

HYUNDAI CORPORATION and Subsidiaries

**Consolidated Financial Statements
December 31, 2018 and 2017**

HYUNDAI CORPORATION and Subsidiaries
Index
December 31, 2018 and 2017

	Page(s)
Report of Independent Auditors	1 - 3
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Profit or Loss.....	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Equity	7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 57



Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
HYUNDAI CORPORATION

Opinion

We have audited the accompanying consolidated financial statements of HYUNDAI CORPORATION and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

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

Other Matter

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sang-Chul Moon, Certified Public Accountant.

Seoul, Korea
March 14, 2019

This report is effective as of March 14, 2019, 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, 2018 and 2017

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

	Notes	2018	2017	2018 (in US dollars) (Note 39)
Assets				
Current assets				
Cash and cash equivalents	4,7,9,12,38	₩ 81,268,720	₩ 158,314,278	\$ 72,685
Short-term financial instruments	4,7,8,9	11,181,000	-	10,000
Trade receivables	4,7,8,9,10,13,37	460,284,411	516,237,605	411,667
Inventories	14	286,453,408	239,509,235	256,197
Derivative financial assets	4,5,7,9,36	918,915	1,836,014	822
Other current receivables	4,7,8,9,15,37	20,273,128	33,947,064	18,132
Other current assets	15,37	22,735,434	41,297,051	20,334
Current tax assets		-	1,965,833	-
		<u>883,115,016</u>	<u>993,107,080</u>	<u>789,837</u>
Non-current assets				
Long-term financial instruments	4,7,8,9,11	19,000	19,000	17
Available-for-sale financial assets	4,5,7,8,16,18	-	66,017,220	-
Financial assets at fair value through profit or loss	4,5,7,8,18,38	178,025	-	159
Financial assets at fair value through other comprehensive income	4,5,7,8,18,38	70,173,522	-	62,761
Other financial assets	4,7,8	366,297	-	328
Investments in joint ventures and associates	17,18	83,457,635	138,849,192	74,642
Long-term loans receivable	4,7,8,9,18,37	21,550,585	17,754,299	19,274
Investments in development projects	4,7,8,9,18,37	14,679,510	10,885,181	13,129
Property and equipment	19	10,349,114	3,434,477	9,256
Intangible assets	18,20	7,796,979	23,957,721	6,973
Deferred tax assets	25	3,112,477	1,612,167	2,784
Other non-current assets	4,7,8,9,15,37	3,373,007	3,293,068	3,017
		<u>215,056,151</u>	<u>265,822,325</u>	<u>192,340</u>
Total assets		<u>₩ 1,098,171,167</u>	<u>₩ 1,258,929,405</u>	<u>\$ 982,177</u>
Liabilities				
Current liabilities				
Trade payables	4,7,37	₩ 324,268,206	₩ 398,969,739	\$ 290,017
Other payables	4,7,37	55,368,176	65,820,514	49,520
Advances from customers	37	29,913,942	36,913,055	26,754
Short-term borrowings	4,7,10,22,35	308,779,619	337,191,038	276,165
Current portion of provisions	24	16,196	15,520	14
Current tax liabilities		3,470,643	648,092	3,104
Derivative financial liabilities	4,5,7,36	2,143,759	3,456,427	1,917
Other current liabilities	4,7,21,37	5,636,520	4,400,792	5,041
		<u>729,597,061</u>	<u>847,415,177</u>	<u>652,532</u>
Non-current liabilities				
Debentures	4,7,22	29,875,421	-	26,720
Long-term borrowings	4,7,22	4,786,493	4,786,493	4,281
Net defined benefit liability	23	1,721,057	1,700,109	1,539
Provisions	4,24	3,231,906	4,910,608	2,891
Deferred tax liabilities	25	22,621,414	36,912,503	20,232
Other non-current liabilities		411,917	400,992	368
		<u>62,648,208</u>	<u>48,710,705</u>	<u>56,031</u>
Total liabilities		<u>792,245,269</u>	<u>896,125,882</u>	<u>708,563</u>
Equity				
Equity attributable to owners of the Parent Company				
Share capital	1	66,144,830	66,144,830	59,158
Other components of equity	26	(272,994,357)	(272,994,357)	(244,159)
Accumulated other comprehensive income	5,26	85,887,992	125,694,584	76,816
Retained earnings	27	425,742,959	442,930,213	380,774
Equity attributable to owners of the Parent Company		<u>304,781,424</u>	<u>361,775,270</u>	<u>272,589</u>
Non-controlling interest		<u>1,144,474</u>	<u>1,028,253</u>	<u>1,024</u>
Total equity		<u>305,925,898</u>	<u>362,803,523</u>	<u>273,613</u>
Total liabilities and equity		<u>₩ 1,098,171,167</u>	<u>₩ 1,258,929,405</u>	<u>\$ 982,176</u>

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.
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 Profit or Loss
Years Ended December 31, 2018 and 2017

<i>(in thousands of Korean won and thousands of US dollars, except per share amounts)</i>	Notes	2018	2017	2018 (in US dollars) (Note 39)
Net sales	6,18,28,37	₩ 4,714,008,238	₩ 4,305,955,496	\$ 4,216,088
Cost of sales	14,28,30,37	<u>(4,587,360,080)</u>	<u>(4,196,020,636)</u>	<u>(4,102,817)</u>
Gross profit		126,648,158	109,934,860	113,271
Selling and administrative expenses	29,30	<u>(76,146,759)</u>	<u>(75,947,528)</u>	<u>(68,104)</u>
Operating income	6	<u>50,501,399</u>	<u>33,987,332</u>	<u>45,167</u>
Other income	18,31	55,211,271	67,922,631	49,380
Other expenses	31	(113,183,462)	(103,005,384)	(101,228)
Share of net profit of associates accounted for using the equity method	17	11,244,093	6,748,523	10,056
Finance income	32	29,152,584	35,058,424	26,073
Finance costs	32	<u>(36,729,752)</u>	<u>(30,677,841)</u>	<u>(32,850)</u>
Profit (loss) before income tax		(3,803,867)	10,033,685	(3,402)
Income tax benefit (expense)	25	<u>(4,847,188)</u>	<u>15,109,370</u>	<u>(4,335)</u>
Profit (loss) for the year		<u>₩ (8,651,055)</u>	<u>₩ 25,143,055</u>	<u>\$ (7,737)</u>
Profit (loss) is attributable to:				
Owners of the Parent Company		(8,813,399)	24,978,598	(7,882)
Non-controlling interests		162,344	164,457	145
Earnings per share attributable to the equity holders of the Parent Company (in Korean won and US dollars)	33			
Basic earnings per share		₩ (696)	₩ 1,970	\$ (0.62)

The above consolidated statements of profit or loss should be read in conjunction with the accompanying notes.

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 Comprehensive Income
Years Ended December 31, 2018 and 2017

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

	2018	2017	2018 (in US dollars) (Note 39)
Profit (loss) for the year	₩ (8,651,055)	₩ 25,143,055	\$ (7,737)
Other comprehensive income			
Items that will not be reclassified to profit or loss :			
Remeasurements of net defined benefit liabilities	(778,477)	(1,762,488)	(696)
Gain on valuation of financial assets at fair value through other comprehensive income	2,851,071	-	2,550
Items that may be subsequently reclassified to profit or loss :			
Changes in the fair value of available-for-sale financial assets	-	(15,785,122)	-
Share of other comprehensive loss of associates	(44,872,970)	(58,193,011)	(40,133)
Gain (loss) on valuation of derivative	668,444	(1,851,444)	598
	<u>1,500,741</u>	<u>(6,482,185)</u>	<u>1,342</u>
Other comprehensive loss for the year, net of tax	<u>(40,631,191)</u>	<u>(84,074,250)</u>	<u>(36,339)</u>
Total comprehensive loss for the year	<u>₩ (49,282,246)</u>	<u>₩ (58,931,195)</u>	<u>\$ (44,076)</u>
Total comprehensive loss for the year is attributable to:			
Owners of the Parent Company	₩ (49,398,467)	₩ (59,033,696)	\$ (44,181)
Non-controlling interest	116,221	102,501	104

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

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 Changes in Equity
Years Ended December 31, 2018 and 2017

	Attributable to owners of the Parent Company					Non-controlling Interest	Total Equity	U.S. Dollars (Note 39)
	Share capital	Other components of equity	Accumulated other comprehensive income	Retained earnings	Total			
<i>(in thousands of Korean won and thousands of US dollars)</i>								
Balance at January 1, 2017	₩ 66,144,830	₩ (268,225,871)	₩ 207,944,390	₩ 426,160,745	₩ 432,024,094	₩ 925,752	₩ 432,949,846	\$ 387,219
Comprehensive income								
Profit for the year	-	-	-	24,978,598	24,978,598	164,457	25,143,055	22,487
Remeasurements of net defined benefit liabilities	-	-	-	(1,762,488)	(1,762,488)	-	(1,762,488)	(1,576)
Changes in the fair value of available-for-sale financial assets	-	-	(15,785,122)	-	(15,785,122)	-	(15,785,122)	(14,118)
Share of other comprehensive loss of associates	-	-	(58,193,011)	-	(58,193,011)	-	(58,193,011)	(52,046)
Loss on valuation of derivative	-	-	(1,851,444)	-	(1,851,444)	-	(1,851,444)	(1,656)
Changes in foreign operation currency translation differences	-	-	(6,420,229)	-	(6,420,229)	(61,956)	(6,482,185)	(5,798)
Transaction with owners								
Dividends	-	-	-	(6,446,642)	(6,446,642)	-	(6,446,642)	(5,766)
Treasury shares	-	(4,768,486)	-	-	(4,768,486)	-	(4,768,486)	(4,265)
Balance at December 31, 2017	₩ 66,144,830	₩ (272,994,357)	₩ 125,694,584	₩ 442,930,213	₩ 361,775,270	₩ 1,028,253	₩ 362,803,523	\$ 324,481
Balance at January 1, 2018	₩ 66,144,830	₩ (272,994,357)	₩ 125,694,584	₩ 442,930,213	₩ 361,775,270	₩ 1,028,253	₩ 362,803,523	\$ 324,481
Comprehensive income								
Profit (loss) for the year	-	-	-	(8,813,399)	(8,813,399)	162,344	(8,651,055)	(7,737)
Remeasurements of net defined benefit liabilities	-	-	-	(778,476)	(778,476)	-	(778,476)	(696)
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	2,851,071	-	2,851,071	-	2,851,071	2,550
Share of other comprehensive loss of associates	-	-	(44,872,419)	-	(44,872,419)	(551)	(44,872,970)	(40,133)
Gain on valuation of derivative	-	-	668,444	-	668,444	-	668,444	598
Changes in foreign operation currency translation differences	-	-	1,546,312	-	1,546,312	(45,572)	1,500,740	1,342
Transaction with owners								
Dividends	-	-	-	(7,595,379)	(7,595,379)	-	(7,595,379)	(6,793)
Balance at December 31, 2018	₩ 66,144,830	₩ (272,994,357)	₩ 85,887,992	₩ 425,742,959	₩ 304,781,424	₩ 1,144,474	₩ 305,925,898	\$ 273,612

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

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 Cash Flows
Years Ended December 31, 2018 and 2017

<i>(in thousands of Korean won and thousands of US dollars)</i>	Notes	2018	2017	2018 (in US dollars) (Note 39)
Cash flows from operating activities				
Cash generated from operations	33	₩ (50,020,330)	₩ 27,016,103	\$ (44,737)
Interest received		2,248,199	4,928,474	2,011
Interest paid		(11,028,625)	(7,128,880)	(9,864)
Dividends		19,458,324	15,264,851	17,403
Income tax refunded (paid)		(2,506,931)	8,453,082	(2,242)
Net cash inflow (outflow) from operating activities		<u>(41,849,363)</u>	<u>48,533,630</u>	<u>(37,429)</u>
Cash flows from investing activities				
Decrease (increase) disposal of short-term financial instruments, net		(11,275,000)	10,084,945	(10,084)
Collection of current portion of long-term loans receivable		-	339,252	-
Proceeds from financial assets at fair value through profit or loss		37,262	-	33
Collection of long-term loans receivable		225,481	2,084,220	202
Proceeds from assets held for sale		-	9,173,601	-
Proceeds from property and equipment		291,023	81,448	260
Proceeds from intangible assets		664,164	1,665,600	594
Increase in leasehold deposits received		10,924	96,413	10
Payments for financial assets at fair value through other comprehensive income		(799,336)	-	(715)
Payments for investments in joint ventures and associates		(3,587,227)	(844,200)	(3,208)
Payments for investments in development projects		(3,466,828)	(2,689,806)	(3,101)
Long-term loans receivable provided		(2,137,989)	(859,934)	(1,912)
Payments for property and equipment		(7,941,204)	(369,723)	(7,102)
Payments for intangible assets		(133,493)	(891,329)	(119)
Net cash inflow (outflow) from investing activities		<u>(28,112,223)</u>	<u>17,870,487</u>	<u>(25,142)</u>
Cash flows from financing activities				
Increase in short-term borrowings, net		(30,384,583)	(79,837,934)	(27,175)
Payments for current portion of borrowings		-	(3,273,736)	-
Proceeds from issuance of debentures		29,873,060	-	26,718
Dividends paid		(7,595,380)	(6,446,642)	(6,793)
Payments for treasury shares		-	(4,985,369)	-
Net cash outflow from financing activities		<u>(8,106,903)</u>	<u>(94,543,681)</u>	<u>(7,250)</u>
Net decrease in cash and cash equivalents		(78,068,489)	(28,139,564)	(69,822)
Effects of exchange rate changes on cash and cash equivalents		1,022,931	(7,131,782)	915
Cash and cash equivalents at the beginning of the year		<u>158,314,278</u>	<u>193,585,624</u>	<u>141,592</u>
Cash and cash equivalents at the end of the year		<u>₩ 81,268,720</u>	<u>₩ 158,314,278</u>	<u>\$ 72,685</u>

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

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, 2018 and 2017

1. Organization

The consolidated financial statements include those of the Parent Company, HYUNDAI CORPORATION (the "Company"), and its 14 consolidated subsidiaries, including HYUNDAI CORP. USA (collectively referred to as the "Group"), and seven associates, including PT HD 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 at December 31, 2018, the Company has 23 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.

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 at December 31, 2018, it has 13,228,966 ordinary shares issued and outstanding, and its share capital amounts to ₩66,145 million after several capital increases, conversions of bonds and capital reduction.

As at December 31, 2018, the Company's major shareholders are as follows:

Shareholders	Number of shares	Percentage of ownership (%)
HYUNDAI CORPORATION HOLDINGS Co.,Ltd.	2,562,000	19.37
KCC Corporation	1,587,475	12.00
Chung Mong-hyuk	639,601	4.83
National Pension Service	305,123	2.31
Chung Mong-seok	264,579	2.00
Halla Holdings Corporation	264,579	2.00
Hyundai Home Shopping Network Corporation	132,289	1.00
Hyundai Department Store Co.,Ltd.	132,289	1.00
Others	6,771,031	51.18
	<hr/>	<hr/>
	12,658,966	95.69
Treasury shares	570,000	4.31
	<hr/>	<hr/>
	13,228,966	100.00

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

1.2 Consolidated Subsidiaries

Details of the consolidated subsidiaries as at December 31, 2018 and 2017, are as follows:

Name	Country	Percentage of ownership (%)		Closing month	Main business
		2018	2017		
HYUNDAI CORP. USA	U.S.A	100	100	December	Trading
HYUNDAI AUSTRALIA PTY., LTD.	Australia	100	100	December	Trading
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 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 ONE ASIA PTE. LTD. ¹	Singapore	100	100	December	Trading
HYUNDAI CORPORATION (CAMBODIA) CO., LTD. ¹	Cambodia	100	100	December	Trading
HYUNDAI CORPORATION PHNOM PENH INVESTMENT CO., LTD. ^{1,4}	Cambodia	49	49	December	Trading and Farming
HYUNDAI PLATFORM CORP ²	U.S.A	100	100	December	Transport and Installation
HYUNDAI ONE EUROPE GmbH ³	Germany	100	100	December	Trading
HYUNDAI RENEWABLE LAB	Korea	100	100	December	Photovoltaic Power Generation
HYUNDAI FUELS PTE. LTD. ¹	Singapore	100	-	December	Trading

¹ Subsidiary of HYUNDAI CORPORATION SINGAPORE PTE. LTD.

² Subsidiary of HYUNDAI CORP. USA.

³ Subsidiary of HYUNDAI CORP. EUROPE GMBH.

⁴ Although 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.

Although the Group owns more than 50% of the voting rights of PT HD INTI. DEVE. and HYUNDAI YEMEN LNG COMPANY LIMITED, they are excluded from the consolidated subsidiaries as the Group is unable to exercise its voting rights by virtue of an agreement with other investors.

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

1.3 Summarized Financial Information

Summarized financial information for consolidated subsidiaries as at and for the years ended December 31, 2018 and 2017, is as follows:

(in millions of Korean won)

	2018					
	Assets	Liabilities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
HYUNDAI CORP. USA	149,728	110,904	38,824	457,072	817	2,417
HYUNDAI AUSTRALIA PTY., LTD.	8,815	9,995	(1,180)	14,127	(19)	51
HYUNDAI JAPAN CO., LTD.	37,977	23,887	14,090	131,666	1,732	2,541
HYUNDAI CANADA INC.	30,644	22,884	7,760	49,895	771	468
HYUNDAI CORP. EUROPE GMBH	18,333	11,379	6,954	75,718	79	(1,909)
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	145,888	139,111	6,777	1,049,783	(6,107)	(5,013)
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	2,884	92	2,792	580	(444)	(452)
POS-HYUNDAI STEEL MFG. (I) PVT. LTD.	28,288	9,628	18,660	43,021	2,361	1,598
HYUNDAI ONE ASIA PTE. LTD.	4,119	3,160	959	10,730	344	375
HYUNDAI CORPORATION (CAMBODIA) CO., LTD.	50	113	(63)	-	(84)	(62)
HYUNDAI CORPORATION PHNOM PENH INVESTMENT CO., LTD.	7	-	7	-	(2)	(2)
HYUNDAI PLATFORM CORP	6,026	3,837	2,189	11,624	140	228
HYUNDAI ONE EUROPE GmbH	1,902	1,015	887	10,997	215	220
HYUNDAI RENEWABLE LAB	3,404	6	3,398	168	40	40
HYUNDAI FUELS PTE. LTD.	1,118	-	1,118	-	-	(11)

(in millions of Korean won)

	2017					
	Assets	Liabilities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
HYUNDAI CORP. USA	128,230	91,823	36,407	448,448	4,399	42
HYUNDAI AUSTRALIA PTY., LTD.	5,505	6,736	(1,231)	14,332	186	241
HYUNDAI JAPAN CO., LTD.	31,525	19,977	11,548	150,558	1,565	542
HYUNDAI CANADA INC.	18,664	11,371	7,293	36,216	(909)	(1,292)
HYUNDAI CORP. EUROPE GMBH	42,885	36,008	6,877	74,134	(745)	(677)
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	182,440	170,650	11,790	917,835	2,367	(958)
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	3,280	35	3,245	369	(295)	(496)
POS-HYUNDAI STEEL MFG. (I) PVT. LTD.	25,780	8,718	17,062	36,281	2,680	1,653
HYUNDAI ONE ASIA PTE. LTD.	4,978	4,393	585	10,402	303	249
HYUNDAI CORPORATION (CAMBODIA) CO., LTD.	353	332	21	171	(78)	(64)
HYUNDAI CORPORATION PHNOM PENH INVESTMENT CO., LTD.	223	214	9	10	7	6
HYUNDAI PLATFORM CORP	5,354	3,392	1,962	18,050	681	476
HYUNDAI ONE EUROPE GmbH	1,518	2,122	(604)	171	(659)	(659)
HYUNDAI RENEWABLE LAB	1,358	-	1,358	-	(22)	(22)

1.4 Changes in Scope for Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2018:

Subsidiary	Reason
HYUNDAI FUELS PTE. LTD.	Newly established

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

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 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 financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in 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.

2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018. The application does not have a significant impact on the financial statements.

- Amendment to Korean IFRS 1028 Investments in Associates and Joint Ventures

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure each investment separately at fair value through profit or loss in accordance with Korean IFRS 1109. The amendment does not have a significant impact on the financial statements because the Group is not a venture capital organization.

- Amendment to Korean IFRS 1040 Transfers of Investment Property

The amendment to Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence, and the list of evidence for a change of use in the standard was re-characterized as a non-exclusive list of example. The amendment does not have a significant impact on the financial statements.

- Amendment to Korean IFRS 1102 Share-based Payment

Amendments to Korean IFRS 1102 clarify accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Amendments also clarify that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. The amendment

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

does not have a significant impact on the financial statements.

- Enactment of Interpretation 2122 *Foreign Currency Transaction and Advance Consideration*

According to the enactment, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The enactment does not have a significant impact on the financial statements.

- Korean IFRS 1109 *Financial Instruments*

The Group has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures have not been restated. See Note 38 for further details on the impact of the application of the standard.

- Korean IFRS 1115 *Revenue from Contracts with Customers*

The Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers*. In accordance with the transition provisions in Korean IFRS 1115, comparative figures have not been restated. See Note 38 for further details on the impact of the application of the standard.

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

Certain new accounting standards and interpretations that have been published that are not mandatory for annual reporting period commencing January 1, 2018 and have not been early adopted by the Group are set out below.

- Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* issued on May 22, 2017, is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 *Leases*. The Group will apply the standards for annual periods beginning on or after January 1, 2019.

Under the new standard, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

The Group performed an impact assessment to identify potential financial effects of applying Korean IFRS 1116. The Group is analyzing the effects on the financial statements based on available information as at December 31, 2018 to identify effects on 2019 financial statements.

- Korean IFRS 1109 *Financial Instruments*

The narrow-scope amendments made to Korean IFRS 1109 *Financial Instruments* enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted.

- Amendments to Korean IFRS 1019 *Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

of the impact of the asset ceiling. The amendments are effective for plan amendments, curtailments and settlements occurring in reporting periods that begin on or after January 1, 2019.

- Amendments to Korean IFRS 1028 *Investments in Associates and Joint Ventures*

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted. In accordance with the transitional provisions in Korean IFRS 1109, the restatement of the comparative information is not required and the cumulative effects of initially applying the amendments retrospectively should be recognized in the beginning balance of retained earnings (or other components of equity, as appropriate) at the date of initial application.

- Enactment to Interpretation of Korean IFRS 2123 *Uncertainty over Income Tax Treatments*

The Interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. This Interpretation will be applied for annual periods beginning on or after January 1, 2019, and an entity can either restate the comparative financial statements retrospectively or recognize the cumulative effect of initially applying the Interpretation as an adjustment in the beginning balance at the date of initial application.

- Annual Improvements to Korean IFRS 2015 – 2017 Cycle:

• Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. These amendments will be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early adoption permitted.

• Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. These amendments will be applied to transactions in which an entity obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early adoption permitted.

• Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. These amendments will be applied for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted.

• Korean IFRS 1023 *Borrowing Costs*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. These amendments

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

will be applied to borrowing costs incurred on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early adoption permitted.

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 Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. 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 measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. 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 an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount 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 recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

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 each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

2.5 Financial Assets

(a) Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset and the issuance of the financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

A. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'other income or expenses' in the year in which it arises.

B. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income and expenses' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

2.6 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'other income (expenses)' based on the nature of transactions.

The Group only applies fair value hedge accounting for hedging price risk on metal commodity (aluminum). Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognized in profit or loss within 'net sales', together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognized in profit or loss within 'other 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 using a recalculated effective interest rate.

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 and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of all property and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Useful lives
Buildings	20 - 30 years
Vehicles	4 - 10 years
Tools and equipment	4 years
Leasehold improvements	4 years
Machinery	10 - 14 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.9 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

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) 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 and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Financial Liabilities

(a) Classification and measurement

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded derivative that is separated are also classified 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 present as 'trade payables', 'borrowings', and 'other financial liabilities' in the statement of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

2.13 Financial Guarantee Contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of the following and recognized in the statement of financial position within 'other financial liabilities'.

- the amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments* and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

2.14 Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the 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. Current and deferred tax is recognized in profit or loss, 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 measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises 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 if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, 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, The Group recognizes a deferred tax asset for all 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 and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

2.16 Employee Benefits

(a) Defined benefit plans

The Group has defined benefit plans. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit 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 that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

(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

From January 1, 2018, the Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers*.

(a) Identify performance obligation

The Group identifies performance obligations distinguished within a contract with a customer, and recognizes the revenue at the completion of each obligation.

(b) Principal VS Agent

The Group operates trade business and others, and recognizes revenue in a total amount since the Group is considered as a 'principal' when the Group has the control of the products before they are transferred to the customers.

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 consolidated financial statements 2018 were approved for issue by the Board of Directors on March 13, 2019, and are subject to change with the approval of shareholders at their Annual General Meeting.

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

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 discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

(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 25).

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 is an uncertainty 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) Impairment of financial assets

As explained in Note 38, the provision for impairment for financial assets under Korean IFRS 1109 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) 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 23).

(e) Provisions

The Group recognizes provisions for sales warranties, financial guarantees and restoration related to overseas explorations as at the reporting date. The amounts are estimated based on historical data (Note 24).

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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 any adverse effects on the financial performance of the Group. 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 foreign currency transactions, 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.

The table below summarizes the impact of increased/decreased of interest rate on the Group's profit before income tax. The analysis is based on the assumption that the interest rate has increased/decreased by 10% with all other variables held constant.

<i>(in millions of Korean won)</i>	2018		2017	
	10% increase	10% decrease	10% increase	10% decrease
Income effect before tax	(6,451)	6,451	(3,678)	3,678

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

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group that are classified either as at fair value through other comprehensive income or at fair value through profit or loss on the consolidated statement of financial position. The fair value (carrying amount for unlisted stocks measured using cost method) of equity securities investment of the Group (excluding joint ventures and associates) amounts to ₩70,352 million (2017: ₩66,017 million) (Notes 8 and 16).

(iii) 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.

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

The table below summarizes the impact of increased/decreased of interest rate on the Group's interest income and interest expense for the year. The analysis is based on the assumption that the interest rate has increased/decreased by 0.1% with all other variables held constant.

<i>(in millions of Korean won)</i>	2018		2017	
	0.1% increase	0.1% decrease	0.1% increase	0.1% decrease
Interest expenses	(54)	54	(43)	43
Interest income	86	(86)	159	(159)

(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 at December 31, 2018 and 2017, is as follows:

<i>(in millions of Korean won)</i>	2018	2017
Cash and cash equivalents	81,258	158,208
Short-term financial instruments	11,181	-
Trade receivables	460,284	516,238
Other current receivables	20,273	33,947
Derivative financial assets	919	1,836
Long-term financial instruments	19	19
Long-term loans receivable	21,551	17,754
Investments in development projects	14,680	10,885
Other non-current assets	3,358	3,267
	<u>613,523</u>	<u>742,154</u>

(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.

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Details of the Group's liquidity risk analysis as at December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

	2018				
	Less than 1 year	1~2 years	2~3 years	Over 3 years	Total
Trade payables	324,268	-	-	-	324,268
Other payables	55,368	-	-	-	55,368
Other current liabilities	4,674	-	-	-	4,674
Derivative financial liabilities	2,144	-	-	-	2,144
Short-term borrowings	308,780	-	-	-	308,780
Long-term borrowings	-	-	-	4,786	4,786
Debentures	-	-	29,875	-	29,875
	<u>695,234</u>	<u>-</u>	<u>29,875</u>	<u>4,786</u>	<u>729,895</u>

(in millions of Korean won)

	2017				
	Less than 1 year	1~2 years	2~3 years	Over 3 years	Total
Trade payables	398,970	-	-	-	398,970
Other payables	65,821	-	-	-	65,821
Other current liabilities	1,343	-	-	-	1,343
Derivative financial liabilities	3,456	-	-	-	3,456
Short-term borrowings	337,191	-	-	-	337,191
Long-term borrowings	-	-	-	4,786	4,786
	<u>806,781</u>	<u>-</u>	<u>-</u>	<u>4,786</u>	<u>811,567</u>

The tables above analyze the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the 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.

Debt-to-equity ratios as at December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

	2018	2017
Liabilities	792,245	896,126
Equity	305,926	362,804
Debt-to-equity ratio (%)	<u>259.0</u>	<u>247.0</u>

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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 financial assets at fair value 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 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:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date (Level 1).
- (b) All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- (c) Unobservable inputs for the asset or liability (Level 3).

The Group's financial assets and financial liabilities that are measured at fair value as at December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

	2018			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Derivative financial assets	-	919	-	919
Financial assets at fair value through profit or loss	-	-	178	178
Financial assets at fair value through other comprehensive income	-	-	70,174	70,174
Derivative financial liabilities	-	2,144	-	2,144

(in millions of Korean won)

	2017			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Derivative financial assets	-	1,836	-	1,836
Available-for-sale financial assets	-	-	59,021	59,021
Derivative financial liabilities	-	3,456	-	3,456

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

5.3 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>	2018	2017
Beginning balance	59,021	83,848
Transfer into level 3	6,757	-
Acquisition	813	-
Total profit or loss		
Amount recognized in profit or loss	-	(4,002)
Amount recognized in other comprehensive income	3,761	(20,825)
Ending balance	<u>70,352</u>	<u>59,021</u>
Unrealized gains or losses	59,292	55,531

5.4 Valuation Technique and the Inputs

Valuation techniques and inputs used in the fair values categorized within Level 3 of the fair value hierarchy as at December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	Fair value	Valuation techniques	Inputs	Range of inputs
KOREA Ras Laffan LNG Ltd.	61,441	Present value technique	Discount rate Unit cost of major products(\$/mmbtu) Period of cash flow projections	11.2% 7.00 ~ 13.48 FY 2029

The Group measured Korea Ras Laffan LNG Ltd., a financial asset at fair value through other comprehensive income related to the investments in exploration of resources, at fair value. As the 2019 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.

5.5 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.

5.6 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 financial assets at fair value through other comprehensive income, 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
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	2,469	(2,317)

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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 makes 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 plant, auto & materials division, steel, and others.

For the years ended December 31, 2018 and 2017, the Group's financial information by segments is as follows:

(in millions of Korean won)

Segment	2018			
	Sales	Operating income (loss) ¹	Depreciation	Amortization
Plant	287,401	1,539	26	14
Auto & materials division	2,755,841	30,089	252	130
Steel	1,633,994	19,226	294	77
Others	36,772	(353)	62	1,619
	<u>4,714,008</u>	<u>50,501</u>	<u>634</u>	<u>1,840</u>

(in millions of Korean won)

Segment	2017			
	Sales	Operating income (loss) ¹	Depreciation	Amortization
Plant	402,114	1,004	94	23
Auto & materials division	2,408,167	21,615	565	120
Steel	1,475,584	8,785	501	85
Others	20,090	2,583	5	1,797
	<u>4,305,955</u>	<u>33,987</u>	<u>1,165</u>	<u>2,025</u>

¹This represents amounts excluding gains on equity-method valuation and dividend income (other income) of ₩18,707 million (2017: ₩14,685 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, 2018 and 2017, the Group's sales information by regions is as follows:

(in millions of Korean won)

	2018	2017
America	1,245,979	1,176,446
Asia	2,189,896	2,129,722
Europe	410,890	407,629
Others	867,243	592,158
	<u>4,714,008</u>	<u>4,305,955</u>

Revenues of approximately ₩544,641 million (2017: ₩385,453 million), over 10% of the Group's

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

revenue, are derived from a single external customers. These revenues are attributed to the vehicle material segment.

7. Financial Instruments by Category

As at December 31, 2018 and 2017, financial assets by category are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Financial assets		
Financial assets at fair value through profit or loss	178	-
Financial assets at fair value through other comprehensive income	70,174	-
Available-for-sale financial assets	-	66,017
Financial assets at amortized cost		
Trade receivables	460,284	516,238
Other financial assets at amortized cost	71,428	65,872
Cash and cash equivalents	81,269	158,314
	<u>612,981</u>	<u>740,424</u>
Derivative instruments		
Trading derivatives	451	1,474
Hedging instruments	468	362
	<u>919</u>	<u>1,836</u>
	<u>684,252</u>	<u>808,277</u>

As at December 31, 2018 and 2017, financial liabilities by category are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Financial liabilities		
Financial liabilities at amortized cost		
Trade payables	324,268	398,970
Other financial liabilities	45,984	67,164
Short-term borrowings	308,780	337,191
Long-term borrowings	4,786	4,786
Debentures	29,875	-
	<u>713,693</u>	<u>808,111</u>
Derivative instruments		
Trading derivatives	226	467
Hedging instruments	1,918	2,989
	<u>2,144</u>	<u>3,456</u>
	<u>715,837</u>	<u>811,567</u>

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Net gains or losses on each category of financial instruments for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Financial assets at fair value through profit or loss	352	1,796
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets)		
Dividend income	8,397	8,348
Impairment loss (reversal)	-	(4,003)
Gain (loss) on valuation	2,851	(15,785)
	<u>11,248</u>	<u>(11,440)</u>
Financial assets at amortized cost		
Interest income	2,838	2,106
Bad debt expenses	(23,200)	(21,095)
Foreign exchange gain (loss)	12,340	(44,959)
Other loss	(6,326)	(3,144)
	<u>(14,348)</u>	<u>(67,092)</u>
Derivative instruments		
Trading derivatives	(356)	3,017
Hedging instruments	-	(2)
	<u>(356)</u>	<u>3,015</u>
Financial liabilities at amortized cost		
Interest expenses	(12,443)	(7,253)
Foreign exchange gain (loss)	(14,183)	37,859
	<u>(26,626)</u>	<u>30,606</u>
	<u>(29,730)</u>	<u>(43,115)</u>

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

8. Financial Assets

8.1 Financial Assets at Fair Value through Profit or Loss

As explained in Note 2, the Group has applied Korean IFRS 1109 *Financial Instruments* from January 1, 2018. See Note 38 for the impact of the changes in accounting policies on the classification of financial assets and financial statements.

(a) Financial assets at fair value through profit or loss

Financial assets mandatorily measured at fair value through profit or loss include the following classes of financial assets:

<i>(in millions of Korean won)</i>	2018	2017¹
Non-current		
Unlisted equity securities		
Seginiaga Rubber Industries Sdn.Bhd.	159	159
EUROTEM DEMIRYOLU ARA-LARI SAN	19	19
Drayton Coal Shipping Pty Limited	-	239
	<u>178</u>	<u>417</u>

¹ These investments were classified as available-for-sale financial assets in 2017.

(b) Amounts recognized in profit or loss

<i>(in millions of Korean won)</i>	2018	2017
Gain (loss) from equity instruments at fair value through profit or loss	331	-

8.2 Financial Assets at Fair Value through Other Comprehensive Income

(a) Equity investments at fair value through other comprehensive income

Equity investments at fair value through other comprehensive income comprise the following individual investments:

<i>(in millions of Korean won)</i>	2018	2017¹
Non-current		
Unlisted equity securities		
KOREA Ras Laffan LNG Ltd.	61,441	59,021
HYUNDAI Miraero Co., Ltd.	7,920	6,579
SHWE DAEHAN MOTORS	813	-
	<u>70,174</u>	<u>65,600</u>

¹ In the prior financial year, the Group had designated the equity investments as available-for-sale for a purpose of long-term possession.

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Upon disposal of these equity investments, any balance within the accumulated other comprehensive income for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

8.3 Trade Receivables and Other Financial Assets at Amortized Cost

(a) Trade receivables and provision for impairment

Trade receivables and its provisions for impairment as at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Trade receivables	487,781	545,082
Less: provision for impairment	<u>(27,497)</u>	<u>(28,844)</u>
Trade receivables - net	<u>460,284</u>	<u>516,238</u>

(b) Other financial assets at amortized cost

Other financial assets at amortized cost include the following debt investments:

<i>(in millions of Korean won)</i>	2018			2017		
	Current	Non-current	Total	Current	Non-current	Total
Loans to others	-	21,339	21,339	1,071	40,168	41,239
Loans to employees	-	253	253	-	277	277
Non-trade receivables	116,978	-	116,978	107,938	-	107,938
Other receivables and others	<u>19,383</u>	<u>18,423</u>	<u>37,806</u>	<u>7,362</u>	<u>14,171</u>	<u>21,533</u>
	<u>136,361</u>	<u>40,015</u>	<u>176,376</u>	<u>116,371</u>	<u>54,616</u>	<u>170,987</u>
Less: provision for impairment	<u>(104,907)</u>	<u>(41)</u>	<u>(104,948)</u>	<u>(82,424)</u>	<u>(22,691)</u>	<u>(105,115)</u>
	<u>31,454</u>	<u>39,974</u>	<u>71,428</u>	<u>33,947</u>	<u>31,925</u>	<u>65,872</u>

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

9. Credit Quality of Financial Assets

As at December 31, 2018 and 2017, financial assets exposed to credit risk are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Neither past due nor impaired	607,250	680,700
Past due but not impaired	-	-
Impaired	138,734	197,516
	<u>745,984</u>	<u>878,216</u>

The Group classifies credit quality of financial assets depending on counterparty and nature. As at December 31, 2018 and 2017, details of the classified financial assets are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Associates	9,959	7,826
Equity method investor	958	5,766
Financial institution	93,399	160,251
Trade receivables ¹	443,397	464,793
Investments in development projects	14,680	10,885
Loans for development projects	20,221	17,520
Employees and others	212	234
Others	24,424	13,425
	<u>607,250</u>	<u>680,700</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 at December 31, 2018, the Group has recognized provision and impairment losses for financial assets amounting to ₩132,445 million (2017: ₩133,959 million).

10. Transfers of Financial Assets

10.1 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 at December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	Type	Financial assets at amortized cost	
		2018	2017
	Book amount of asset	203,913	253,298
	Book amount of related liabilities ¹	203,056	252,377

¹ Net amount after deducting prepaid interest amount.

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

10.2 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 at December 31, 2018, the carrying amount of receivables which have not matured amounts to ₩87,476 million.

11. Restricted Financial Instruments

As at December 31, 2018 and 2017, restricted financial instruments are as follows:

<i>(in millions of Korean won)</i>	2018	2017	Remarks
Long-term financial instruments and others	99	19	Maintaining deposit for checking accounts and others

12. Cash and Cash Equivalents

As at December 31, 2018 and 2017, cash and cash equivalents are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Cash in bank and on hand	59,534	76,391
Short-term bank deposits	21,735	81,923
	<u>81,269</u>	<u>158,314</u>

13. Trade Receivables

As at December 31, 2018 and 2017, trade receivables are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Trade receivables	487,781	545,082
Less: provision for impairment	<u>(27,497)</u>	<u>(28,844)</u>
Trade receivables, net	<u>460,284</u>	<u>516,238</u>

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

As at December 31, 2018 and 2017, the aging analysis of trade receivables is as follows:

<i>(in millions of Korean won)</i>	2018	2017
Receivables not past due	<u>444,956</u>	<u>465,618</u>
Impaired		
Up to 1 year	21,657	40,900
Over 1 year	21,168	38,564
	<u>42,825</u>	<u>79,464</u>
	<u>487,781</u>	<u>545,082</u>

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

For the years ended December 31, 2018 and 2017, movements in the provision for impairment of trade receivables are as follows:

<i>(in millions of Korean won)</i>	2018	2017
At January 1	28,844	31,358
Provision (reversal)	866	(1,732)
Receivables written off	(2,320)	-
Others	(9)	(555)
Effects of changes in foreign exchange rates	116	(227)
At December 31	<u>27,497</u>	<u>28,844</u>

The creation and release of provision for impaired receivables have been included in 'selling and administrative expenses' in the consolidated statements of profit or loss.

14. Inventories

As at December 31, 2018 and 2017, inventories are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Goods and others	275,426	229,079
Finished goods	1,231	863
Raw materials	9,713	9,465
Work in process	83	102
	<u>286,453</u>	<u>239,509</u>

The cost of inventories recognized as an expense and included in 'cost of sales' amounted to ₩4,408,612 million (2017: ₩4,032,725 million).

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

15. Other Assets and Other Current Receivables

As at December 31, 2018 and 2017, other assets are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Advance payments	18,386	36,016
Prepaid expenses	2,253	3,467
Other quick assets	2,096	1,814
Other current assets	<u>22,735</u>	<u>41,297</u>
Leasehold deposits provided	3,358	3,267
Long-term prepaid expenses	15	26
Other non-current assets	<u>3,373</u>	<u>3,293</u>

As at December 31, 2018 and 2017, other current receivables are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Other receivables	116,978	107,937
Less: provision for impairment	(104,907)	(82,424)
Accrued income	7,810	6,935
Guarantee deposits	392	428
Short-term loans	-	1,071
	<u>20,273</u>	<u>33,947</u>

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

16. Available-for-sale financial assets

The changes in available-for-sale financial assets for the years ended December 31, 2017, are as follows:

<i>(in millions of Korean won)</i>	2017
At January 1	90,517
Impairment	(3,664)
Net losses transfer to equity ¹	(20,825)
Effects of changes in foreign exchange rates and others	<u>(11)</u>
At December 31	<u>66,017</u>

¹ The amount is before income tax effect.

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

As at December 31, 2017, available-for-sale financial assets are as follows:

(in millions of Korean won)

Investee	2017		
	Acquisition cost	FMV or net asset value	Book amount
Non-marketable equity			
Korea Ras Laffan LNG Ltd. ¹	3,490	59,021	59,021
Drayton Coal Shipping Pty Limited ²	239	239	239
SEGINIAGA(M) SDN. BHD. ²	159	48	159
Hyundai Miraero Co., Ltd. ²	6,579	7,857	6,579
Others ²	24,581	1,641	19
Debt securities			
Others ³	3,262	-	-
	<u>38,310</u>	<u>68,806</u>	<u>66,017</u>

¹ The Group recognized a gain of ₩55,531 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 profit or loss.

³ During the year, the Group fully recognized impairment loss on debt securities.

17. Investments in Joint Ventures and Associates

As at December 31, 2018 and 2017, joint ventures and associates are as follows:

(in millions of Korean won)	2018	2017	Location	Date of financial statements	Description
PT HD INTI DEVE. ¹	55.00	55.00	Indonesia	December 31	Management of facility
KOREA LNG LIMITED	20.00	20.00	Bermuda	December 31	OMAN LNG development
HYUNDAI YEMEN LNG COMPANY LIMITED ^{1,2}	51.00	51.00	Bermuda	December 31	Yemen LNG development
H&DE CO., LTD.	34.00	34.00	Korea	December 31	Aluminium forged products
INTERGIS BUSAN NEWPORT CENTER CO.,LTD.	20.00	20.00	Korea	December 31	Warehouse and Transportation Related Service
KAPSTEX VINA, JSC ³	13.00	-	Vietnam	December 31	Manufacture and sale of technical textiles
ELIAS AUTO INDIA PRIVATE LIMITED ¹	51.00	-	India	December 31	Vehicle knock down business

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

² Although the percentage of ownership of the Group in the above equity securities is 51%, the equity method is applied considering the contractual terms regarding different dividends.

³ Although the percentage of ownership of the Group in the above equity securities is 13%, the equity method is applied considering the contractual terms regarding additional acquisition of equity shares.

HYUNDAI CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Details of valuation of investments in joint ventures and associates that are accounted for using the equity method for the years ended December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

	2018					
	Beginning balance	Acquisition	Share of profit or loss of associates and joint ventures	Share of other comprehensive income of associates and joint ventures	Others	Ending balance
PT HD INTI DEVE.	1,134	-	466	(40)	(469)	1,091
KOREA LNG LIMITED	37,248	-	10,537	6,313	(10,543)	43,555
HYUNDAI YEMEN LNG COMPANY LIMITED	96,136	-	(227)	(65,259)	-	30,650
H&DE CO., LTD.	3,361	-	(188)	-	-	3,173
INTERGIS BUSAN NEWPORT CENTER CO.,LTD.	970	-	38	1	(28)	981
KAPSTEX VINA., JSC	-	3,214	255	(192)	-	3,277
ELIAS AUTO INDIA PRIVATE LIMITED	-	373	363	(9)	4	731
	<u>138,849</u>	<u>3,587</u>	<u>11,244</u>	<u>(59,186)</u>	<u>(11,036)</u>	<u>83,458</u>

(in millions of Korean won)

	2017					
	Beginning balance	Acquisition	Share of profit or loss of associates and joint ventures	Share of other comprehensive income of associates and joint ventures	Others	Ending balance
PT HD INTI DEVE.	1,544	-	225	(174)	(461)	1,134
KOREA LNG LIMITED	55,098	-	6,496	(17,890)	(6,456)	37,248
HYUNDAI YEMEN LNG COMPANY LIMITED	154,525	-	(70)	(58,319)	-	96,136
H&DE CO., LTD.	3,389	-	(28)	-	-	3,361
INTERGIS BUSAN NEWPORT CENTER CO.,LTD.	-	844	126	-	-	970
	<u>214,556</u>	<u>844</u>	<u>6,749</u>	<u>(76,383)</u>	<u>(6,917)</u>	<u>138,849</u>

The tables below provide summarized financial information for those joint ventures and associates that are material to the Group and received dividends from the joint ventures and associates.

(in millions of Korean won)

	2018					
	Assets	Liabilities	Sales and others	Profit or loss for the year	Total comprehensive income (loss)	Dividends
PT HD INTI DEVE.	2,419	435	4,118	653	580	469
KOREA LNG LIMITED	217,883	110	54,323	52,687	84,250	10,544
HYUNDAI YEMEN LNG COMPANY LIMITED	127,677	73,551	-	(446)	(99,059)	-
H&DE CO., LTD.	9,888	555	-	(540)	(540)	-
INTERGIS BUSAN NEWPORT CENTER CO.,LTD.	9,691	4,786	2,993	185	189	28
KAPSTEX VINA., JSC	22,192	7,591	34,427	1,963	482	-
ELIAS AUTO INDIA PRIVATE LIMITED	1,853	420	5,674	713	694	-

(in millions of Korean won)

	2017					
	Assets	Liabilities	Sales and others	Profit or loss for the year	Total comprehensive income (loss)	Dividends
PT HD INTI DEVE.	2,566	504	4,417	417	102	461
KOREA LNG LIMITED	186,322	79	34,633	32,478	(56,971)	6,456
HYUNDAI YEMEN LNG COMPANY LIMITED	212,319	59,134	-	(138)	(149,805)	-
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	10,195	309	-	(81)	(81)	-
H&DE CO., LTD.	9,907	5,054	2,793	194	91	-

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

The tables below provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the joint ventures or associates.

(in millions of Korean won)

	2018			
	Interests in net assets	Goodwill	Others	Book amount
PT HD INTI DEVE.	1,091	-	-	1,091
KOREA LNG LIMITED	43,555	-	-	43,555
HYUNDAI YEMEN LNG COMPANY LIMITED	27,604	-	3,046	30,650
H&DE CO., LTD.	3,173	-	-	3,173
INTERGIS BUSAN NEWPORT CENTER CO.,LTD.	981	-	-	981
KAPSTEX VINA, JSC	1,898	1,379	-	3,277
ELIAS AUTO INDIA PRIVATE LIMITED	731	-	-	731

(in millions of Korean won)

	2017		
	Interests in net assets	Others	Book amount
PT HD INTI DEVE.	1,134	-	1,134
KOREA LNG LIMITED	37,248	-	37,248
HYUNDAI YEMEN LNG COMPANY LIMITED	78,125	18,011	96,136
H&DE CO., LTD.	3,361	-	3,361
INTERGIS BUSAN NEWPORT CENTER CO.,LTD.	970	-	970

18. Investments in Exploration of Resources

As at December 31, 2018 and 2017, 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	2018	2017	Remarks
Vietnam 11-2 sector ¹	Mining rights	-	14,017	Commerced in 2007
Yemen LNG(HYLNG) ²	Development projects	9,894	6,099	Commerced in 2009
	Investments in associates	30,650	96,136	
	Long-term loans	20,221	17,520	
West Kamchatka Prospect ³	Development projects	4,786	4,786	Under liquidation
Oman LNG (KOLNG)	Investments in associates	43,555	37,248	Commerced in 2000
Qatar LNG(KORAS)	Financial assets at fair value through other comprehensive income	61,441	59,021	Commerced in 1999
	Financial assets at fair value through profit or loss	-	239	
Drayton Coal Mine and others	Mining rights	-	691	Commerced in 1983
	Mining rights	-	14,708	
Total	Mining rights	-	14,708	
	Development projects	14,680	10,885	
	Long-term loans	20,221	17,520	
	Investments in associates	74,205	133,384	
	Financial assets at fair value through other comprehensive income	61,441	59,021	
	Financial assets at fair value through profit or loss	-	239	
			-	239

¹ The Group determined that the profitability of the mine is low. Therefore, its remaining balance was all impaired and the onerous contract related to mining rights was recognized as a liability during the year ended December 31, 2018.

² The Group entered into a sales contract with Suez LNG Trading S.A. and Total Gas & Power Ltd., through Hyundai Yemen LNG Company Limited. The production was started on October 15, 2009.

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Meanwhile, the production has been suspended due to Yemen civil war since April 2015. As at December 31, 2018, production resumption cannot be predicted.

³ The investments in petroleum development projects in oilfield in West Kamchatka (Russia) whose liquidation is in progress are valued at their recoverable amount.

As at December 31, 2018 and 2017, the revenues from investments in resource exploration are as follows:

(in millions of Korean won)

Project name	Description	2018	2017
Vietnam 11-2 sector	Sales	5,417	6,484
Yemen LNG(HYLNG)	Share of loss of joint ventures and associates	(227)	(70)
Qatar LNG(KORAS)	Dividend income	8,397	8,259
Drayton Coal Mine	Share of profit of joint ventures and associates	10,537	6,496
		<u>24,124</u>	<u>21,169</u>

The percentages of ownership in investments in the exploration of resources as at December 31, 2018, are as follows:

(in percentage)

Project name	Consortium ownership in investments¹	Percentage of ownership of the Company in consortium²
Vietnam 11-2 sector	75.0%	6.5%
Yemen LNG(HYLNG)	5.9%	51.0%
Oman LNG (KOLNG)	5.0%	20.0%
Qatar LNG(KORAS)	5.0%	8.0%

¹ Ownership of the consortium in these entities.

² The Group's share in the consortium.

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

19. Property and Equipment

Changes in property and equipment for the years ended December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

	2018			
	Buildings	Others	Construction-in-progress	Total
Opening net book amount	2,096	1,213	125	3,434
Acquisition / capital expenditures	-	1,744	6,197	7,941
Disposal	(10)	(261)	-	(271)
Depreciation ¹	(122)	(512)	-	(634)
Changes in foreign exchange rates and others	(89)	4	(36)	(121)
Closing net book amount	1,875	2,188	6,286	10,349
Acquisition cost	5,822	12,622	6,286	24,730
Accumulated depreciation	(2,108)	(10,434)	-	(12,542)
Accumulated impairment losses	(1,839)	-	-	(1,839)

(in millions of Korean won)

	2017			
	Buildings	Others	Construction-in-progress	Total
Opening net book amount	2,337	2,124	-	4,461
Acquisition / capital expenditures	29	216	125	370
Disposal	-	(10)	-	(10)
Depreciation ¹	(131)	(1,034)	-	(1,165)
Changes in foreign exchange rates and others	(139)	(83)	-	(222)
Closing net book amount	2,096	1,213	125	3,434
Acquisition cost	6,015	11,670	125	17,810
Accumulated depreciation	(2,080)	(10,457)	-	(12,537)
Accumulated impairment losses	(1,839)	-	-	(1,839)

¹Depreciation expense of ₩202 million (2017: ₩155 million) was charged to 'cost of sales' and ₩432 million (2017: ₩1,010 million) to 'selling and administrative expenses.'

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

20. Intangible Assets

Changes in intangible assets for the years ended December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

	2018		
	Mining rights	Others	Total
Beginning balance	14,708	9,250	23,958
Acquisition / capital expenditures	24	109	133
Amortization ¹	(1,617)	(223)	(1,840)
Disposal	-	(1,348)	(1,348)
Impairment	(13,106)	-	(13,106)
Changes in foreign exchange rates	(9)	9	-
Ending balance	-	7,797	7,797

(in millions of Korean won)

	2017		
	Mining rights	Others	Total
Beginning balance	18,885	10,445	29,330
Acquisition / capital expenditures	35	857	892
Amortization ¹	(1,776)	(249)	(2,025)
Disposal	-	(1,733)	(1,733)
Impairment	(2,401)	-	(2,401)
Changes in foreign exchange rates	(35)	(70)	(105)
Ending balance	14,708	9,250	23,958

¹Amortization of mining rights and other intangible assets is classified as cost of sales, and selling and administrative expenses, respectively, for the year ended December 31, 2018 and 2017.

Details of other intangible assets as at December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

	2018	2017
Membership rights	7,255	8,577
Others	542	673
	<u>7,797</u>	<u>9,250</u>

21. Other Current Liabilities

As at December 31, 2018 and 2017, other current liabilities are as follows:

(in millions of Korean won)

	2018	2017
Deposits	1,933	2,121
Guarantee deposits	179	165
Accrued expenses	3,458	2,074
Other current liabilities	67	41
	<u>5,637</u>	<u>4,401</u>

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

22. Long-term and Short-term Borrowings

As at December 31, 2018 and 2017, long-term and short-term borrowings are as follows:

(in millions of Korean won)

Type	Purpose	Creditor	Interest rate(%)	2018	2017
Foreign currency short-term borrowings	D/A NEGO ¹	WOORI BANK and others	-	203,913	253,298
	USANCE	The Korea Development Bank and others	2.51~3.69	101,844	83,829
	Operational borrowings	Shinhan Bank	1.02	1,516	64
		MUFG Bank	1.22	507	-
Korean won short-term borrowings	Operational borrowings	The Korea Development Bank	3.34	1,000	-
				<u>308,780</u>	<u>337,191</u>
Foreign currency long-term borrowings	Investments in petroleum development projects	Korea Energy Agency and others	-	4,786	4,786
Debentures	Fixed interest rate Korean won debenture	38th non-guarantee public bonds	2.92	29,875	-

¹ Trade receivables are pledged as collateral (Note 10).

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

23. Net Defined Benefit Liability

Details of net defined benefit liabilities recognized in the consolidated statements of financial position as at December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

	2018	2017
Present value of funded obligations	19,937	19,313
Fair value of plan assets ¹	<u>(18,216)</u>	<u>(17,613)</u>
Net defined benefit liabilities	1,721	1,700
Present value of other long-term employee benefits obligations	177	175
	<u>1,898</u>	<u>1,875</u>

¹ Includes deposits to the National Pension Fund of ₩26 million (2017: ₩26 million) as at December 31, 2018.

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Beginning balance	19,313	16,718
Current service cost	2,372	2,337
Interest expense	324	268
Remeasurements	838	2,236
Actuarial gains and losses from change in financial assumptions	470	(293)
Actuarial losses from experience adjustments	368	2,529
Transfer from and to related companies	(509)	-
Benefits paid	(2,417)	(2,205)
Changes in foreign exchange rates	16	(41)
Ending balance	<u>19,937</u>	<u>19,313</u>

Expected maturity analysis of undiscounted pension benefits as at December 31, 2018, is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	Over 10 years	Total
Pension benefits	1,457	16,201	4,547	7,260	13,932	43,397

The weighted average duration of the defined benefit obligations is 6.85 years.

Changes in the fair value of plan assets for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Beginning balance	17,613	14,913
Interest income	417	306
Remeasurements	(190)	(89)
Employer contribution	2,700	4,400
Benefits paid	(2,380)	(1,917)
Transfer from and to related companies	56	-
Ending balance	<u>18,216</u>	<u>17,613</u>

The significant actuarial assumptions as at December 31, 2018 and 2017, were as follows:

<i>(in percentage)</i>	2018	2017
Discount rate	2.59	2.88
Future salary growth	4.04	3.87

The sensitivity of the overall pension liability as at December 31, 2018, to changes in the weighted principal assumptions is:

	Changes in principal assumption	Impact on overall liability
Discount rate	1% increase / decrease	3.91% decrease/ 4.42% increase
Future salary growth rate	1% increase / decrease	4.42% increase/ 3.98% decrease

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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 statement of financial position.

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

Plan assets as at December 31, 2018 and 2017, consist of:

(in millions of Korean won)

	2018		2017	
	Amount	Composition (%)	Amount	Composition (%)
Contributions to the National Pension	26	0.1	26	0.1
Financial Instruments	18,190	99.9	17,587	99.9
	<u>18,216</u>	<u>100.0</u>	<u>17,613</u>	<u>100.0</u>

24. Provisions

Details and changes of provisions for liabilities and charges for the years ended December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

	2018			
	Warranty	Restoration	Others	Total
Beginning balance	16	2,464	2,446	4,926
Addition	-	426	917	1,343
Reversal	-	(657)	(2,322)	(2,979)
Other changes	-	96	(138)	(42)
Ending balance	<u>16</u>	<u>2,329</u>	<u>903</u>	<u>3,248</u>
Less: current	(16)	-	-	(16)
Non-current	-	2,329	903	3,232

(in millions of Korean won)

	2017			
	Warranty	Restoration	Others	Total
Beginning balance	18	3,038	2,982	6,038
Addition	-	127	151	278
Reversal	-	(327)	(561)	(888)
Other changes	(2)	(374)	(126)	(502)
Ending balance	<u>16</u>	<u>2,464</u>	<u>2,446</u>	<u>4,926</u>
Less: current	(16)	-	-	(16)
Non-current	-	2,464	2,446	4,910

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

25. Tax Expense and Deferred Tax

Income tax expense (benefit) for the years ended December 31, 2018 and 2017, consists of:

<i>(in millions of Korean won)</i>	2018	2017
Current tax on profits for the year	7,788	6,481
Refund of reassessment claim	(426)	(24,752)
Origination and reversal of temporary differences	<u>(2,515)</u>	<u>3,162</u>
Income tax expense (benefit)	<u>4,847</u>	<u>(15,109)</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

<i>(in millions of Korean won)</i>	2018	2017
Profit before income tax expense	<u>(3,804)</u>	<u>10,034</u>
Tax at domestic tax rates applicable to profits in the respective countries	986	9,525
Tax effects of:		
Income not subject to tax/ Expenses not deductible for tax purposes	380	(226)
Impact of tax credit	(16)	20
Refund of reassessment claim	(426)	(24,752)
Others	<u>3,923</u>	<u>324</u>
Income tax expense (benefit)	<u>4,847</u>	<u>(15,109)</u>

The income tax relating to items that are charged or credited directly to equity for the years ended December 31, 2018 and 2017, is as follows:

<i>(in millions of Korean won)</i>	2018		
	Before tax	Tax effect	After tax
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	3,761	(910)	2,851
Share of other comprehensive loss of joint ventures and associates	(59,186)	14,313	(44,873)
Gain (loss) on valuation of derivatives	884	(216)	668
Foreign operation currency translation differences	1,662	(161)	1,501
Remeasurement of net defined benefit liability	(1,027)	249	(778)
<i>(in millions of Korean won)</i>	2017		
	Before tax	Tax effect	After tax
Changes in the fair value of available-for-sale financial assets	(20,825)	5,040	(15,785)
Share of other comprehensive loss of joint ventures and associates	(76,636)	18,443	(58,193)
Gain (loss) on valuation of derivatives	(2,443)	592	(1,851)
Foreign operation currency translation differences	(8,072)	1,590	(6,482)
Remeasurement of net defined benefit liability	(2,325)	563	(1,762)

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

As at December 31, 2018 and 2017, the analyses of deferred tax assets and deferred tax liabilities are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	24,469	16,614
Deferred tax asset to be recovered within 12 months	1,030	5,096
	<u>25,499</u>	<u>21,710</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(44,978)	(57,004)
Deferred tax liability to be recovered within 12 months	(31)	(6)
	<u>(45,009)</u>	<u>(57,010)</u>
Deferred tax assets (liabilities), net	<u>(19,510)</u>	<u>(35,300)</u>

Changes in the deferred assets and liabilities for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018			
	Beginning balance	Statement of profit or loss	Other comprehensive income	Ending balance
Financial assets at fair value through other comprehensive income	(7,794)	(947)	(910)	(9,651)
Investments in subsidiaries, joint ventures and associates	(38,412)	(1,090)	14,152	(25,350)
Intangible assets	55	3,395	-	3,450
Provision for impairment	6,067	58	-	6,125
Gain (loss) on foreign currency translation	(322)	(5)	-	(327)
Provisions	622	(32)	-	590
Net defined benefit liabilities	(140)	(171)	249	(62)
Tax losses carryforwards	3,513	(3,513)	-	-
Others	1,111	4,820	(216)	5,715
	<u>(35,300)</u>	<u>2,515</u>	<u>13,275</u>	<u>(19,510)</u>

<i>(in millions of Korean won)</i>	2017			
	Beginning balance	Statement of profit or loss	Other comprehensive income	Ending balance
Available-for-sale financial assets	(5,389)	(7,445)	5,040	(7,794)
Investments in subsidiaries, joint ventures and associates	(56,656)	(1,789)	20,033	(38,412)
Intangible assets	91	(36)	-	55
Provision for impairment	3,555	2,512	-	6,067
Gain (loss) on foreign currency translation	(200)	(122)	-	(322)
Provisions	774	(152)	-	622
Net defined benefit liabilities	38	(741)	563	(140)
Tax losses carryforwards	-	3,513	-	3,513
Others	(579)	1,098	592	1,111
	<u>(58,366)</u>	<u>(3,162)</u>	<u>26,228</u>	<u>(35,300)</u>

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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 ₩73,413 million related to subsidiaries and associates whose realizability is uncertain and such amount can be changed if estimation of the future tax benefits changes.

26. Accumulated Other Comprehensive Income and Other Components of Equity

As at December 31, 2018 and 2017, accumulated other comprehensive income and other components of equity are as follows:

(in millions of Korean won)

	2018	2017
Other components of equity		
Treasury shares	(12,078)	(12,078)
Adjustment on other components of equity	(18,865)	(18,865)
Loss from spin-off ¹	(242,051)	(242,051)
	<u>(272,994)</u>	<u>(272,994)</u>
Accumulated other comprehensive income		
Changes in the fair value of available-for-sale financial assets	44,943	42,092
Share of other comprehensive income of joint ventures and associates	53,537	98,409
Loss on valuation of derivatives	(1,497)	(2,165)
Foreign operation currency translation differences	(11,095)	(12,642)
	<u>85,888</u>	<u>125,694</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, 2018 and 2017, are as follows:

(in millions of Korean won)

	2018	2017
Beginning balance	125,694	207,944
Other increase/decrease	<u>(39,806)</u>	<u>(82,250)</u>
Ending balance	<u>85,888</u>	<u>125,694</u>

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

27. Retained Earnings

As at December 31, 2018 and 2017, retained earnings consist of:

<i>(in millions of Korean won)</i>	2018	2017
Legal reserve ¹	7,420	6,660
Retained earnings before appropriation	418,323	436,270
	<u>425,743</u>	<u>442,930</u>

¹ The Commercial Code of the Republic of Korea requires the Parent Company 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 share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital 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).

The dividends paid in 2018 and 2017 were ₩7,595 million (₩600 per share) and ₩6,447 million (₩500 per share), respectively. A dividend in respect of the year ended December 31, 2018, of ₩600 per share, amounting to total dividends of ₩7,595 million, is to be proposed at the annual general meeting on March 22, 2019. These financial statements do not reflect this dividend payable.

28. Revenue from Contracts with Customers

Sales for the years ended December 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	2018	2017
Sales		
Sales	4,652,456	4,258,978
Commissions	56,135	40,493
Resource development	5,417	6,484
	<u>4,714,008</u>	<u>4,305,955</u>

Cost of sales for the years ended December 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	2018	2017
Cost of sales		
Cost of sales	4,549,244	4,170,161
Cost of commissions	32,489	20,391
Cost of resource development	5,627	5,469
	<u>4,587,360</u>	<u>4,196,021</u>

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

29. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Wages and salaries	36,563	36,702
Post-employment benefits	2,015	1,989
Employee benefits	4,246	4,366
Travel expense	3,960	3,860
Taxes and dues	1,256	1,179
Entertainment expense	1,645	1,756
Overseas branches expense	8,221	10,415
Rental expenses	3,337	3,286
Service fees	6,477	6,110
Computer system expense	1,617	1,602
Depreciation	432	1,010
Amortization	222	249
Provision for impairment (reversal)	866	(1,732)
Others	5,290	5,156
	<u>76,147</u>	<u>75,948</u>

30. Expenses by Nature

Expenses by nature included in the cost of sales, selling and administrative expenses, and other expenses in the consolidated statement of profit or loss for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Changes in inventories	4,408,612	4,032,725
Wages and salaries	38,578	38,691
Employee benefits	4,246	4,366
Depreciation	634	1,165
Amortization	1,840	2,025
Others	209,597	192,996
Total ¹	<u>4,663,507</u>	<u>4,271,968</u>

¹The total equals to the sum of cost of sales, selling and administration expenses in the consolidated statements of profit or loss.

31. Other non-operating Income and Expenses

Other non-operating income for the years ended December 31, 2018 and 2017, is as follows:

<i>(in millions of Korean won)</i>	2018	2017
Gain on foreign currency assets and liabilities	36,910	49,455
Dividend income	8,418	8,348
Gain on derivatives	7,755	7,321
Others	2,128	2,799
	<u>55,211</u>	<u>67,923</u>

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Other non-operating expenses for the years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018	2017
Loss on foreign currency assets and liabilities	40,781	64,286
Loss on derivatives	8,110	4,306
Loss on disposal of trade receivables	6,326	3,144
Other impairment loss	22,334	22,828
Others	35,632	8,441
	<u>113,183</u>	<u>103,005</u>

32. Finance Income and Costs

Finance income for the years ended December 31, 2018 and 2017, consists of:

<i>(in millions of Korean won)</i>	2018	2017
Gain on foreign currency assets and liabilities	26,314	31,156
Interest income	2,839	3,902
	<u>29,153</u>	<u>35,058</u>

Finance costs for the years ended December 31, 2018 and 2017, consist of:

<i>(in millions of Korean won)</i>	2018	2017
Loss on foreign currency assets and liabilities	24,287	23,425
Interest expense	12,443	7,253
	<u>36,730</u>	<u>30,678</u>

33. Earnings per Share

Earnings per share for the years ended December 31, 2018 and 2017, is computed as follows:

<i>(in Korean won)</i>	2018	2017
Profit (loss) attributable to the ordinary equity holders of the Parent Company	(8,813,398,559)	24,978,598,358
Weighted average number of ordinary shares outstanding <i>(in shares)</i>	12,658,966	12,677,625
Basic earnings per share	<u>(696)</u>	<u>1,970</u>

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

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Weighted average number of ordinary shares outstanding for the years ended December 31, 2018 and 2017, is computed as follows:

<i>(in shares)</i>	2018	2017
Ordinary shares outstanding at the beginning of the year	12,658,966	13,228,966
Purchase of treasury shares	-	(551,341)
Weighted average number of ordinary shares outstanding	<u>12,658,966</u>	<u>12,677,625</u>

34. Cash Generated from Operations

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

<i>(in millions of Korean won)</i>	2018	2017
Profit (loss) before income tax	<u>(8,651)</u>	<u>25,143</u>
Adjustment		
Interest income	(2,839)	(3,902)
Interest expense	12,443	7,253
Dividend income	(8,418)	(8,348)
Income tax expense (benefit)	4,847	(15,109)
Depreciation	634	1,165
Amortization	1,840	2,025
Post-employment benefits	2,015	2,003
Provision for impairment (reversal)	866	(1,732)
Loss on disposal of trade receivables	6,326	3,144
Share of profit of associates	(11,244)	(6,749)
Loss (gain) on valuation of derivatives	412	(1,136)
Loss (gain) on foreign currency translation	(2,871)	11,882
Other impairment loss	22,334	22,828
Others	26,208	5,751
	<u>52,553</u>	<u>19,075</u>
Changes in operating assets and liabilities		
Trade receivables	57,449	(12,781)
Inventories	(43,868)	33,714
Other current receivables	(7,877)	219
Other current assets	19,198	(4,774)
Other non-current assets	(66)	51
Trade payables	(82,840)	(14,149)
Other payables	(23,931)	(3,482)
Advances from customers	(7,345)	(10,057)
Other assets and liabilities	(4,642)	(5,943)
	<u>(93,922)</u>	<u>(17,202)</u>
Cash generated from operations	<u>(50,020)</u>	<u>27,016</u>

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

35. Commitments and Contingencies

As at December 31, 2018, the Group provided notes and checks, including nine blank notes as collaterals for the Group's various borrowings and guarantees of indebtedness.

As at December 31, 2018, the Group has filed a lawsuit claiming US\$ 990 thousand in damages. As the outcome of the case cannot be reasonably determined, the Group has not reflected any adjustments that may arise from this uncertainty.

Hyundai Corporation Holdings Co., Ltd., a related party, has been involved in a lawsuit as a defendant in the Brazil court related to the product supply contract claiming BRL 11,930 thousand. In connection with the lawsuit, the Group provides joint guarantees.

Commitments for trade financial transactions with Korea Exchange Bank and others as at December 31, 2018, are as follows:

<i>(in thousands of US dollars)</i>	Maximum amount¹	Used amount
D/A, D/P ²	671,849	278,375
L/C and others	700,085	524,341
Bonds and others	101,156	26,292
	<u>1,473,090</u>	<u>829,008</u>

¹ Maximum amount including comprehensive limit.

² Includes US\$ 79,628 thousand used for disposal of D/A, D/P trade receivables without recourse.

The Group is provided with a payment guarantee from Seoul Guarantee Insurance Company amounting to ₩988 million related to deposits in courts, licensing, performance guarantees and others.

36. Derivatives

Details of the changes in valuation gain or loss on derivatives for years ended December 31, 2018 and 2017, are as follows:

<i>(in millions of Korean won)</i>	2018		2017	
	Gain	Loss	Gain	Loss
Foreign currency forward	-	412	1,441	303
Commodity futures	-	-	-	2
	<u>-</u>	<u>412</u>	<u>1,441</u>	<u>305</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 the Korea Exchange Bank and others. These agreements were classified as trading instruments and related derivatives assets and liabilities amount to ₩451 million and ₩226 million, respectively.

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Details of foreign currency forward contracts that are not past due as at December 31, 2018, are as follows:

(in USD, EUR and JPY)

Position	Contract amounts	
USD Selling	USD	43,889,318
USD Buying	USD	34,468,081
EUR Selling	EUR	2,486,364
JPY Selling	JPY	1,191,655,873

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 assets and liabilities amount to ₩468 million and ₩1,918 million, respectively.

37. Related Party Transactions

Details of associates and other related parties that have sales and other transactions with the Group or have outstanding balances as at December 31, 2018 and 2017, are as follows:

	2018	2017
Entities with significant influence over the Company	Hyundai Corporation Holdings Co., Ltd.	Hyundai Corporation Holdings Co., Ltd.
Joint venture and associates	KOREA LNG LIMITED HYUNDAI YEMEN LNG COMPANY LIMITED PT HD INTI. DEVE KAPSTEX VINA., JSC	KOREA LNG LIMITED HYUNDAI YEMEN LNG COMPANY LIMITED PT HD INTI. DEVE -
Other related parties	HYUNDAI C SQUARE CO., LTD.	TM Shipping, HYUNDAI C SQUARE CO., LTD.

Significant transactions with related parties for years ended December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

		2018		2017	
		Sales and others ¹	Purchase and others ²	Sales and others ¹	Purchase and others ²
Entities with significant influence over the Company	Hyundai Corporation Holdings Co., Ltd.	1,789	2,690	2,131	2,299
Joint venture and associates	HYUNDAI YEMEN LNG COMPANY LIMITED KAPSTEX VINA., JSC	589 6,499	- 114	462 -	- -
Other related parties	TM Shipping HYUNDAI C SQUARE CO., LTD.	- 128	- -	1,796 11	- -
	Total	9,005	2,804	4,400	2,299

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

² Includes purchase of goods and services.

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Significant receivables and payables with related parties as at December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

		2018		2017	
		Receivables and others ¹	Payables and others ²	Receivables and others ¹	Payables and others ²
Entities with significant influence over the Company	Hyundai Corporation Holdings Co., Ltd.	1,206	910	5,719	1,869
Joint venture and associates	KOREA LNG LIMITED	1,051	-	793	-
	HYUNDAI YEMEN LNG COMPANY LIMITED	17,787	-	13,100	-
	KAPSTEX VINA., JSC	922	-	-	-
Other related parties	HYUNDAI C SQUARE CO., LTD.	69	-	-	-
Total		<u>21,035</u>	<u>910</u>	<u>19,612</u>	<u>1,869</u>

¹ The amounts include trade receivables, other current receivables and other current assets.

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

Fund transactions with related parties for years ended December 31, 2018 and 2017, are as follows:

(in millions of Korean won)

		2018						
		Beginning balance	Loans	Written-off	Foreign currency translation	Ending balance	Receipt of dividends	Provision of dividends
HYUNDAI YEMEN LNG COMPANY LIMITED	Long-term loans	17,520	1,937	-	764	20,221	-	-
TM Shipping	Long-term loans	22,648	-	(22,648)	-	-	-	-
KOREA LNG LIMITED	-	-	-	-	-	-	10,544	-
PT HD INTL. DEVE	-	-	-	-	-	-	469	-
Hyundai Corporation Holdings Co., Ltd.	-	-	-	-	-	-	-	1,537
INTERGIS BUSAN NEWPORT CENTER CO.,LTD.	-	-	-	-	-	-	28	-
		<u>40,168</u>	<u>1,937</u>	<u>(22,648)</u>	<u>764</u>	<u>20,221</u>	<u>11,041</u>	<u>1,537</u>

(in millions of Korean won)

		2017						
		Beginning balance	Loans	Repayment	Foreign currency translation	Ending balance	Receipt of dividends	Provision of dividends
HYUNDAI YEMEN LNG COMPANY LIMITED	Long-term loans	19,273	463	-	(2,216)	17,520	-	-
TM Shipping	Long-term loans	25,649	191	(1,914)	(1,278)	22,648	-	-
KOREA LNG LIMITED	-	-	-	-	-	-	6,456	-
PT HD INTL. DEVE	-	-	-	-	-	-	461	-
Hyundai Corporation Holdings Co., Ltd.	-	-	-	-	-	-	-	1,281
		<u>44,922</u>	<u>654</u>	<u>(1,914)</u>	<u>(3,494)</u>	<u>40,168</u>	<u>6,917</u>	<u>1,281</u>

The Group provides joint guarantees for the related party, Hyundai Corporation Holdings Co., Ltd, in relation to lawsuit (Note 35).

The compensation paid or payable to key management for the years ended December 31, 2018 and 2017, consists of:

(in millions of Korean won)

	2018	2017
Wages and salaries	3,669	3,518
Post-employment benefits	740	586
	<u>4,409</u>	<u>4,104</u>

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

38. Changes in Accounting Policies

As explained in Note 2, Group has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures for prior reporting period have not been restated. The significant changes in accounting policies from the application of Korean IFRS 1109 and the impacts of the changes on the financial statements are as follows.

38.1 Classification and Measurement of Financial Instruments

There are no changes in the Group's beginning balance of retained earnings due to classification and measurement of financial instruments.

On the date of initial application of Korean IFRS 1109, January 1, 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate Korean IFRS 1109 categories. The main effects resulting from this reclassification are as follows:

<i>(in millions of Korean won)</i>	Notes	Fair value through profit or loss	Fair value through other comprehensive income (Available- for-sale financial assets in 2017)	Amortized cost (Held-to-maturity financial assets, loans and receivables in 2017) ²	Total
Financial assets – January 1, 2018¹					
Beginning balance – Korean IFRS 1039		-	66,017	740,424	806,441
Reclassification from available-for-sale financial assets to financial assets at fair value through profit or loss	(i)	417	(417)	-	-
that are not held for trading from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(ii)	-	-	-	-
Beginning balance - Korean IFRS 1109¹		<u>417</u>	<u>65,600</u>	<u>740,424</u>	<u>806,441</u>

¹ The beginning balance as at January 1, 2018, presented available-for-sale financial assets at fair value through other comprehensive income, and held-to-maturity investments and loans and receivables at amortized cost, respectively. These reclassifications have no impact on the measurement categories.

² Includes cash and cash equivalents

(i) Reclassification from available-for-sale to fair value through profit or loss

As at January 1, 2018, investments in unlisted securities amounting to ₩417 million were reclassified from available-for-sale to financial assets at fair value through profit or loss. They do not meet the criteria to be classified as at amortized cost in accordance with Korean IFRS 1109, because their cash flows do not represent solely payments of principal and interest. There is no accumulated other comprehensive income transferred from the available-for-sale financial assets to retained earnings on January 1, 2018.

(ii) Reclassification of equity investments from available-for-sale to fair value through other comprehensive income

The Group elected to present changes in the fair value of all its equity investments, that are not held for trading, previously classified as available-for-sale in other comprehensive income. As a result, assets with a fair value of ₩65,600 million were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income. As at January 1, 2018, related accumulated other comprehensive income of ₩55,531 million were not reclassified to profit or loss even though these assets are disposed of.

HYUNDAI CORPORATION and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

(iii) Reclassifications of financial instruments on adoption of Korean IFRS 1109

On the date of initial application, January 1, 2018, the financial instruments of the Group with any reclassifications noted, were as follows:

(in millions of Korean won)	Measurement category		Carrying amount		
	Korean IFRS 1039	Korean IFRS 1109	Korean IFRS 1039	Korean IFRS 1109	Difference
Current financial assets					
Trade receivables	Amortized costs	Amortized costs	516,238	516,238	-
Cash and cash equivalents	Amortized costs	Amortized costs	158,314	158,314	-
Other receivables	Amortized costs	Amortized costs	33,947	33,947	-
Derivative instruments	Financial assets at fair value through profit or loss ²	Fair value through profit or loss ²	1,474	1,474	-
Non-current financial assets					
Equity instruments	Available-for-sale financial assets	Fair value through other comprehensive income ¹	65,600	65,600	-
Equity instruments	Available-for-sale financial assets	Fair value through profit or loss ²	417	417	-
Other receivables	Amortized costs	Amortized costs	31,925	31,925	-
Current financial liabilities					
Derivative instruments	Financial assets at fair value through profit or loss ²	Fair value through profit or loss ²	467	467	-

¹ Financial assets at fair value through other comprehensive income: investments in equity instruments

² Financial assets at fair value through profit or loss

(b) Impairment of financial assets

Upon adoption of Korean IFRS 1109, accounting policies for recognition of impairment have changed. There is no impact of the change in impairment methodology on the Group's beginning balance of retained earnings.

(i) Trade receivables

The Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

38.2 Adoption of Korean IFRS 1115 Revenue from Contracts with Customers

As explained in Note 2, the Group has applied Korean IFRS 1115 *Revenue from contracts with customers* from January 1, 2018. In accordance with the transitional provisions in Korean IFRS 1115, comparative figures have not been restated. The changes in accounting policies from the application of Korean IFRS 1115 have no significant impacts on the financial statements.

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 Korean won amounts are expressed in U.S. dollars at US\$1: ₩1,118.1, the exchange rate in effect on December 31, 2018. 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 Korean won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.