
Trade and other payables	(321)
Total identifiable net assets	<u>1,174</u>
Gains on bargain purchase ²	<u>593</u>

¹ The Group recognized loss on disposal of ₩59 million as a result of remeasuring fair value of 10% equity interests in Hyundai Energy & Resources Co., Ltd. held before the business combination.

² Gain on bargain purchase is included in other non-operating income in the consolidated statements of income.

Details of net cashflows due to the business combination are as follows:

(in millions of Korean won)

Cash and cash equivalents held by acquiree	(306)
Consideration	<u>523</u>
Net cash outflows due to the business combinations	<u>217</u>

Had Hyundai Energy & Resources Co., Ltd. been consolidated from January 1, 2015, sales and income for the period amounting to ₩397 million and ₩248 million, respectively, would have been added in the consolidated statements of income. Sales and income for the year included in the consolidated statements of income since the consolidation, contributed by Hyundai Energy & Resources Co., Ltd., was ₩418 million and ₩8 million, respectively.

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38. Spin-off

Upon the approval of the Board of Directors on May 27, 2015, and the shareholders' meeting on August 28, 2015, the Company was split into the existing company HYUNDAI Corporation(trading and petroleum and mineral development division) and the newly established company, HYUNDAI C&F Co., Ltd.(the brand and new business division). The Company has joint obligation to pay the liabilities before the spin-off with Hyundai C&F Co., Ltd.

The spin-off details as follows:

Category	Details
Method of stock split	Spin-off
Companies subject to stock split	HYUNDAI Corporation (existing corporation) HYUNDAI C&F Co., Ltd (newly established corporation)
Completion of stock split	October 1, 2015
Partition registration	October 2, 2015

The income statement of consolidated company is divided by discontinued operations and continued operations. The comparative income statement was reclassified. The financial information until spin-off date, regarding brand and newly business division is provided below.

Details of profit or loss related to discontinued operations for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Net sales	97,773	101,947
Cost of sales	81,214	83,836
Gross profit	16,559	18,111
Selling and administrative expenses	8,047	8,600
Operating income	8,512	9,511
Other non-operating income	603	949
Other non-operating expenses	959	611
Income before income tax	8,156	9,849
Income tax expense	1,658	1,939
Profit from discontinued operations	6,498	7,910
Gain on disposition of discontinued operations	113,374	-
Net income from discontinued operations	119,872	7,910

Cash flows related to the discontinued operations for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Cash flows from operating activities	(7,055)	(5,264)
Cash flows from investing activities	31	(190)
Cash flows from financing activities	478	-
	(6,546)	(5,454)

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Derecognized assets and liabilities due to spin-off are as follows.

(in millions of Korean won)

Current assets	125,000
Cash and cash equivalents	33,485
Inventories	7,351
Trade receivables	
Non-current assets	
Intangible assets	20,837
Total assets	186,673
Current liabilities	
Other payables	1,434
Advances from customers	4,923
Short-term borrowings	478
Non-current liabilities	
Deferred income tax liabilities	701
Total liabilities	7,536
Net assets	179,137

In cases where the carrying amount of a group of assets that are classified as held for distribution to owners is primarily collected through distribution and if the likelihood of distribution is highly probable, they are classified as 'a group of assets classified as held for distribution to owners', and measured at the lower of carrying amount and fair value less costs to distribute.

In cases where there are non-reciprocal distributions of non-cash assets by the Company to its owners and if all owners are treated equally, the dividend payable is recognized when the Company declares the distribution and has the obligation to distribute the assets. The dividend payable is measured at the fair value of the non-cash assets to be distributed.

The dividend payable is re-measured at the book closing date and recognized as equity. The difference between the non-cash asset that is subject to distribution and the recognized dividend payable is recognized as gains on disposition of discontinued operations for the year.

39. United States Dollar Amounts

The Group operates primarily in Korean won and its accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US\$1: ₩1,172, the exchange rate in effect on December 31, 2015. Such presentation is not in accordance with generally accepted financial accounting standards in either the Republic of Korea or the United States, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.