HYUNDAI CORPORATION
and Subsidiaries

Consolidated Financial Statements
December 31, 2019 and 2018

HYUNDAI CORPORATION and Subsidiaries
Index
December 31, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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.

Key Audit Matters

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

Valuation of investment in exploration of resources

Decision on choosing Key Audit Matte

As described in Note 3 to the consolidated financial statements, the Group's investment in exploration of resources is affected by the project's long-term business plan, discount rate and political and economic environment of the related countries. As described in Note 16 to the consolidated financial statements, the amount of investments in joint venture or associates and financial assets at fair value through other comprehensive income related to the Group's exploration business as at December 31, 2019, is accounted for 12% of the Group's total assets.

There is uncertainty in accounting estimates because valuation of investment in exploration of resources may fluctuate significantly due to management's judgement of valuation technique or unobservable input variables. We focused on this area because the fair value assessment of investment is affected by management's assumption and judgement, and their valuations have significant effect on the Group's consolidated financial statements.

How our audit addressed the Key Audit Matter

The audit procedures we performed in relation to the fair value assessment of investment in exploration of resources, are as follows:

- We confirmed with the competency and independence of management experts used by the Group
- We assessed the reasonableness of input variable assumptions considering the legitimacy of valuation techniques and country risks
- We independently evaluated the fair value assessment results including key input variables.
- We assessed the adequacy and appropriateness of audit evidences obtained by component auditors including the communications with the components auditors.

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. The accompanying consolidated financial statements as of and for the years ended December 31, 2019 and 2018, have been translated into US dollars solely for the convenience of the reader and have been translated on the basis set forth in Note 36 to the consolidated financial statements.

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 Jae-Hun Kim, Certified Public Accountant.

Samil PricewaterhouseCoopers

Seoul, Korea
March 12, 2020

This report is effective as of March 12, 2020, 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, 2019 and 2018

(in thousands of Korean won and thousands of US dollars)	Notes		2019		2018		2019 (in US dollars) (Note 36)
Assets							
Current assets							
Cash and cash equivalents	4,7,11	₩	162,920,669	₩	81,268,720	$	140,716
Short-term financial instruments	4,7,10		9,953,837		11,181,000		8,597
Trade receivables	4,7,9,12		434,719,001		460,284,411		375,470
Inventories	13		192,636,608		286,453,408		166,382
Derivative financial assets	4,5,7		664,997		918,915		574
Financial lease receivables (current)			323,939		-		280
Other current receivables	4,7,14		19,832,134		20,273,128		17,129
Other current assets	14		30,513,724		22,735,434		26,355
			851,564,909		883,115,016		761,328
Non-current assets							
Long-term financial instruments	4,7,10		19,000		19,000		16
Financial assets at fair value through profit or loss	5,7,8		2,746,525		178,025		2,372
Financial assets at fair value through other comprehensive income	5,7,8,16		56,750,026		70,173,522		49,015
Other financial assets	7		402,926		366,297		348
Investments in joint ventures and associates	15,16		133,816,264		83,457,635		115,578
Long-term loans receivable	4,7,16		22,026,464		21,550,585		19,024
Investments in exploration of resources	4,7,16		18,864,862		14,679,510		16,294
Property and equipment	17,36		17,155,753		10,349,114		14,818
Investment properties	17		310,674,619		-		268,332
Right-of-use assets	17,35		11,511,843		-		9,943
Intangible assets	18		8,797,936		7,796,979		7,599
Deferred tax assets	23		5,836,633		3,112,477		5,041
Financial lease receivables (non-current)			1,053,429		-		910
Other non-current assets	4,7,14		3,372,429		3,373,007		2,913
			593,028,709		215,056,151		512,203
Total assets		₩	1,444,593,618	₩	1,098,171,167	$	1,002,620

HYUNDAI CORPORATION and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2019 and 2018

(in thousands of Korean won and thousands of US dollars)	Notes		2019		2018		2019 (in US dollars) (Note 36)
Liabilities							
Current liabilities							
Trade payables	4,7	₩	321,247,042	₩	324,268,206	$	277,463
Other payables	4,7		52,957,251		55,368,176		45,740
Advances from customers			28,774,194		29,913,942		24,852
Short-term borrowings	4,7,20		256,517,609		308,779,619		221,556
Current portion of provisions	4,22		1,390,845		16,196		1,201
Current tax liabilities	23		3,107,482		3,470,643		2,684
Derivative financial liabilities	4,5,7,8		359,295		2,143,759		310
Lease liabilities (current)	17,35		3,664,982		-		3,165
Other current liabilities	4,19		7,392,322		5,636,520		6,385
			675,411,022		729,597,061		583,356
Non-current liabilities							
Debentures	4,7,20		59,792,714		29,875,421		51,643
Long-term borrowings	4,7,20		309,626,127		4,786,493		267,426
Net defined benefit liability	21		1,900,087		1,721,057		1,641
Provisions	4,22		14,758,128		3,231,906		12,747
Deferred tax liabilities	23		29,055,295		22,621,414		25,095
Lease liabilities (non-current)	17,35		9,368,593		-		8,092
Other non-current liabilities	7		352,549		411,916		304
Others			2,574,578		-		2,224
			427,428,071		62,648,208		369,172
Total liabilities			1,102,839,093		792,245,269		952,528
Equity							
Equity attributable to owners of the Parent Company							
Share capital	1		66,144,830		66,144,830		57,130
Other components of equity	24		(272,994,357)		(272,994,357)		(235,787)
Accumulated other comprehensive income	24		113,587,929		85,887,992		98,107
Retained earnings	25		433,541,888		425,742,959		374,453
Equity attributable to owners of the Parent Company			340,280,290		304,781,424		293,902
Non-controlling interest			1,474,232		1,144,474		1,273
Total equity			341,754,522		305,925,898		295,175
Total liabilities and equity		₩	1,444,593,615	₩	1,098,171,167	$	1,247,703

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 36.

HYUNDAI CORPORATION and Subsidiaries

Consolidated Statements of Profit or Loss

Years Ended December 31, 2019 and 2018

(in thousands of Korean won and thousands of US dollars, except per share amounts)	**Notes**		**2019**		**2018**		**2019 (in US dollars) (Note 36)**
Net sales	6,16,26,33	₩	4,263,355,273	₩	4,714,008,238	$	3,682,290
Cost of sales	13,26,28,35		(4,142,554,272)		(4,587,360,080)		(3,577,953)
Gross profit			120,801,001		126,648,158		104,337
Selling and administrative expenses	27,28		(77,281,224)		(76,146,759)		(66,748)
Operating income	6		43,519,777		50,501,399		37,589
Other income	29		63,899,577		55,211,271		55,191
Other expenses	29		(96,276,653)		(113,183,462)		(83,155)
Share of net profit of joint arrangements and associates accounted for using the equity method	15		14,715,399		11,244,093		12,710
Finance income	4,30		22,266,846		29,152,584		19,232
Finance costs	4,30		(31,377,988)		(36,729,752)		(27,101)
Profit (loss) before income tax			16,746,958		(3,803,867)		14,466
Income tax expense	23		(307,415)		(4,847,188)		(266)
Profit (loss) for the year		₩	16,439,543	₩	(8,651,055)	$	14,200
Profit (loss) is attributable to:							
Owners of the Parent Company			16,356,446		(8,813,399)		14,127
Non-controlling interests			83,097		162,344		72
Earnings per share attributable to the equity holders of the Parent Company (in Korean won and US dollars)							
Basic earnings per share	31	₩	1,292	₩	(696)	$	1.12

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 36.

HYUNDAI CORPORATION and Subsidiaries

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2019 and 2018

(in thousands of Korean won and thousands of US dollars)	2019	2018	2019 (in US dollars)
Profit (loss) for the year	₩ 16,439,542	₩ (8,651,055)	$ 14,199
Other comprehensive income			
Items that will not be reclassified to profit or loss :			
Remeasurements of net defined benefit liabilities	(962,137)	(778,477)	(831)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	(10,196,872)	2,851,071	(8,807)
Items that may be subsequently reclassified to profit or loss :			
Share of other comprehensive income(loss) of associates	33,675,051	(44,872,970)	29,085
Gain (loss) on valuation of derivative	1,444,530	668,444	1,248
Changes in foreign operation currency translation differences	2,793,089	1,500,741	2,412
Other comprehensive income(loss) for the year, net of tax	26,753,662	(40,631,191)	23,107
Total comprehensive income(loss) for the year	43,193,204	₩ (49,282,246)	$ 37,306
Total comprehensive income(loss) for the year is attributable to:			
Owners of the Parent Company	₩ 43,094,246	₩ (49,398,467)	$ 37,221
Non-controlling interest	98,958	116,221	85

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.
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Refer to note 36.

HYUNDAI CORPORATION and Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended December 31, 2019 and 2018

	Attributable to owners of the Parent Company							
(in thousands of Korean wonand thousands of US dollars)	**Share capital**	**Other components of equity**	**Accumulated other comprehensi veincome**	**Retained earnings**	**Total**	**Non-controlling Interest**	**Total Equity**	**U.S. Dollars (Note 36)**
Balance at January 1, 2018	66,144,830	(272,994,357)	125,694,584	442,930,213	361,775,271	1,028,253	362,803,524	313,356
Comprehensive income								
Profit (loss) for the year	-	-	-	(8,813,399)	(8,813,399)	162,344	(8,651,055)	(7,472)
Remeasurements of net defined benefit liabilities	-	-	-	(778,477)	(778,477)	-	(778,477)	(672)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	-	-	2,851,071	-	2,851,071	-	2,851,071	2,462
Share of other comprehensive loss of associates	-	-	(44,872,419)	-	(44,872,419)	(551)	(44,872,971)	(38,757)
Gain on valuation of derivative	-	-	668,444	-	668,444	-	668,444	577
Changes in foreign operation currency translation differences	-	-	1,546,313	-	1,546,313	(45,572)	1,500,741	1,296
Transaction with owners	-	-	-	-	-	-	-	-
Dividends	-	-	-	(7,595,380)	(7,595,380)	-	(7,595,380)	(6,560)
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	264,230
Balance at January 1, 2019	66,144,830	(272,994,357)	85,887,992	425,742,959	304,781,424	1,144,474	305,925,898	264,230
Comprehensive income								
Profit for the year	-	-	-	16,356,446	16,356,446	83,097	16,439,542	14,199
Remeasurements of net defined benefit liabilities	-	-	-	(962,137)	(962,137)	-	(962,137)	(831)
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	(10,196,872)	-	(10,196,872)	-	(10,196,872)	(8,807)
Share of other comprehensive income (loss) of associates	-	-	33,675,142	-	33,675,142	(91)	33,675,051	29,085
Gain on valuation of derivative	-	-	1,444,530	-	1,444,530	-	1,444,530	1,248
Changes in foreign operation currency translation differences	-	-	2,777,136	-	2,777,136	15,953	2,793,089	2,412
Transaction with owners	-	-	-	-	-	-	-	-
Dividends	-	-	-	(7,595,380)	(7,595,380)	-	(7,595,380)	(6,560)
Equity transactions with Non-controlling Interests	-	-	-	-	-	230,800	230,800	199
Balance at December 31, 2019	66,144,830	(272,994,357)	113,587,929	433,541,888	340,280,290	1,474,232	341,754,523	295,176

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 36.

HYUNDAI CORPORATION and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2019 and 2018

(in thousands of Korean won and thousands of US dollars)	**Notes**	**2019**	**2018**	**2019 (in US dollars) (Note 36)**
Cash flows from operating activities				
Cash generated from operations	32	₩ 133,212,334	₩ (50,020,330)	$ 115,056
Interest received		2,121,206	2,248,199	1,832
Interest paid		(12,640,093)	(11,028,625)	(10,917)
Dividends received		22,168,123	19,458,324	19,147
Income tax paid	23	(4,282,703)	(2,506,931)	(3,699)
Net cash inflow (outflow) from operating activities		140,578,867	(41,849,363)	121,419
Cash flows from investing activities				
Decrease (increase) disposal of short-term financial instruments, net		1,227,163	(11,275,000)	1,060
Proceeds from financial assets at fair value through profit or loss	5	-	37,262	-
Collection of long-term loans receivable		1,414,447	225,481	1,222
Proceeds from property and equipment	17	55,175	291,023	48
Proceeds from intangible assets	18	-	664,164	-
Increase in leasehold deposits received		-	10,924	-
Collection of financial lease receivables	18	297,788	-	257
Acquisition of gain (loss) on valuation of financial assets at fair value through other comprehensive income		(3,000,000)	-	(2,591)
Payments for financial assets at fair value through other comprehensive income		-	(799,336)	-
Payments for investments in joint ventures and associates		(5,246,166)	(3,587,227)	(4,531)
Payments for investments in exploration of resources	16	(3,897,073)	(3,466,828)	(3,366)
Long-term loans receivable provided		(1,214,419)	(2,137,989)	(1,049)
Payments for property and equipment	17	(7,639,223)	(7,941,204)	(6,598)
Acuisition on investment properties	17	(310,674,619)	-	(268,332)
Payments for intangible assets	18	(1,240,619)	(133,493)	(1,072)
Net cash outflow from investing activities		(329,917,546)	(28,112,223)	(284,952)
Cash flows from financing activities				
Increase in short-term borrowings, net		(53,346,374)	(30,384,583)	(46,076)
Proceeds from issuance of debentures		29,869,580	29,873,060	25,799
Proceeds from long-term borrowings		304,853,450	-	263,304
Payments for lease liabilities		(3,304,951)	-	(2,855)
Dividends paid	25	(7,595,380)	(7,595,380)	(6,560)
Net cash inflow(outflow) from financing activities		270,476,325	(8,106,903)	233,612
Net decrease in cash and cash equivalents		81,137,646	(78,068,489)	70,079
Effects of exchange rate changes on cash and cash equivalents		514,303	1,022,931	444
Cash and cash equivalents at the beginning of the year		81,268,720	158,314,278	70,192
Cash and cash equivalents at the end of the year		₩ 162,920,669	₩ 81,268,720	$ 140,715

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 36.

1. Organization

The consolidated financial statements include those of the Parent Company, Hyundai Corporation (the "Company"), and its nineteen (19) consolidated subsidiaries, including Hyundai Corp. USA (collectively referred to as the "Group"), and eight (8) associates (including joint ventures), 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, 2019, the Company has 19 subsidiaries and 8 associates (including joint ventures) in domestic and oversea, 23 overseas branches. The Company mainly exports vehicles, steel products, machinery, electronic goods, vessels, and plants on a deferred payment basis. The company also engages 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, 2019, 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, 2019, 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	388,567	2.94
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	6,687,587	50.55
	12,658,966	95.69
Treasury shares	570,000	4.31
	13,228,966	100.00

1.2 Consolidated Subsidiaries

Details of the consolidated subsidiaries as at December 31, 2019 and 2018, are as follows:

Name	Country	Percentage of ownership (%) 2019	Percentage of ownership (%) 2018	Closing month	Main business
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 RENEWABLE LAB	Korea	100	100	December	Photovoltatic Power Generation
Hangang Domestic Specialized Private Equity in Real Estate Investment Trust No. 13	Korea	100	-	May/November	Real Estate Trust
HYUNDAI PLATFORM CORP (*1)	U.S.A	100	100	December	Transport and Installation
HYUNDAI RENEWABLE LAB JAPAN (*2)	Japan	100	-	December	Photovoltatic Power Generation
HYUNDAI ONE EUROPE GMBH (*3)	Germany	100	100	December	Trading
HYUNDAI FUELS PTE. LTD. (*4)	Singapore	100	100	December	Trading
HYUNDAI ONE ASIA PTE. LTD. (*4)	Singapore	100	100	December	Trading
HYUNDAI CORPORATION (CAMBODIA) CO., LTD. (*4)	Cambodia	100	100	December	Trading
HYUNDAI CORPORATION PHNOM PENH INVESTMENT CO., LTD.(*4,*6)	Cambodia	49	49	December	Trading and Farming
SHANGHAI ONE ASIA LOGISTICS CO., LTD (*5)	China	100	-	December	Transport
HANOI ONE ASIA LOGISTICS (*4)	Vietnam	80	-	December	Transport

[1] Subsidiary of HYUNDAI CORP. USA.
[2] Subsidiary of HYUNDAI JAPAN CO., LTD.
[3] Subsidiary of HYUNDAI CORP. EUROPE GMBH.
[4] Subsidiary of HYUNDAI CORPORATION SINGAPORE PTE. LTD.
[5] Subsidiary of HYUNDAI CORPORATION (SHANGHAI) CO. LTD.
[6] 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, ELIAS AUTO INDIA PRIVATE 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.

1.3 Changes in Scope for Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2019:

Subsidiary	Reason
SHANGHAI ONE ASIA LOGISTICS	Newly established
HYUNDAI RENEWABLE LAB JAPAN	Newly established
HANOI ONE ASIA LOGISTICS	Newly established
Hangang Domestic Specialized Private Equity in Real Estate Investment Trust No. 13	Newly established

1.4 Summarized Financial Information

Summarized financial information for consolidated subsidiaries as at and for the years ended December 31, 2019 and 2018, is as follows:

(in millions of Korean won)

	2019					
	Assets	Liablities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
HYUNDAI CORP. USA	82,492	49,362	33,130	292,363	(7,120)	(5,694)
HYUNDAI AUSTRALIA PTY., LTD.	4,955	6,156	(1,201)	11,068	12	(21)
HYUNDAI JAPAN CO., LTD.	60,200	42,933	17,267	211,391	2,493	3,177
HYUNDAI CANADA INC.	23,853	14,959	8,894	72,662	502	1,133
HYUNDAI CORP. EUROPE GMBH	22,371	15,023	7,348	97,208	296	394
HYUNDAI CORPORATION SINGAPORE PTE. LTD.	106,446	102,697	3,749	446,693	(4,805)	(3,027)
HYUNDAI CORPORATION (SHANGHAI) CO., LTD.	17,914	15,231	2,683	67,284	(164)	(110)
POS-HYUNDAI STEEL MFG. (I) PVT. LTD.	26,074	6,315	19,759	38,496	835	1,099
HYUNDAI RENEWABLE LAB	9,436	499	8,937	311	110	110
Hangang Domestic Specialized Private Equity in Real Estate Investment Trust No. 13	321,830	305,074	16,756	-	(12,646)	(12,646)
HYUNDAI PLATFORM CORP	5,632	2,898	2,734	9,261	470	544
HYUNDAI RENEWABLE LAB JAPAN	3,061	2,577	484	95	(48)	(28)
HYUNDAI ONE EUROPE GMBH.	1,922	272	1,650	11,077	755	764
HYUNDAI FUELS PTE. LTD.	66,053	61,858	4,195	571,021	3,110	3,077
HYUNDAI ONE ASIA PTE. LTD.	4,239	3,263	976	13,281	(18)	16
HYUNDAI CORPORATION (CAMBODIA) CO., LTD.	24	117	(93)	-	(28)	(30)
HYUNDAI CORPORATION PHNOM PENH INVESTMENT CO., LTD.	7	-	7	-	-	-
SHANGHAI ONE ASIA LOGISTICS CO., LTD	1,412	508	904	1,920	76	61
HANOI ONE ASIA LOGISTICS	1,232	99	1,133	145	(23)	(23)

(in millions of Korean won)

	2018					
	Assets	Liablities	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 RENEWABLE LAB	3,404	6	3,398	168	40	40
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 FUELS PTE. LTD.	1,118	-	1,118	-	-	(11)
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)

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 consolidated financial statements have been prepared on a basis of historical costs, except for the following:

- Certain financial assets and financial liabilities (including derivatives)

- Defined benefit pension plan – plan assets measured at fair value

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

2.2.1 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, 2019.

(a) Enactment of Korean IFRS 1116 *Leases*

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.

With implementation of Korean IFRS 1116 *Lease*, the Group has changed accounting policy. The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard, and recognized the cumulative impact of initially applying the standard as at January 1, 2019, the date of initial application. The Group has not restated comparatives for the 2018 reporting period. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 35.

(b) Amendment to 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. The amendment does not have a significant impact on the financial statements.

(c) 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 of the impact of the asset ceiling. The amendment does not have a significant impact on the financial statements.

(d) 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 The amendments also clarify that Korean IFRS 1109 requirements are applied to long-term interests that form part of the entity's net investment in an associate or joint venture before applying the impairment requirements of Korean IFRS 1028.

(e) 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. The amendment does not have a significant impact on the financial statements.

(f) Annual Improvements to Korean IFRS 2015 – 2017 Cycle:

- Amendments to 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. The amendment does not have a significant impact on the financial statements.

- Amendments to 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. The amendment does not have a significant impact on the financial statements.

- Amendments to 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. The amendment does not have a significant impact on the financial statements.

- 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. The amendment does not have a significant impact on the financial statements.

2.2.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Group.

(a) Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 1103 *Business Combination – Definition of a Business*

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

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 recoded 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.

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.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss within 'other income or other expenses'.

2.5 Financial Assets

(a) Classification

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.

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.

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as “borrowings” in the statement of financial position

(e) Offsetting of financial instruments

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

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 applies cash flow hedge accounting to hedge price fluctuations in certain products. In the changes of derivatives that are designated as fair value hedges and qualified to the requirements, the effective portion of fair value hedge is recognized as equity in the cash flow hedge, and the ineffective portion is recognized in profit or loss. Hedging items recognized as equity are reclassified to profit or loss at the period in which the hedged item affects profit or loss.

2.7 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance

2.8 Inventories

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

2.9 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	30 years
Vehicles	15 years
Others	2 - 13 years

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

2.10 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.

2.11 Intangible Assets

Intangible assets, except for goodwill, are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses

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.

2.12 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.

2.13 Trade Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.14 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.

2.15 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*

2.16 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. 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.

2.17 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.

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.

2.18 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.

2.19 Revenue Recognition

(a) Sales of goods

The Group recognizes sales at the time of delivery taking the terms and conditions of trade into account, when control of assets is transferred to the customer. Receivables are recognized when the goods are delivered, because from the point of delivery of the goods, the price will be paid as time passes, and there will be an unconditional right to receive the payments.

(b) Principal versus Agent Consideration

When another party is involved in providing goods or services to a customer, the Group shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). The Group is a principal(recognized the gross amount as revenue) if it controls the specified good or service before that good or service is transferred to a customer. However, the Group is an agent (recognizes commission revenue as the net amount) if the entity's performance obligation is to arrange for the provision of the specified good or service by another party.

2.20 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases. The impact of the new accounting policies is disclosed in Note 35.

In 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

The Group leases offices and vehicles. Lease contracts are typically made for fixed periods of 1 to 5 years, and may have options for extension and terminations.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

Lease liability measurement also includes payments to be made in option periods if the lessee is reasonably certain to exercise an option to extend the lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life. Although the Group elected to apply the revaluation model to its land and buildings that are presented in property, plant and equipment, the Group elected not to apply that revaluation model to buildings held by the Group that are presented in the right-of-use assets.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment.

- Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

2.21 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.

2.22 Approval of Issuance of the Financial Statements

The consolidated financial statements 2019 were approved for issue by the Board of Directors on March 11, 2020, and are subject to change with the approval of shareholders at their Annual General Meeting.

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 23).

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. The valuation of fair value through other comprehensive income arising from exploration of resources, which is subject to fair value measurement, is determined based on the project's long-term business plan, unit price of major products, expected production term, discount rate, and the political and economic environment of the country. (Note 5).

(c) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 21).

(d) Provisions

The Group recognizes provisions for restoration related to overseas explorations as at the reporting date. The amounts are estimated based on historical data (Note 22).

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.

(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, and recognized assets and liabilities.

The Group operates hedging policies (reduction of exporsure through matching) for each operating segment 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. In order to hedge the risk of foreign currency exchanges in foreign currency – denominated assets and liabilities, the Group entered into the contracts of foreign exchange forwards with KEB Hana Bank and others, and accounts for short-term trading purposes.

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.

(in millions of Korean won)	**2019**		**2018**	
	10% increase	**10% decrease**	**10% increase**	**10% decrease**
Income effect before tax	(2,407)	2,407	(7,472)	7,472

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

	2019		2018	
(in millions of USD and Korean won)	Equivalent in USD	Converted to KRW	Equivalent in USD	Converted to KRW
Cash and cash equivalents	49,147	56,903	35,737	39,957
Short-term financial instruments	-	-	10,000	11,181
Trade receivables	300,078	347,431	290,986	325,351
Other current receivables	8,401	9,727	19,727	22,057
Long-term loans receivable	17,594	20,370	16,762	18,742
Investments in development projects	16,294	18,865	8,848	9,893
Other non-current assets	232	268	257	287
	391,746	453,564	382,317	427,468

	2019		2018	
	Equivalent in USD	Converted to KRW	Equivalent in USD	Converted to KRW
Trade payables	201,522	233,322	191,777	214,426
Short-term borrowings	197,421	228,574	229,619	256,737
Other payables	13,593	15,739	27,745	31,021
	412,536	477,635	449,141	502,184

(ii) 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. As at the end of the reporting date, the Group does not have financial liabilities with variable interest rates.

(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 highly-rated financial institutions from independent rating agency 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, 2019 and 2018, is as follows:

(in millions of Korean won)	**2019**	**2018**
Cash and cash equivalents	162,893	81,258
Short-term financial instruments	9,954	11,181
Trade receivables	434,719	460,284
Other current receivables	19,832	20,273
Derivative financial assets	665	919
Long-term financial instruments	19	19
Long-term loans receivable	22,027	21,551
Investments in development projects	18,865	14,680
Other non-current assets[1]	3,263	3,358
Cash deficiency support agreement (note 34)	48,628	46,960
	720,865	660,483

[1] Security deposit in other non-current assets

(c) Liquidity Risk

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

Details of the Group's liquidity risk analysis as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019					
	Less than 1 year	**1~2 years**	**2~3 years**	**Over 3 years**	**Total**	**Carrying amount**
Trade payables	321,247	-	-	-	321,247	321,247
Other payables	52,957	-	-	-	52,957	52,957
Derivative financial liabilities	359	-	-	-	359	359
Borrowings	269,830	13,274	13,272	328,422	624,797	566,144
Debentures	1,679	31,679	30,802	-	64,160	59,793
Lease liabilities	4,141	3,226	2,598	4,325	14,290	13,034
Financial guarantee contracts[1]	2,040	-	-	-	2,040	-
Total[2]	652,253	48,179	46,672	332,747	1,079,850	1,013,534

(in millions of Korean won)	2018					
	Less than 1 year	**1~2 years**	**2~3 years**	**Over 3 years**	**Total**	**Carrying amount**
Trade payables	324,268	-	-	-	324,268	324,268
Other payables	55,368	-	-	-	55,368	55,368
Derivative financial liabilities	2,144	-	-	-	2,144	2,144
Borrowings	308,780	-	-	4,786	313,566	313,566
Debentures	877	877	30,877	-	32,631	29,875
Total[2]	691,437	877	30,877	4,786	727,977	725,221

[1] Represents the maximum amount can be claimed in the earliest period (note 34).
[2] In addition to the above, the Company provides a cash-call agreement to related parties (Note 34).

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, 2019 and 2018, are as follows:

(in millions of Korean won)	**2019**	**2018**
Liabilities	1,102,839	792,245
Equity	341,755	305,926
Debt-to-equity ratio (%)	322.7	259.0

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, 2019 and 2018, are as follows:

(in millions of Korean won)	**2019**			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Derivative financial assets	-	665	-	665
Financial assets at fair value through profit or loss	-	-	2,728	2,728
Financial assets at fair value through other comprehensive income	-	-	55,909	55,909
Derivative financial liabilities	-	359	-	359

(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	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	69,361	69,361
Derivative financial liabilities	-	2,144	-	2,144

5.3 Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

The Group's policy is to recognize transfers between levels of the fair value at the end of the reporting period.

Details of transfers between levels of each fair value hierarchy of financial instruments are as follows:

(in millions of Korean won)	**2019**	**2018**
Beginning balance	69,361	58,843
Transfer into level 3	-	6,757
Acquisition	3,000	-
Total profit or loss		
Amount recognized in profit or loss	(272)	-
Amount recognized in other comprehensive income	(13,452)	3,761
Ending balance	58,637	69,361
Unrealized gains or losses	45,840	59,292

[1] There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

5.4 Valuation Technique and the Inputs

Valuation techniques and inputs used in the fair values categorized within level 2 or Level 3 of the fair value hierarchy as at December 31, 2019, are as follows:

(in millions of Korean won)	**Fair value**	**Level**	**Valuation techniques**	**Inputs**	**Range of inputs(%)**
Derivative instruments					
Derivative instruments assets	665	2	Present value technique	-	-
Derivative instruments liabilities	359	2			
Equity instruments at fair value through other comprehensive income					
Convertible notes	2,728	3	Option model	Discount rate	20.46
				Volatility	20.33
Euqity instruments at fair value through other comprehensive income					
KOREA Ras Laffan LNG Ltd.	47,899	3	Present value technique	Discount rate	9.90
				Unit cost of major products($/mmbtu)	5.79 ~ 10.95
				Period of cash flow projections	Until FY2029
Hyundai Miraero Co., Ltd.	8,010	3	Net asset value technique	-	-

5.5 Valuation Processes for Fair Value Measurements Categorized Within Level 3

The fair value measurement for the purpose of financial reporting is performed by the external independent valuation institution.

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 equity securities of Korea Ras Laffan LNG Ltd., which is classified as Level 3, is subject to sensitivity analysis.

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:

(in millions of Korean won)	**Favorable change**	**Unfavorable change**
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	1,769	(1,667)

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, 2019 and 2018, the Group's financial information by segments is as follows:

(in millions of Korean won)	2019			
Segment	**Sales[1]**	**Operating income (loss)[2]**	**Depreciation**	**Amortization**
Plant	242,545	(735)	221	14
Auto & materials division	2,451,023	26,091	2,233	140
Steel	1,533,859	17,294	1,828	88
Others	35,928	870	230	15
	4,263,355	43,520	4,512	257

(in millions of Korean won)	2018			
Segment	**Sales[1]**	**Operating income (loss)[2]**	**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
	4,714,008	50,501	634	1,840

[1] It is the amount of revenue from external customers, and there is no intra segment sales transaction.
[2] Gains on equity method valuation and dividend income(other income) of the resource exploration segment amounting to ₩ 21,405 million (2018: ₩ 18,707 million) are not included in operating income(loss).

Assets, liabilities, other income·expenses, and financial income·expenses of segments are not reported to the chief operating decision-maker. Accordingly, the information is not presented in the tables above.

Geographical distributions of the Group's revenue are as follows:

(in millions of Korean won)	**2019**	**2018**
America	849,029	1,245,979
Asia	2,451,406	2,189,896
Europe	362,714	410,890
Others	600,206	867,243
	4,263,355	4,714,008

There are no external customers who contribute more than 10% of the Group's revenue in 2019.

7. Financial Instruments by Category

As at December 31, 2019 and 2018, financial assets by category are as follows:

(in millions of Korean won)	**2019**	**2018**
Financial assets		
Financial assets at fair value through profit or loss	2,747	178
Financial assets at fair value through other comprehensive income	56,750	70,174
Financial assets at amortized cost		
Trade receivables	434,719	460,284
Short-term financial instruments	9,954	11,181
Other current receivables	19,832	20,273
Long-term financial instruments	19	19
Other financial assets	403	366
Long-term loan	22,026	21,551
Investments in development projects	18,865	14,680
Guarantee deposits (other non-current assets)	3,263	3,358
Cash and cash equivalents	162,921	81,269
	672,002	612,981
Derivative instruments		
Trading derivatives	665	451
Hedging instruments	-	468
	665	919
	732,164	684,252

As at December 31, 2019 and 2018, financial liabilities by category are as follows:

(in millions of Korean won)	**2019**	**2018**
Financial liabilities		
Financial liabilities at amortized cost		
Trade payables	321,247	324,268
Other payables	52,957	55,368
Accured expenes (other current liabilities)	3,454	3,458
Other non-current liablities	353	412
Short-term borrowings	256,518	308,780
Long-term borrowings	309,626	4,786
Debentures	59,793	29,875
	1,003,948	726,947
Derivative instruments		
Trading derivatives	291	226
Hedging instruments	68	1,918
	359	2,144
	1,004,307	729,091

Net gains or losses on each category of financial instruments for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	**2019**	**2018**
Financial assets at fair value through profit or loss		
Interest income	23	-
Gain (loss) on disposal	-	331
Dividend income	15	21
Gain (loss) on valuation	(431)	-
	(393)	352
Financial assets at fair value through other comprehensive income		
Dividend income	8,153	8,397
Gain (loss) on valuation	(10,197)	2,851
	(2,044)	11,248
Financial assets at amortized cost		
Interest income	2,881	2,838
Bad debt expenses	(2,234)	(23,200)
Foreign exchange gain (loss)	10,592	12,340
Other loss	(7,088)	(6,326)
	4,151	(14,348)
Derivative instruments		
Gain (loss) on valuation (profit or loss)	149	(413)
Gain (loss) on valuation (other comprehensive gain or loss)	1,445	668
Gain (loss) on transactions	(5,932)	58
	(4,338)	313
Financial liabilties at amortized cost		
Interest expenses	(13,843)	(12,443)
Foreign exchange gain (loss)	(14,195)	(14,183)
	(28,038)	(26,626)
	(30,662)	(29,061)

8. Financial Assets

8.1 Financial Assets at Fair Value through Profit or Loss

(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:

(in millions of Korean won)	**2019**	**2018**
Non-current		
Unlisted equity securities		
Seginiaga Rubber Industries Sdn.Bhd.	-	159
EUROTEM DEMIRYOLU ARA-LARI SAN	19	19
Debt securities	-	-
Convertible notes (Kyungnam Metal Co. Ltd)	2,728	
	2,747	178

(b) Amounts recognized in profit or loss

(in millions of Korean won)	**2019**	**2018**
Gain (loss) from equity instruments at fair value through profit or loss	-	331
Interest income	23	-
Dividend income	15	21
Valuation (gain (loss) for the year)	(431)	-
	(393)	352

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:

(in millions of Korean won)	**2019**	**2018**
Unlisted equity securities		
KOREA Ras Laffan LNG Ltd.	47,899	61,441
HYUNDAI Miraero Co., Ltd.	8,010	7,920
SHWE DAEHAN MOTORS	841	813
	56,750	70,174

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 Derivative instruments

(in millions of Korean won)	2019		2018	
	Equity	Liability	Equity	Liability
Instrument futures - cash flow hedge[1]	-	68	467	1,918
Foreign currency forwards - trade purpose	665	291	451	226
	665	359	918	2,144

[1] The Group applies cash flow hedge accounting to commodity futures. The effective portion of hedge that was recognized in the equity was ₩ 52 million as at December 31, 2019,.

9. Transfers of Financial Assets

9.1 Transferred Financial Assets that are not Derecognized in Their Entirety

The D/A export receivables that have not matured have been discounted with banks (categorized as 'borrowing' transaction). Financial assets which were transferred but not derecognized as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	Financial assets at amortized cost	
Type	2019	2018
Book amount of asset	187,095	203,913
Book amount of related liabilities	187,095	203,913

9.2 Transferred Financial Assets that are Derecognized in Their Entirety

For the D/A export receivables that have not matured, the Group has export insurance (Korea Trade Insurance Corporation) at the time when the receivables were discounted with the banks. The Group derecognized the export receivables from the financial statements on transfer date by transferring substantially all the risks and rewards. As at December 31, 2019, the carrying amount of receivables which have not matured amounts to ₩ 141,786 million.

10. Restricted Financial Instruments

As at December 31, 2019 and 2018, restricted financial instruments are as follows:

(in millions of Korean won)	2019	2018
Short-term financial instruments[1]	9,954[1]	-
Long-term financial instruments	-	-
and others	206	99
	10,160	99

[1] Withdrawals other than those for a specific purpose related to investment property (note 17) such as, real estate trust contracts, rentals and mortgage loans of investment property held by the Group, are restricted.

11. Cash and Cash Equivalents

As at December 31, 2019 and 2018, cash and cash equivalents are as follows:

(in millions of Korean won)	2019	2018
Cash in bank and on hand	120,609	59,534
Short-term bank deposits	42,312	21,735
	162,921	81,269

12. Trade Receivables

As at December 31, 2019 and 2018, trade receivables are as follows:

(in millions of Korean won)	2019	2018
Trade receivables	463,637	487,781
Less: provision for impairment	(28,918)	(27,497)
Trade receivables, net	434,719	460,284

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

The loss allowance provisions of trade receivables as at December 31, 2019 was determined.

	2019			
(in millions of Korean won)	Current	Within 3 month	More than 3 month	Total
General receivables				
Carrying amount	420,654	4,124	254	425,032
Expected loss rate (%)	0.01%	0.39%	6.33%	
Loss allowance provision	(44)	(16)	(16)	(76)
Individual Impaired receivables				
Carrying amount	-	6,229	32,376	38,605
Loss allowance provision	-	(92)	(28,750)	(28,842)
Total of receivables	420,654	10,353	32,630	463,637
Total of loss allowance provisions	(44)	(108)	(28,766)	(28,918)

For the years ended December 31, 2019 and 2018, movements in the provision for impairment of trade receivables are as follows:

(in millions of Korean won)	2019	2018
At January 1	27,497	28,844
Provision	1,304	866
Receivables written off	-	(2,320)
Others	15	(9)
Effects of changes in foreign exchange rates	102	116
At December 31	28,918	27,497

13. Inventories

As at December 31, 2019 and 2018, inventories are as follows:

(in millions of Korean won)	**2019**	**2018**
Merchandise	183,687	275,426
Finished goods	1,063	1,231
Raw materials	7,839	9,713
Work in process	48	83
	192,637	286,453

The cost of inventories recognized as an expense and included in 'cost of sales' amounted to ₩ 3,944,479 million (2018: ₩ 4,408,612 million).

14. Other Assets and Other Current Receivables

As at December 31, 2019 and 2018, other assets are as follows:

(in millions of Korean won)	**2019**	**2018**
Advance payments	24,703	18,386
Prepaid expenses	2,703	2,253
Others	3,108	2,096
Other current assets	30,514	22,735
Leasehold deposits provided	3,263	3,358
Long-term prepaid expenses	109	15
Other non-current assets	3,372	3,373

As at December 31, 2019 and 2018, other current receivables are as follows:

(in millions of Korean won)	**2019**	**2018**
Other receivables	116,796	116,978
Less: provision for impairment	(106,077)	(104,907)
Accrued income	8,653	7,810
Guarantee deposits	460	392
	19,832	20,273

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.

15. Investments in Joint Ventures and Associates

As at December 31, 2019 and 2018, joint ventures and associates are as follows:

(in millions of Korean won)	2019		2018		Location	Date of financial statements	Description
	Ownership (%)	Carrying amount	Ownership (%)	Carrying amount			
PT HD INTI DEVE.[1]	55	1,269	55	1,091	Indonesia	December 31	Management of facility
HYUNDAI YEMEN LNG COMPANY LIMITED[1,2]	51	73,468	51	30,650	Bermuda	December 31	Yemen LNG development
KOREA LNG LIMITED	20	44,966	20	43,555	Bermuda	December 31	OMAN LNG development
H&DE CO., LTD.	34	2,985	34	3,173	Korea	December 31	Aluminium forged products
KAPSTEX VINA., JSC[3]	13	3,507	13	3,277	Vietnam	December 31	Manufacture and sale of technical taxtiles
INTERGIS BUSAN NEWPORT CENTER CO., LTD.[4]	20	1,019	20	981	Korea	December 31	Warehouse and Transportation Related Service
ELIAS AUTO INDIA PRIVATE LIMITED[1,5]	51	1,356	51	731	India	December 31	Vehicle knock down business
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust	33	5,246	-	-	Korea		Specialized ship equipment investeme
		133,816		83,458			

[1] It is excluded in the scope of consolidation though the entity's share in the associate exceeds 50% because the consent of other shareholders is required to make major decisions under shareholders' agreement.
[2] Although the percentage of ownership of the Group is 51%, the equity method is applied at a percentage considering the contractual terms regarding dividends.
[3] Although the percentage of ownership of the Group is 13%, it is determined to be an associate because the entity has an authority to appoint key executives of the associate.
[4] Associate of Hyundai Corporation Singapore Pte. Ltd.
[5] Joint venture of Pos-Hyundai Steel Mfg. (I) Pvt. Ltd.

Details of valuation of investments in joint ventures and associates that are accounted for using the equity method for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019					
	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.	1,091	-	496	89	(407)	1,269
HYUNDAI YEMEN LNG COMPANY LIMITED	30,650	-	(263)	43,081	-	73,468
KOREA LNG LIMITED	43,555	-	13,516	1,300	(13,405)	44,966
H&DE CO., LTD.	3,173	-	(188)	-	-	2,985
KAPSTEX VINA., JSC	3,277	-	382	(62)	(90)	3,507
INTERGIS BUSAN NEWPORT CENTER CO., LTD.	981	-	68	(9)	(21)	1,019
ELIAS AUTO INDIA PRIVATE LIMITED	731	-	627	(2)	-	1,356
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust	-	5,246	77	-	(77)	5,246
	83,458	5,246	14,715	44,397	(14,000)	133,816

(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
HYUNDAI YEMEN LNG COMPANY LIMITED	96,136	-	(227)	(65,259)	-	30,650
KOREA LNG LIMITED	37,248	-	10,537	6,313	(10,543)	43,555
H&DE CO., LTD.	3,361	-	(188)	-	-	3,173
KAPSTEX VINA., JSC	-	3,214	255	(192)	-	3,277
INTERGIS BUSAN NEWPORT CENTER CO., LTD.	970	-	38	1	(28)	981
ELIAS AUTO INDIA PRIVATE LIMITED	-	373	363	(9)	4	731
	138,849	3,587	11,244	(59,186)	(11,036)	83,458

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)	2019					
	Assets	**Liabilities**	**Sales and others**	**Profit or loss for the year**	**Total comprehensive income (loss)**	**Dividends**
PT HD INTI DEVE.	2,817	510	4,582	909	1,071	407
HYUNDAI YEMEN LNG COMPANY LIMITED	208,343	86,632	-	(516)	67,585	-
KOREA LNG LIMITED	225,165	333	69,596	67,588	74,094	13,405
H&DE CO., LTD.	12,777	3,998	114	(533)	(533)	-
KAPSTEX VINA., JSC	21,930	5,559	40,830	2,893	2,413	90
INTERGIS BUSAN NEWPORT CENTER CO., LTD.	10,394	5,299	3,244	333	286	21
ELIAS AUTO INDIA PRIVATE LIMITED	2,934	275	7,997	1,229	1,226	-
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust	15,878	140	-	231	231	77

(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
HYUNDAI YEMEN LNG COMPANY LIMITED	127,677	73,551	-	(446)	(99,059)	-
KOREA LNG LIMITED	217,883	110	54,323	52,687	84,250	10,544
H&DE CO., LTD.	9,888	555	-	(540)	(540)	-
ELIAS AUTO INDIA PRIVATE LIMITED	1,853	420	5,674	713	694	-
INTERGIS BUSAN NEWPORT CENTER CO., LTD.	9,961	4,786	2,993	185	189	28
KAPSTEX VINA., JSC	22,192	7,591	34,427	1,963	482	-

The tables below provide a reconciliation between interest in net assets and book amount of the joint ventures or associates.

(in millions of Korean won)	2019			
	Interests in net assets	**Goodwill**	**Others**	**Book amount**
PT HD INTI DEVE.	1,269	-	-	1,269
HYUNDAI YEMEN LNG COMPANY LIMITED [1]	62,072	-	11,396	73,468
KOREA LNG LIMITED	44,966	-	-	44,966
H&DE CO., LTD.	2,985	-	-	2,985
KAPSTEX VINA., JSC	2,128	1,379	-	3,507
INTERGIS BUSAN NEWPORT CENTER CO.,LTD.	1,019	-	-	1,019
ELIAS AUTO INDIA PRIVATE LIMITED	1,356	-	-	1,356
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust	5,246	-	-	5,246

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

[1] Adjusted amount considering contractual terms regarding dividends.

16. Investments in Exploration of Resources

As at December 31, 2019 and 2018, 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	2019	2018	Production Commencement
Vietnam 11-2 sector	Mining rights[1]	-	-	2007
Yemen LNG(HYLNG) [2]	Investments in joint arrangements (HYUNDAI YEMEN LNG COMPANY LIMITED)	73,468	30,650	2009
	Development projects	14,078	9,894	
	Long-term loans	21,806	20,221	
West Kamchatka Project	Development projects[3]	4,786	4,786	Under liquidation
Oman LNG	Investments in associates (KOREA LNG LIMITED)	44,966	43,555	2000
Qatar LNG	Financial assets at fair value through other comprehensive income (KOREA Ras Laffan LNG Ltd.)	47,899	61,441	1999
Total	Mining rights	-	-	
	Development projects	18,864	14,680	
	Long-term loans	21,806	20,221	
	Investments in associates and joint arrangements	118,434	74,205	
	Financial assets at fair value through other comprehensive income	47,899	61,441	

[1] In 2018, The Group recognized impairment loss for the project considering its low profitability. Onerous contract related to the project was recognized as other provision.
[2] Production of the project commenced on October 15 with two(2) long-term sales contract with Suez LNG Trading S.A. and Total Gas & power Ltd.,. However, the production suspended due to Yemeni Civil War broke out in April 2015. As at December 31, 2019, it cannot be reasonably predicted when production will be resumed.
[3] The project is under liquidation process. The project's recoverable amount is determined at the balance of relevant long-term borrowing, which will be exempted by its creditor when failure of related project is confirmed by creditor.

As at December 31, 2019 and 2018, the revenues from investments in resource exploration are as follows:

(in millions of Korean won)

Project name	Description	2019	2018
Vietnam 11-2 sector	Sales	4,158	5,417
Yemen LNG(HYUNDAI YEMEN LNG COMPANY LIMITED)	Share of loss of joint ventures and associates	(263)	(227)
Oman LNG(KOREA LNG LIMITED)	Share of profit of joint ventures and associates	13,516	10,537
Qatar LNG(KOREA Ras Laffan LNG Ltd.)	Dividend income	8,153	8,397
		25,564	24,124

The percentages of ownership in investments in the exploration of resources as at December 31, 2019, are as follows:

(in percentage)

Project name	Consortium ownership in investments[1]	Percentage of ownership of the Group in consortium[2]
Vietnam 11-2 sector	75.0%	6.5%
Yemen LNG(HYUNDAI YEMEN LNG COMPANY LIMITED)	5.9%	51.0%
Oman LNG(KOREA LNG LIMITED)	5.0%	20.0%
Qatar LNG(KOREA Ras Laffan LNG Ltd.)	5.0%	8.0%

[1] Ownership of the consortium in the project.
[2] The Group's share in the consortium.

17. Property and Equipment and Right-of-use Assets (Lease)

(a) Changes in property and equipment for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019				
	Buildings	Construction-in-progress	Others	Total	Right-of-use assets
Opening net book amount	1,875	6,286	2,188	10,349	-
Change in accounting policy (note35)	-	-	-	-	13,342
Acquisition / capital expenditures	456	4,346	2,838	7,640	1,783
Disposal	-	-	(15)	(15)	(150)
Depreciation[1]	(197)	-	(719)	(916)	(3,596)
Reclassfication	1,966	(5,694)	3,728	-	-
Changes in foreign exchange rates and others	(16)	175	(62)	97	133
Closing net book amount	4,084	5,113	7,958	17,155	11,512
Acquisition cost	8,255	5,113	18,488	31,856	15,048
Accumulated depreciation	(2,332)	-	(10,530)	(12,862)	(3,536)
Accumulated impairment losses	(1,839)	-	-	(1,839)	-

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

[1] Depreciation expense of ₩ 629 million (2018: ₩ 202 million) was charged to 'cost of sales' and ₩ 3,883 million (2018: ₩ 432 million) to 'selling and administrative expenses.'

(b) Lessee information

A. Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

(in millions of Korean won)	**2019**	**2018**
Right-of-use assets[1]		
Properties	11,155	12,869
Vehicles	221	306
Others	136	168
	11,512	13,343

(in millions of Korean won)		
Lease liabilities		
Current	3,665	3,084
Non-current	9,369	11,420
Others	13,034	14,504

[1] Increase in right-of-use assets during 2019 amounts to ₩ 1,783 million.

B. Amounts recognized in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

(in millions of Korean won)	**2019**
Depreciation of right-of-use assets	
Properties	3,373
Vehicles	190
Others	33
	3,596
Interest expense relating to lease liabilities (included in finance cost)	507
Expense relating to short-term leases (included in administrative expenses)	866
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)	120

C. The total cash outflow for leases in 2019 was ₩ 4,798 million.

(c) Investment properties

(in millions of Korean won)	2019		
	Land	**Buildings**	**Total[1] [2]**
Beginning balance	-	-	-
Acquisition	197,144	113,530	310,674
Ending balance	197,144	113,530	310,674

[1] Investment properties are pledged as collateral for borrowings (the maximum amount of the receivables: ₩ 247,200) of the Group.

[2] Insurance claim right of the investment property is pledged as collateral up to ₩ 247,200 million .Relevant accounts for insurance benefit and rental receipt are pledged as collateral up to the corresponding amount.

18. Intangible Assets

Changes in intangible assets for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019		
	Mining rights	**Others[1]**	**Total**
Beginning balance	-	7,797	7,797
Acquisition / capital expenditures	-	1,241	1,241
Amortization[2]	-	(257)	(257)
Disposal	-	-	-
Impairment	-	-	-
Changes in foreign exchange rates	-	17	17
Ending balance	-	8,798	8,798
Cost	44,372	13,905	58,277
Accumulated amortization[3]	(44,372)	(5,107)	(49,479)

(in millions of Korean won)	2018		
	Mining rights	**Others[1]**	**Total**
Beginning balance	14,708	9,250	23,958
Acquisition / capital expenditures	24	109	133
Amortization[2]	(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
Cost	44,372	12,647	57,019
Accumulated amortization[3]	(44,372)	(4,850)	(49,222)

[1] Include membership rights and others.
[2] Amortization 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, 2019 and 2018.
[3] Includes the accumulated impairment loss.

19. Other Current Liabilities

As at December 31, 2019 and 2018, other current liabilities are as follows:

	2019	2018
Deposits	3,702	1,933
Guarantee deposits	134	179
Accrued expenses	3,454	3,458
Other current liabilities	102	67
	7,392	5,637

20. Long- term / Short-term Borrowings and Debentures

As at December 31, 2019 and 2018, long-term and short-term borrowings are as follows:

(in millions of Korean won)

Type	Purpose	Creditor	Interest rate(%)	2019	2018
Foreign currency short-term borrowings	D/A NEGO[1]	WOORI BANK and others	-	187,095	203,913
	USANCE	The Korea Development Bank and others	1.54~2.84	66,828	101,844
	Operational borrowings	Shinhan Bank	0.97	2,595	1,516
	Operational borrowings	MUFG Bank	-	-	507
Korean won short-term borrowings	Operational borrowings	The Korea Development Bank	-	-	1,000
				256,518	308,780
Foreign currency long-term borrowings	Investments in petroleum development projects[2]	Korea Energy Agency	-	4,786	4,786
	Operational borrowings	AOZORA Bank	1.00	2,340	-
Korean won short-term borrowings	Real estate mortgage loan[3,4]	Samsung Life Insurance co., Ltd and others	3.15	180,000	-
	Non-controlling equity liabilities	The Korea Securities Finance Corporation and others	6.00	122,500	-
				309,626	4,786
Debentures	38th non-guarantee public bonds		2.92	29,917	29,875
	39th non-guarantee public bonds		2.67	29,876	-
				59,793	29,875

[1] Trade receivables are pledged as collateral (Note 9).

[2] As a specific purpose borrowing for exploration project, its redemption obligation of the Group will be exempted by its creditor when the project's ultimate failure is confirmed(Note 16).

[3] If the investment property provided as collateral is disposed or the Group receives insurance claims exceeding amount of ₩ 500 million in relation to the investment property, early redemption may be required.

[4] In relation to the borrowings, the Group's investment property and right of the insurance claim for the investment property are provided as collateral (Note 17).

21. Net Defined Benefit Liability

Details of net defined benefit liabilities recognized in the consolidated statements of financial position as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019	2018
Present value of funded obligations	21,492	19,937
Fair value of plan assets[1]	(19,592)	(18,216)
Net defined benefit liabilities	1,900	1,721

[1] Includes deposits to the National Pension Fund of ₩ 22 million (2018: ₩ 26 million) as at December 31, 2019.

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019	2018
Beginning balance	19,937	19,313
Current service cost	2,467	2,108
Interest expense	310	324
Remeasurements	1,199	838
Actuarial gains and losses from change in financial assumptions	314	470
Actuarial losses from experience adjustments	885	368
Transfer from and to related companies	(21)	(509)
Benefits paid	(2,455)	(2,417)
Changes in foreign exchange rates	55	280
Ending balance	21,492	19,937

Expected maturity analysis of undiscounted pension benefits as at December 31, 2019, is as follows:

(in millions of Korean won)	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	1,442	11,164	4,546	7,266	13,430	37,848

The weighted average duration of the defined benefit obligations is 6.92 years.

Changes in the fair value of plan assets for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019	2018
Beginning balance	18,216	17,613
Interest income	365	417
Remeasurements	(70)	(190)
Employer contribution	3,400	2,700
Benefits paid	(2,319)	(2,380)
Transfer from and to related companies	-	56
Ending balance	19,592	18,216

The significant actuarial assumptions as at December 31, 2019 and 2018, were as follows:

(in percentage)	**2019**	**2018**
Discount rate	2.23	2.59
Future salary growth	4.04	4.04

The sensitivity of the overall pension liability as at December 31, 2019, to changes in the weighted principal assumptions is:

	Changes in principal assumption	**Impact on overall liability**
Discount rate	1% increase / decrease	3.74% decrease/ 4.23% increase
Future salary growth rate	1% increase / decrease	4.21% increase/ 3.80% decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the 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, 2019 and 2018, consist of:

(in millions of Korean won)	**2019**		**2018**	
	Amount	**Composition (%)**	**Amount**	**Composition (%)**
Contributions to the National Pension	22	0.1	26	0.1
Financial Instruments	19,570	99.9	18,190	99.9
	19,592	100.0	18,216	100.0

22. Provisions

Details and changes of provisions for liabilities and charges for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019				
	Warranty	Restoration[1]	Onerous contract[2]	Others	Total
Beginning balance	16	2,329	-	903	3,248
Addition	-	70	13,298	50	13,418
Reversal	(17)	(93)	(456)	(75)	(641)
Other changes	1	81	16	26	124
Ending balance	-	2,387	12,858	904	16,149
Less: current	-	(176)	(1,215)	-	(1,391)
Non-current	-	2,211	11,643	904	14,758

(in millions of Korean won)	2018			
	Warranty	Restoration[1]	Others[2]	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	16	2,329	903	3,248
Less: current	(16)	-	-	(16)
Non-current	-	2,329	903	3,232

[1] It is the present value of the estimated recovery cost until the completion of the 11-2 mine production in Vietnam, which is expected to occur until 2024.
[2] It is present value of the expected amount of compensation for losses incurred when the minimum guaranteed quantity is not met in relation to the transportation contract for liquefied natural gas produced in the 11-2 mine in Vietnam. The amount is expected to occur until 2029.

23. Tax Expense and Deferred Tax

Income tax expense for the years ended December 31, 2019 and 2018, consists of:

(in millions of Korean won)	2019	2018
Current tax on profits for the year	5,413	7,788
Adjustments in respect of prior years	(1,807)	(426)
Origination and reversal of temporary differences	(4,488)	(2,515)
Others	1,189	-
Income tax expense	307	4,847

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:

(in millions of Korean won)	**2019**	**2018**
Profit before income tax expense	16,747	(3,804)
Tax at domestic tax rates applicable to profits in the respective countries	2,948	986
Tax effects of:		
Income not subject to tax/ Expenses not deductible for tax purposes	368	380
Adjustments in respect of prior years	(1,807)	(426)
Others	(1,202)	3,907
Income tax expense (benefit)	307	4,847

The income tax relating to items that are charged or credited directly to equity for the years ended December 31, 2019 and 2018, is as follows:

(in millions of Korean won)	**2019**		
	Before tax	**Tax effect**	**After tax**
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	(13,452)	3,255	(10,197)
Share of other comprehensive loss of joint ventures and associates	44,398	(10,723)	33,675
Gain (loss) on valuation of derivatives	1,906	(461)	1,445
Foreign operation currency translation differences	3,369	(576)	2,793
Remeasurement of net defined benefit liability	(1,269)	307	(962)
	34,952	(8,198)	26,754

(in millions of Korean won)	**2018**		
	Before tax	**Tax effect**	**After tax**
Changes in the fair value of available-for-sale financial assets	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)
	(53,906)	13,275	(40,631)

As at December 31, 2019 and 2018, the analyses of deferred tax assets and deferred tax liabilities are as follows:

(in millions of Korean won)	2019	2018
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	28,141	24,469
Deferred tax asset to be recovered within 12 months	965	1,030
	29,106	25,499
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(52,303)	(44,978)
Deferred tax liability to be recovered within 12 months	(22)	(31)
	(52,325)	(45,009)
Deferred tax assets (liabilities), net	(23,219)	(19,510)

Changes in the deferred assets and liabilities for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019			
	Beginning balance	Statement of profit or loss	Other comprehensive income	Ending balance
Financial assets at fair value	(9,651)	104	3,255	(6,292)
Investments in subsidiaries, joint ventures and associates	(25,350)	1,737	(11,299)	(34,912)
Intangible assets	3,450	(397)	-	3,053
Provision for impairment	6,125	8	-	6,133
Gain (loss) on foreign currency translation	(327)	9	-	(318)
Provisions	590	5,130	-	5,720
Net defined benefit liabilities	(62)	(239)	307	6
Others	5,715	(1,864)	(461)	3,390
	(19,510)	4,488	(8,198)	(23,220)

(in millions of Korean won)	2018			
	Beginning balance	Statement of profit or loss	Other comprehensive income	Ending balance
Financial assets at fair value	(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
	(35,300)	2,515	13,275	(19,510)

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 ₩ 71,361 million related to subsidiaries and associates whose realizability is uncertain and such amount can be changed if estimation of the future tax benefits changes.

24. Accumulated Other Comprehensive Income and Other Components of Equity

Changes in accumulated other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019	2018
Other components of equity		
Treasury shares	(12,078)	(12,078)
Adjustment on other components of equity	(18,865)	(18,865)
Loss from spin-off	(242,051)	(242,051)
	(272,994)	(272,994)
Accumulated other comprehensive income		
Changes in the fair value of available-for-sale financial assets	34,746	44,943
Share of other comprehensive income of joint ventures and associates	87,212	53,537
Loss on valuation of derivatives	(52)	(1,497)
Foreign operation currency translation differences	(8,318)	(11,095)
	113,588	85,888

25. Retained Earnings

As at December 31, 2019 and 2018, retained earnings consist of:

(in millions of Korean won)	2019	2018
Legal reserve[1]	8,180	7,420
Retained earnings before appropriation	425,362	418,323
	433,542	425,743

[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 2019 and 2018 were ₩ 7,595 million (₩ 600 per share) and ₩ 7,595 million (₩ 600 per share), respectively. A dividend in respect of the year ended December 31, 2019, of ₩ 600 per share, amounting to total dividends of ₩ 7,595 million, is to be proposed at the annual general meeting on March 20, 2019. These financial statements do not reflect this dividend payable.

26. Revenue from Contracts with Customers

Sales for the years ended December 31, 2019 and 2018, consist of:

(in millions of Korean won)	**2019**	**2018**
Sales		
Merchandise sales	4,170,899	4,609,267
Product sales	38,902	43,189
Commisions	49,396	56,135
Resource development	4,158	5,417
	4,263,355	4,714,008

Cost of sales for the years ended December 31, 2019 and 2018, consist of:

(in millions of Korean won)	**2019**	**2018**
Cost of sales		
Cost of merchandise sales	4,073,909	4,510,770
Cost of product sales	35,893	38,474
Cost of commisions	29,318	32,489
Cost of resource development	3,434	5,627
	4,142,554	4,587,360

27. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	**2019**	**2018**
Wages and salaries	35,851	36,563
Post-employment benefits	2,412	2,015
Employee benefits	4,484	4,246
Travel expense	3,803	3,960
Taxes and dues	1,195	1,256
Entertainment expense	1,771	1,645
Overseas branches expense	7,074	8,221
Rental expenses	844	3,337
Service fees	7,105	6,477
Computer system expense	1,597	1,617
Depreciation	3,883	432
Amortization	244	222
Provision for impairment	1,304	866
Others	5,714	5,290
	77,281	76,147

28. 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, 2019 and 2018, are as follows:

(in millions of Korean won)	**2019**	**2018**
Changes in inventories	3,944,479	4,408,612
Wages and salaries	38,263	38,578
Employee benefits	4,484	4,246
Depreciation	4,512	634
Amortization	257	1,840
Others	227,840	209,597
Total	4,219,835	4,663,507

29. Other non-operating Income and Expenses

Other non-operating income for the years ended December 31, 2019 and 2018, is as follows:

(in millions of Korean won)	**2019**	**2018**
Gain on foreign currency assets and liabilities	41,184	36,910
Dividend income	8,167	8,418
Gain on transaction of derivatives	9,380	7,755
Gain on valuation of derivatives	214	-
Gain on exemption of debts	1,126	-
Others	3,829	2,128
	63,900	55,211

Other non-operating expenses for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	**2019**	**2018**
Loss on foreign currency assets and liabilities	46,615	40,781
Fair value losses on financial assets at fair value through profit or loss	431	-
Loss on transaction of derivatives	15,312	7,697
Loss on valuation of derivatives	65	413
Loss on disposal of trade receivables	7,088	6,326
Other impairment loss	930	22,334
Others	25,836	35,632
	96,277	113,183

30. Finance Income and Costs

Finance income for the years ended December 31, 2019 and 2018, consists of:

(in millions of Korean won)	2019	2018
Gain on foreign currency assets and liabilities	19,363	26,314
Interest income	2,904	2,839
	22,267	29,153

Finance costs for the years ended December 31, 2019 and 2018, consist of:

(in millions of Korean won)	2019	2018
Loss on foreign currency assets and liabilities	17,535	24,287
Interest expense	13,843	12,443
	31,378	36,730

31. Earnings per Share

Earnings per share for the years ended December 31, 2019 and 2018, is computed as follows:

(in Korean won)	2019	2018
Profit (loss) attributable to the ordinary equity holders of the Parent Company	16,356,445,747	(8,813,398,559)
Weighted average number of ordinary shares outstanding (in shares)	12,658,966	12,658,966
Basic earnings per share	1,292	(696)

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

Weighted average number of ordinary shares outstanding for the years ended December 31, 2019 and 2018, is computed as follows:

(in shares)	2019	2018
Ordinary shares outstanding at the beginning of the year	12,658,966	12,658,966
Weighted average number of ordinary shares outstanding	12,658,966	12,658,966

32. Cash Generated from Operations

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

(in millions of Korean won)	**2019**	**2018**
Profit (loss) before income tax	16,440	(8,651)
Adjustment		
Interest income	(2,904)	(2,839)
Interest expense	13,843	12,443
Income tax expense	307	4,847
Dividend income	(8,167)	(8,418)
Depreciation	4,512	634
Amortization	257	1,840
Post-employment benefits	2,412	2,015
Provision for impairment	1,304	866
Loss on valuation of derivatives	(149)	412
Fair value losses on financial assets at fair value through profit or loss	431	0
Gain on foreign currency translation	(2,632)	(2,871)
Other impairment loss	930	22,334
Loss on disposal of trade receivables	7,088	6,326
Share of profit of associates	(14,715)	(11,244)
Gain on exemption of debts	(1,126)	0
Others	493	26,208
	1,884	52,553
Changes in operating assets and liabilities		
Trade receivables	23,924	57,449
Inventories	97,898	(43,868)
Dedrivative financial assets	488	422
Other current receivables	893	(7,877)
Other current assets	(7,481)	19,198
Other non-current assets	(404)	(66)
Deferred tax assets	(1,172)	(1,838)
Trade payables	(10,041)	(82,840)
Other payables	9,792	(23,931)
Dedrivative financial liabilities	(1,999)	(655)
Advances from customers	1,508	(7,345)
Unearned revenue	(1)	0
Other current liabilities	980	(131)
Other non-current liabilities	2,576	0
Employee benefits expense	(1,134)	(2,058)
Retirement pension management assets	(2,389)	(1,213)
Provisions	(832)	(712)
Others	2,282	1,543
	114,888	(93,922)
Cash generated from operations	133,212	(50,020)

Significant transactions not involving cash inflow and outflow for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	**2019**	**2018**
Write-off of long-term loans	-	22,648
Transfer of lease liabilities to current portion	3,665	-
	3,665	22,648

Changes in liabilities arising from financial activities for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	Cash and cash equivalents	Liabilities from financing activities				Total
		Short-term financial instrument	Lease liabilities	Borrowings	Debentures	
At January 1, 2018	158,314	-	-	(341,978)	-	(183,664)
Cash flows	(78,068)	11,275	-	30,385	(29,873)	(66,387)
Exchange rate differences	1,023	(94)	-	(1,973)	-	(939)
Discount on bonds	-	-	-	-	(2)	(2)
At December 31, 2018	81,269	11,181	-	(313,566)	(29,875)	(250,992)
Restatement on adoption of Korean IFRS 1116	-	-	(14,504)	-	-	(14,504)
At January 1, 2019	81,269	11,181	(14,504)	(313,566)	(29,875)	(265,496)
Cash flows	81,138	(1,227)	3,263	(251,507)	(29,870)	(198,203)
Acquisitions - leases	-	-	(1,783)	-	-	(1,783)
Exchange rate differences	514	-	(9)	(1,071)	-	(566)
Discount on bonds	-	-	-	-	(48)	(48)
At December 31, 2019	162,921	9,954	(13,033)	(566,144)	(59,793)	(466,095)

33. Commitments and Contingencies

The Group provides nine blank promissory note as collaterals for the borrowings in relation to the investment in exploration of resources as at December 31, 2019.

As at December 31, 2019, the Group is involved in three(3) lawsuit as a defendant with litigation fee of USD 1,911 thousand. 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., company with significant influence to the Group, has been involved in a lawsuit as a defendant in the Brazil court related to the product supply contract claiming BRL 13,651 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, 2019, are as follows:

(in thousands of US dollars and millions of Korean won)	**Maximum amount[1]**		**Used amount**	
D/A, D/P[2]	USD	755,834	USD	286,772
L/C and others	USD	584,363	USD	430,566
Bonds and others	USD	139,751	USD	37,680
Real estate mortgage loan	KRW	206,000	KRW	180,000
	USD	1,479,948	USD	755,018
	KRW	206,000	KRW	180,000

[1] Maximum amount including comprehensive limit.
[2] Includes USD 122,461 thousand used for disposal of D/A, D/P trade receivables without recourse.

The Group is provided with guarantees from Seoul Guarantee Insurance Company amounting to ₩ 1,220 million related to deposits in courts, liscensing, performance guarantees and others.

The bond contract of the unguaranteed public offering debenture issued by the Group includes conditions of i) debt-to-equity ratio less than 500%, ii) a collateral limit within 250% of equity capital (based on consolidated financial statements), and iii) the restriction in disposal of asset, up to 50% from the annual total assets. If the corresponding rules are violated, the payment may be accerlerated.

In accordance with the agreement with HYUNDAI YEMEN LNG COMPANY LIMITED, the Group has an obligation to issue loans up to USD 42,000 thousand (approximately, ₩ 48,628 million) if i) obligation occurs for HYUNDAI YEMEN LNG COMPANY LIMITED in Yemen LNG project (Note 16) or, ii) upon the request from resolution of board of directors of Hyundai Lng Company Limited for operation funds.

34. 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, 2019 and 2018, are as follows:

	2019	**2018**
Entities with significant influence over the Company	Hyundai Corporation Holdings Co., Ltd.	Hyundai Corporation Holdings Co., Ltd.
Joint venture and associates	KOREA LNG LIMITED	KOREA LNG LIMITED
	HYUNDAI YEMEN LNG COMPANY LIMITED	HYUNDAI YEMEN LNG COMPANY LIMITED
	PT HD INTI. DEVE	PT HD INTI. DEVE
	KAPSTEX VINA., JSC	KAPSTEX VINA., JSC
	INTERGIS BUSAN NEWPORT CENTER CO.,LTD.	INTERGIS BUSAN NEWPORT CENTER CO.,LTD.
Other related parties	HYUNDAI C SQUARE CO., LTD. and others	HYUNDAI C SQUARE CO., LTD.

Significant transactions with related parties for years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

		2019		2018	
		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.	281	2,622	1,789	2,690
Joint venture and associates	HYUNDAI YEMEN LNG COMPANY LIMITED	680	-	589	-
	KAPSTEX VINA., JSC	8,348	440	6,499	114
Other related parties	HYUNDAI C SQUARE CO., LTD.	109	-	128	-
	Total	9,418	3,062	9,005	2,804

[1] Includes merchandise sales, commission income, gain on investments in exploration of resources, and other revenues.
[2] Includes purchase of goods and services.
[3] Financial lease receivables and interest income received from an office lease contract signed with entities that have significant influence over the Group, are ₩ 185 million and ₩ 47 million, respectively, which are excluded from the above transaction.
[4] The financial lease receivables and interest income received from the office lease contract with other special parties are ₩ 53 million and ₩ 13 million, respectively, which are excluded from the above transaction.

Significant receivables and payables with related parties as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

		2019		2018	
		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.	1,795	1,482	1,206	910
Joint venture and associates	HYUNDAI YEMEN LNG COMPANY LIMITED	8,837	-	17,787	-
	KOREA LNG LIMITED	-	-	1,051	-
	KAPSTEX VINA., JSC	690	-	922	-
Other related parties	HYUNDAI C SQUARE CO., LTD.	270	-	69	-
	Total	11,592	1,482	21,035	910

[1] The amounts include trade receivables, other current receivables and other non-current assets etc.
[2] The amounts include trade payables, other payables, advances from customers, other current liabilities etc.

Fund transactions with related parties for years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

		2019					
		Beginning balance	**Loans**	**Foreign currency translation**	**Ending balance**	**Receipt of dividends**	**Provision of dividends**
Hyundai Corporation Holdings Co., Ltd	Dividend	-	-	-	-	-	1,537
PT HD INTI. DEVE	Dividend	-	-	-	-	407	-
HYUNDAI YEMEN LNG COMPANY LIMITED	Loans	20,221	957	628	21,806	-	-
	Investment in resource development	9,893	3,897	288	14,078	-	-
KOREA LNG LIMITED	Dividend	-	-	-	-	13,405	-
KAPSTEX	Dividend	-	-	-	-	90	-
INTERGIS BUSAN NEWPORT CENTER CO.,LTD.	Dividend	-	-	-	-	21	-
Multi-Asset Eco-Friendly Ship Equipment Private Equity Trust	Dividend	-	-	-	-	77	
		30,114	4,854	916	20,221	14,000	1,537

(in millions of Korean won)

		2018						
		Beginning balance	**Loans**	**Written-off**	**Foreign currency translation**	**Ending balance**	**Receipt of dividends**	**Provision of dividends**
Hyundai Corporation Holdings Co., Ltd	Dividend	-	-	-	-	-	-	1,537
PT HD INTI. DEVE	Dividend	-	-	-	-	-	469	-
HYUNDAI YEMEN LNG COMPANY LIMITED	Loans	17,520	1,937	-	764	20,221	-	-
	Investments in resource development	6,099	3,467	-	328	9,893	-	-
KOREA LNG LIMITED	Dividend	-	-	-	-	-	10,544	-
INTERGIS BUSAN NEWPORT CENTER CO.,LTD.	Dividend	-	-	-	-	-	28	-
TM Shipping	Loans	22,648	-	(22,648)	-	-	-	-
		46,267	5,404	(22,648)	1,092	30,114	11,041	1,537

The Group provides payment guarantees for overseas subsidiaries as follows:

(in thousands of US dollars)	**Financial institution**	**Amount provided**
H&DE CO., LTD.	KDB Industrial Bank	1,762

The Group provides joint guarantees for the related party, Hyundai Corporation Holdings Co., Ltd, in relation to lawsuit (Note 33).

The Group provides a cash deficiency support agreement to a special party, HYUNDAI YEMEN LNG COMPANY LIMITED. (Note 33)

The compensation paid or payable to key management for the years ended December 31, 2019 and 2018, consists of:

(in millions of Korean won)	**2019**	**2018**
Wages and salaries	3,754	3,669
Post-employment benefits	621	740
	4,375	4,409

35. Changes in Accounting Policies

As explained in Note 2.2, the Group has adopted Korean IFRS 1116, retrospectively, from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are, therefore, recognized in the consolidated statement of financial position on January 1, 2019. Details of adjustments recognized on adoption of Korean IFRS 1116 *Lease* are as follows:

On adoption of Korean IFRS 1116, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Korean IFRS 1017. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 3.81%.

(a) Practical expedients applied

In applying Korean IFRS 1116 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous – there were no onerous contracts as at January 1, 2019
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019, as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying Korean IFRS 1017 and Interpretation 2104 *Determining whether an Arrangement contains a Lease*.

(b) Measurement of lease liabilities

(in millions of Korean won)		2019
Operating lease commitments disclosed as at December 31, 2018	₩	16,946
Discounted using the lessee's incremental borrowing rate of at the date of initial application		15,490
Less: short-term leases not recognized as a liability		(866)
Less: low-value leases not recognized as a liability		(120)
Lease liability recognized as at January 1, 2019		14,504
Of which are:		
Current lease liabilities		3,084
Non-current lease liabilities		11,420
	₩	14,504

(c) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(d) Adjustments recognized in the statement of financial position as at January 1, 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on January 1, 2019:

- right-of-use assets: increase by ₩ 13,343 million
- financial lease receivables: increase by ₩ 1,571 million
- lease liabilities: increase by ₩ 14,504 million

36. 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: ₩ 1,157.80, the exchange rate in effect on December 31, 2019. 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.