

Hyundai Wia Corporation and its subsidiaries

Interim condensed consolidated financial statements
for the three-month periods ended March 31, 2019 and 2018
with the independent auditor's review report

Table of contents

Independent auditor's review report	
Interim condensed consolidated financial statements	Page
Interim condensed consolidated statements of financial position	1
Interim condensed consolidated statements of profit or loss and other comprehensive income	3
Interim condensed consolidated statements of changes in equity	4
Interim condensed consolidated statements of cash flows	5
Notes to the interim condensed consolidated financial statements	6



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Report on review of interim condensed consolidated financial statements

The Shareholders and Board of Directors HYUNDAI WIA CORPORATION

Independent Auditor's Review Report Based on a report originally issued in Korean

We have reviewed the accompanying interim condensed consolidated financial statements of Hyundai Wia Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as at March 31, 2019, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the three-month periods ended March 31, 2019 and 2018, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim condensed consolidated financial statements

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with Korean International Financial Reporting Standards (KIFRS) 1034 *Interim Financial Reporting* and for such internal control as management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the review standards for interim financial statements in the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with KIFRS 1034 Interim Financial Reporting.

Other matter

We have audited the consolidated statement of financial position of the Group as at December 31, 2018, and the related consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended in accordance with auditing standards generally accepted in the Republic of Korea (not presented herein), and our report dated March 7, 2019 expressed an unqualified opinion thereon. The accompanying consolidated statement of financial position as at December 31, 2018 presented for comparative purposes is not different, in all material respects, from the above audited consolidated statement of financial position.

Ernst & Young Han Young

May 15, 2019

This review report is effective as at May 15, 2019, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed consolidated financial statements and may result in modifications to this review report.

Hyundai Wia Corporation and its subsidiaries

Interim condensed consolidated financial statements
for the three-month periods ended March 31, 2019 and 2018

“The accompanying interim condensed consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group.”

Kim, Kyung-Bae

Chief Executive Officer

Hyundai Wia Corporation

Hyundai Wia Corporation and its subsidiaries
Interim condensed consolidated statements of financial position
as of March 31, 2019 and December 31, 2018

(Korean million won)

	Notes	Mar. 31, 2019 (unaudited)	Dec. 31, 2018
Assets			
Current assets:			
Cash and cash equivalents	8	494,978	335,766
Other current financial assets	8,32,33	847,065	864,728
Trade receivables	5,33,34	1,655,248	1,669,987
Loans and other receivables	5,33	66,739	66,940
Other current assets	6	43,011	38,237
Inventories, net	7	755,643	803,083
The gross amount due from customers for contract work as an asset	14	109,007	95,227
Non-current asset held for sale	36	3,896	16,828
Total current assets		3,975,587	3,890,796
Non-current assets:			
Other non-current financial assets	8,32	60,884	61,208
Non-current loans and other receivables	5	43,362	44,087
Property, plant and equipment, net	11	2,571,277	2,569,456
Investment property, net	12	4,619	4,566
Intangible assets, net	13	205,350	213,185
Investment in associates	9	319,069	292,095
Investment in joint arrangements	10	15,651	18,008
Deferred tax assets		13,939	13,705
Other non-current assets	6	1,335	341
Total non-current assets		3,235,486	3,216,651
Total assets		7,211,073	7,107,447

(Continued)

Hyundai Wia Corporation and its subsidiaries
Interim condensed consolidated statements of financial position
as of March 31, 2019 and December 31, 2018 (cont'd)
(Korean million won)

	Notes	Mar. 31, 2019 (unaudited)	Dec. 31, 2018
Liabilities and equity			
Liabilities			
Current liabilities:			
Trade payables	15,33	1,245,317	1,191,029
Non-trade payables	15,33	123,654	129,872
Short-term borrowings	5,16	73,631	51,996
Current portion of long-term liabilities	16	552,288	304,847
Income taxes payable		4,805	785
Other current financial liabilities	18,32	1,437	1,040
Provisions	17	26,949	26,257
Other current liabilities	14,20	36,799	45,271
The gross amount due to customers for contract work as a liability	14	81,182	111,675
Total current liabilities		2,146,062	1,862,772
Non-current liabilities:			
Other non-current non-trade payables	15	11,021	9,609
Long-term borrowings	16	785,204	775,236
Bonds payable	16	907,709	1,147,391
Employee benefits		9,724	9,437
Other non-current financial liabilities	18,32	48	63
Long-term provisions	17,34	199,487	196,186
Deferred tax liability		53,946	53,493
Net defined benefit liability	19	36,247	16,329
Total non-current liabilities		2,003,386	2,207,744
Total liabilities		4,149,448	4,070,516
Equity			
Issued capital	21	135,975	135,975
Other contributed capital	22	387,328	387,328
Other capital components	23	20,288	(6,725)
Retained earnings	24	2,518,034	2,520,353
Total equity		3,061,625	3,036,931
Total liabilities and equity		7,211,073	7,107,447

The notes are an integral part of the interim condensed consolidated financial statements.

Hyundai Wia Corporation and its subsidiaries
Interim condensed consolidated statements of profit or loss and other comprehensive income
for the three-month periods ended March 31, 2019 and 2018

(Korean million won)

	Notes	2019 (unaudited)	2018 (unaudited)
Sales	4,14,25,33	\ 1,849,437	\ 1,740,854
Cost of sales	7,14,29,33	1,771,661	1,699,776
Gross profit		77,776	41,078
Selling expenses	26,29	23,265	24,559
Administrative expenses	26,29	39,906	46,339
Operating profit (loss)	4	14,605	(29,820)
Other income	27,33	30,584	35,724
Other expenses	27,33	23,879	25,397
Financial income	28	6,006	4,022
Financial expenses	28	16,991	14,953
Gain on equity method	9,10	5,646	7,054
Profit (loss) before tax		15,971	(23,370)
Income tax expense (benefits)	30	2,193	(6,138)
Profit (loss) for the period		13,778	(17,232)
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	23	10,738	7,617
Changes in equity from equity method	9,10,23	21,796	8,865
Income tax that will be reclassified to current net income		(5,275)	(2,145)
		27,259	14,337
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Loss on valuation of financial assets at fair value through OCI	8	(324)	(1,236)
Loss on disposal of financial assets at fair value through OCI	8	-	(268)
Remeasurements of defined benefit plans	19	(211)	(564)
Income tax that will not be reclassified to current net income		129	498
		(406)	(1,570)
Other comprehensive income for the period, net of tax		26,853	12,767
Total comprehensive income(loss) for the period, net of tax		40,631	(4,465)
Income (loss) attributable to:			
Owners of the parent		13,778	(17,232)
Non-controlling interests		-	-
		13,778	(17,232)
Comprehensive income (loss) attributable to:			
Owners of the parent		40,631	(4,465)
Non-controlling interests		-	-
		40,631	(4,465)
Earnings per share: (in Korean won)			
Basic and diluted, profit (loss) for the period attributable to owners of the parent	31	\ 519	\ (649)

The notes are an integral part of the interim condensed consolidated financial statements.

Hyundai Wia Corporation and its subsidiaries
Interim condensed consolidated statements of changes in equity
for the three-month periods ended March 31, 2019 and 2018
(Korean million won)

	Attributable to the owners of the parent						Non-controlling interests	Total equity
	Issued capital	Other contributed capital	Other capital components	Retained earnings	Subtotal			
Balance at January 1, 2018	135,975	387,328	10,127	2,606,668	3,140,098	-	3,140,098	
Loss on valuation of financial assets at fair value through OCI	-	-	(938)	-	(938)	-	(938)	
Loss on disposal of financial assets at fair value through OCI	-	-	(204)	-	(204)	-	(204)	
Changes in equity method of capital	-	-	6,720	-	6,720	-	6,720	
Profit on foreign currency translations from overseas business	-	-	7,617	-	7,617	-	7,617	
Remeasurements of defined benefit plans	-	-	-	(428)	(428)	-	(428)	
Loss for the period	-	-	-	(17,232)	(17,232)	-	(17,232)	
Dividends	-	-	-	(15,937)	(15,937)	-	(15,937)	
(unaudited)	135,975	387,328	23,322	2,573,071	3,119,696	-	3,119,696	
Balance at January 1, 2019	135,975	387,328	(6,725)	2,520,353	3,036,931	-	3,036,931	
Loss on valuation of financial assets at fair value through OCI	-	-	(246)	-	(246)	-	(246)	
Changes in equity method of capital	-	-	16,521	-	16,521	-	16,521	
Profit on foreign currency translations from overseas business	-	-	10,738	-	10,738	-	10,738	
Remeasurements of defined benefit plans	-	-	-	(160)	(160)	-	(160)	
Profit for the period	-	-	-	13,778	13,778	-	13,778	
Dividends	-	-	-	(15,937)	(15,937)	-	(15,937)	
(unaudited)	135,975	387,328	20,288	2,518,034	3,061,625	-	3,061,625	

The notes are an integral part of the interim condensed consolidated financial statements.

Hyundai Wia Corporation and its subsidiaries
Interim condensed consolidated statements of cash flows
for the three-month periods ended March 31, 2019 and 2018
(Korean million won)

	Notes	2019 (unaudited)	2018 (unaudited)
Operating activities			
Cash generated from operating activities:			
Profit (loss) for the period	\	13,778	\ (17,232)
Additions of non-cash outflow expenses	35	106,694	99,393
Deductions of non-cash inflow income	35	(24,286)	(28,100)
Changes in operating assets and liabilities	35	75,962	(478,967)
Interest income received		5,642	5,440
Interest expense paid		(17,613)	(12,670)
Dividends received		6	-
Income taxes paid		(2,729)	(1,480)
Net cash flows provided by (used in) operating activities		157,454	(433,616)
Investing activities			
Cash inflows from investing activities:			
Decrease in other current financial assets		486,713	149,104
Decrease in other non-current financial assets		6	257
Disposal of property, plant and equipment	11	66	25,647
Disposal of intangible assets	13	800	-
Disposal of non-current asset held for sale	36	12,743	-
Decrease in non-current loans and other receivables		862	3,532
Cash outflows for investing activities:			
Acquisition of other current financial assets		(469,518)	(266,884)
Acquisition of property, plant and equipment	11	(58,825)	(35,249)
Acquisition of intangible assets	13	(6,648)	(6,482)
Increase in non-current loans and other receivables		(344)	(2,350)
Net cash flows used in investing activities		(34,145)	(132,425)
Financing activities			
Cash inflows from financing activities:			
Increase in short-term borrowings	35	35,812	48,279
Increase in long-term borrowings	35	17,695	11,586
Cash outflows for financing activities:			
Decrease in short-term portion of long-term borrowings	35	(4,468)	(6,605)
Repayment of long-term borrowing	35	(17,267)	(4,810)
Decrease in lease liabilities	35	(241)	-
Net cash flows provided by financing activities		31,531	48,450
Net increase (decrease) in cash and cash equivalents		154,840	(517,591)
Cash and cash equivalents at January 1		335,766	931,335
Net foreign exchange difference		4,372	2,807
Cash and cash equivalents at March 31		494,978	416,551

The notes are an integral part of the interim condensed consolidated financial statements.

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

1. Corporate information

(1) Summary of parent entity

Hyundai Wia Corporation (the “Company”) and its subsidiaries (collectively, the “Group”) have prepared the consolidated financial statements in accordance with Korean International Financial Reporting Standards (“KIFRS”) 1110 *Consolidated Financial Statements*. The Company was established on March 29, 1976. The Company listed its shares on the Korea Exchange (“KRX”) in 2011. The Company’s main businesses are manufacturing and retail of parts for vehicles, machinery. The Company’s manufacturing factories are mainly located in Changwon-si, Gyeongsangnam-do, Ansan-si, Gyeonggi-do, and Gwangju in Korea.

As of March 31, 2019, details of shareholders are as follows (Korean won in thousands):

	Number of shares	Ownership (%)
HYUNDAI MOTOR COMPANY	6,893,596	25.35
KIA MOTORS CORP.	3,654,004	13.44
Treasury stocks	633,354	2.33
Eui Sun Chung	531,095	1.95
Others	15,483,034	56.93
	27,195,083	100.00

(2) Overview of subsidiaries

1) Details of the Group’s subsidiaries as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

Name of subsidiaries	Main business	Country of domicile	Ownership of the Group		End of reporting date
			2019	2018	
Jiangsu Hyundai Wia	Auto parts manufacturing	China	100%	100%	2019-03-31
Hyundai Wia Machine Tools Co., Ltd.	Machinery retail	China	100%	100%	2019-03-31
Beijing Wia Turbo Co., Ltd.	Auto parts manufacturing	China	100%	100%	2019-03-31
Hyundai Wia Machine America Corp.	Machinery retail	USA	100%	100%	2019-03-31
Hyundai Wia India Pvt Ltd.	Auto parts manufacturing	India	100%	100%	2019-03-31
Hyundai Wia Europe GmbH	Machinery retail	Germany	100%	100%	2019-03-31
HYUNDAI WIA MEXICO, S.DE R.L. DE C.V.	Auto parts manufacturing	Mexico	100%	100%	2019-03-31
Hyundai Wia Turbo Corporation	Auto parts manufacturing	Korea	100%	100%	2019-03-31

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

1. Corporate information (cont'd)

(2) Overview of subsidiaries (cont'd)

2) Summarized financial position and results of operations of the Group's major consolidated subsidiaries as of and for the periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

Name of subsidiaries	March 31, 2019				
	Assets	Liabilities	Sales	Profit (loss) for the period	Comprehensive income (loss) for the period
	(Korean won in thousands)				
Jiangsu Hyundai Wia	₩ 405,509,457	₩ 151,647,104	₩ 57,646,822	₩ 1,234,351	₩ 10,203,214
Hyundai Wia Machine Tools Co., Ltd.	69,120,220	75,690,128	15,634,128	(1,195,775)	(1,401,677)
Beijing Wia Turbo Co., Ltd.	40,133,481	34,302,682	17,734,007	3,026,655	3,165,130
Hyundai Wia Machine America Corp.	58,066,812	62,165,658	14,353,223	(177,448)	(247,315)
Hyundai Wia India Pvt Ltd.	88,820,686	61,473,186	18,895,606	1,416,245	2,165,695
Hyundai Wia Europe GmbH	81,039,516	59,671,659	20,492,210	744,366	716,676
HYUNDAI WIA MEXICO, S.DE R.L. DE C.V.	857,962,996	726,645,148	206,229,604	2,067,757	4,328,581
Hyundai Wia Turbo Corporation	57,006,046	49,869,483	26,037,274	219,681	221,905
	March 31, 2018				
Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period	Comprehensive income (loss) for the period
	(Korean won in thousands)				
Jiangsu Hyundai Wia	₩ 417,704,051	₩ 158,435,775	₩ 56,441,805	₩ 1,442,749	₩ 10,614,465
Hyundai Wia Machine Tools Co., Ltd.	95,003,546	92,694,937	33,675,714	(1,210,439)	(1,093,138)
Beijing Wia Turbo Co., Ltd.	45,767,436	40,624,050	17,595,670	2,435,262	2,547,108
Hyundai Wia Machine America Corp.	60,666,350	62,713,781	12,472,761	(401,162)	(391,422)
Hyundai Wia India Pvt Ltd.	81,721,007	55,922,231	16,499,009	(255,988)	(792,262)
Hyundai Wia Europe GmbH	69,736,755	49,217,633	20,473,624	785,228	1,274,015
HYUNDAI WIA MEXICO, S.DE R.L. DE C.V.	792,932,834	648,080,466	119,227,667	(5,604,190)	(6,265,059)
Hyundai Wia Turbo Corporation	47,527,109	42,108,382	8,389,242	(1,422,235)	(1,422,235)

1) There is no company included in the consolidated subsidiaries for the three-month periods ended March 31, 2019 and 2018.

2) There is no company excluded from the consolidated subsidiaries for the three-month periods ended March 31, 2019 and 2018.

2. Summary of significant accounting policies

(1) Basis for preparing interim consolidated financial statements

The consolidated financial statements of the Group are the condensed interim financial statements prepared in accordance with KIFRS 1034 *Interim Financial Reporting* for the year in which the annual financial statements are prepared. In order to understand the interim condensed financial statements, it is necessary to refer to the information in the consolidated financial statements for the year ended December 31, 2018, prepared in accordance with KIFRS.

(2) New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards and interpretations of KIFRS effective as at January 1, 2019.

The nature and impact of each new standard or amendment are described below:

KIFRS 1116 Leases

KIFRS 1116 supersedes KIFRS 1017 Leases, KIFRS 2104 determining whether an Arrangement contains a Lease, KIFRS 2015 *Operating Leases-Incentives* and KIFRS 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. KIFRS 1116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying KIFRS 1017 and KIFRS 2104 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption K-IFRS 1116 as of January 1, 2019 is as follows (Korean won in thousands):

	(Korean won in thousands)	
Assets	₩	
Right-of-use assets		1,263,027
Total Assets		1,263,027
Liabilities	₩	
Other liabilities		1,263,027
Total Liabilities		1,263,027

1) Nature of the effect of adoption of K-IFRS 1116

The Group has lease contracts for real estates, vehicles and other equipment. Before the adoption of K-IFRS 1116, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under "Prepayments".

2. Summary of significant accounting policies (cont'd)

(2) New and amended standards and interpretations (cont'd)

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as of January 1, 2019:

- Right-of-use assets of 1,263 Million KRW were recognized and presented as other non-current assets in the statements of financial position.
- Additional lease liabilities of 1,263 Million KRW were recognized and presented as other payables.

The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows (Korean won in thousands):

	Amounts
Operating lease commitment as of December 31, 2018	₩ 1,865,279
Weighted average incremental borrowing rate as of January 1, 2019	2.53%
Discounted operating lease commitments of January 1, 2019	1,842,506
Less:	
Commitments relating to short-term leases	(579,119)
Commitments relating to leases of low-value assets	(360)
Lease liabilities as of January 1, 2019	<u>1,263,027</u>

2) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of K-IFRS 1116, which have been applied from the date of initial application:

- Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2. Summary of significant accounting policies (cont'd)

(2) New and amended standards and interpretations (cont'd)

- Lease Liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below 5,000,000 KRW). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

- Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

3) Amounts recognized in the statement of financial position and profit or loss.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period follows (Korean won in thousands):

Classification		Right-of-use assets		Lease liabilities
As at 31 December 2018	₩	1,263,027	₩	1,263,027
Additions		-		-
Depreciation		(236,633)		-
Interest expense		-		7,594
Payments		-		(240,900)
As at 31 March 2019		1,026,394		1,029,721

For the three months ended March 31, 2019, the Group recognized rent expenses from short-term leases of 360 Million KRW and variable lease payments of 2,197 Million KRW.

2. Summary of significant accounting policies (cont'd)

(2) New and amended standards and interpretations (cont'd)

Amendments to K-IFRS 1109: Prepayment Features with Negative Compensation

Under K-IFRS 1109, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to K-IFRS 1109 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments were applied retrospectively and are effective from January 1, 2019, with earlier application permitted. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to K-IFRS 1019: Plan Amendment, Curtailment or Settlement

The amendments to K-IFRS 1019 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to K-IFRS 1028: Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies K-IFRS 1109 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in K-IFRS 1109 applies to such long-term interests.

The amendments also clarified that, in applying K-IFRS 1109, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying K-IFRS 1028 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

2. Summary of significant accounting policies (cont'd)

(2) New and amended standards and interpretations (cont'd)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of K-IFRS 1012 and does not apply to taxes or levies outside the scope of K-IFRS 1012, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

- K-IFRS 1103 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

- K-IFRS 1111 Joint Arrangements

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 as defined in K-IFRS 1103. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- K-IFRS 1012 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes 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.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group did not identify any effect on its consolidated financial statements.

2. Summary of significant accounting policies (cont'd)

(2) New and amended standards and interpretations (cont'd)

- K-IFRS 1023 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group did not identify any effect on its consolidated financial statements.

3. Critical accounting judgments and key sources of estimation uncertainty

In preparing the interim financial statements, management should make judgments, estimates and assumptions that affect the application of accounting policies and assets, liabilities and income, expense. Actual results may differ from these estimates.

The significant judgments made by management on the application of the Group's interim financial statements and the major sources of estimation uncertainty are the same as those of the annual consolidated financial statements for the year ended December 31, 2018.

4. Segment information

(1) Details of segment information as of March 31, 2019 are as follows (Korean won in thousands):

Type	Classification criteria	Major business	Major customers
Auto parts	Business management purpose	Manufacturing of vehicles components and modules	HYUNDAI MOTOR COMPANY KIA MOTORS CORP.
Machinery	Business management purpose	Manufacturing of machinery tools, specialized aviation tools	Ministry of Defense, Defense Acquisition Program Administration and others

(2) Sales and operating income by operating segment for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		
	Auto parts	Machinery	Total
Total sales	₩ 1,730,883,651	₩ 281,216,453	₩ 2,012,100,104
Intragroup sales	(115,285,615)	(47,377,685)	(162,663,300)
Net sales	1,615,598,036	233,838,768	1,849,436,804
Segment operating income (loss)	₩ 28,503,891	₩ (13,898,969)	₩ 14,604,922

	2018		
	Auto parts	Machinery	Total
Total sales	₩ 1,534,806,589	₩ 328,182,888	₩ 1,862,989,477
Intragroup sales	(55,302,474)	(66,832,847)	(122,135,321)
Net sales	1,479,504,115	261,350,041	1,740,854,156
Segment operating loss	₩ (3,349,094)	₩ (26,471,211)	₩ (29,820,305)

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

5. Trade receivables, loans and other receivables

- (1) Details of trade receivables, loans and other receivables as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019		December 31, 2018	
Trade receivables	₩	1,685,004,669	₩	1,699,292,861
Allowances for doubtful accounts		(29,756,852)		(29,305,478)
	₩	1,655,247,817	₩	1,669,987,383

- (2) Details of loans and other receivables as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Other receivables	₩ 69,938,445	₩ 26,984,608	₩ 70,124,828	₩ 27,231,596
Allowances for doubtful accounts	(3,199,864)	-	(3,184,869)	-
Other receivables, net	66,738,581	26,984,608	66,939,959	27,231,596
Loans	-	218,195	-	338,968
Allowances for doubtful accounts	-	(214,367)	-	(214,367)
Loans, net	-	3,828	-	124,601
Deposit	-	16,373,984	-	16,730,535
	₩ 66,738,581	₩ 43,362,420	₩ 66,939,959	₩ 44,086,732

- (3) Credit risk and allowances for doubtful accounts

There is no significant change in the Group's credit risk management policy compared to the previous period.

Changes in the allowance for the doubtful accounts for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019			2018		
	Trade receivables	Other receivables	Loans	Trade receivables	Other receivables	
Beginning of the year	₩ 29,305,478	₩ 3,184,869	₩ 214,367	₩ 19,144,816	₩ 3,151,071	
Impairment loss (reversal)	53,994	(56,185)	-	5,183,884	3,071	
Elimination	(38,236)	-	-	-	-	
Others (*)	435,616	71,180	-	(817,368)	20,075	
Ending balances	₩ 29,756,852	₩ 3,199,864	₩ 214,367	₩ 23,511,332	₩ 3,174,217	

(*) Due to foreign exchange translation gains and losses.

- (4) Transfer of financial assets

Details of trade receivables that do not meet the requirements for elimination of financial assets as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

		March 31, 2019		December 31, 2018	
DA borrowings	Trade receivables	₩	43,611,054	₩	13,530,927
	Short-term borrowings		43,611,054		13,530,927
Installment finance loan	Trade receivables		22,598,164		23,465,115
	Short-term borrowings		22,598,164		23,465,115

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

6. Other assets

Details of other assets as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Accrued income	₩ 5,201,236	₩ -	₩ 4,885,562	₩ -
Advance payments	12,375,419	-	11,798,377	-
Prepaid expenses	2,129,375	308,736	2,181,897	340,721
Prepaid income taxes	4,108,369	-	4,137,160	-
Prepaid value added tax	19,196,997	-	15,234,210	-
Right-of-use assets	-	1,026,394	-	-
	<u>₩ 43,011,396</u>	<u>₩ 1,335,130</u>	<u>₩ 38,237,206</u>	<u>₩ 340,721</u>

7. Inventories

Details of inventories as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019		
	Acquisition cost	Valuation allowance	Book value
Finished goods	₩ 190,888,826	₩ (6,624,390)	₩ 184,264,436
Merchandise	3,219,213	(620,106)	2,599,107
Semi-finished goods	207,317,027	(8,882,613)	198,434,414
Work in progress	38,897,328	(1,589,589)	37,307,739
Raw materials	311,868,659	(14,897,668)	296,970,991
Sub-materials	1,631,048	-	1,631,048
Supplies	27,735	-	27,735
Goods in transit	34,407,630	-	34,407,630
	<u>₩ 788,257,466</u>	<u>₩ (32,614,366)</u>	<u>₩ 755,643,100</u>
	December 31, 2018		
	Acquisition cost	Valuation allowance	Book value
Finished goods	₩ 199,551,356	₩ (8,541,246)	₩ 191,010,110
Merchandise	3,397,147	(568,658)	2,828,489
Semi-finished goods	213,031,396	(7,740,586)	205,290,810
Work in progress	45,904,107	(408,874)	45,495,233
Raw materials	327,725,213	(9,807,618)	317,917,595
Sub-materials	1,950,579	-	1,950,579
Supplies	26,452	-	26,452
Goods in transit	38,563,320	-	38,563,320
	<u>₩ 830,149,570</u>	<u>₩ (27,066,982)</u>	<u>₩ 803,082,588</u>

The loss on valuation amounting to ₩5,547 million and ₩1,881 million has been added to the cost of inventories for the year ended March 31, 2018 and 2017 respectively.

Hyundai Wia Corporation and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018
8. Other financial assets

- (1) Details of other financial assets as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Short-term financial instruments	₩ 847,065,002	₩ -	₩ 863,885,045	₩ -
Long-term financial instruments	-	176,596	-	174,943
Derivative assets	-	-	843,346	-
Other long-term financial assets	-	60,707,165	-	61,032,754
	<u>₩ 847,065,002</u>	<u>₩ 60,883,761</u>	<u>₩ 864,728,391</u>	<u>₩ 61,207,697</u>

- (2) Other long-term financial assets as of March 31, 2019, consist of equity instrument at fair value though OCI and details are as follows (Korean won in thousands):

	Acquisition cost	Fair value	Book value	Cumulative valuation difference
Equity instrument at FVOCI				
Marketable equity securities:				
Corentec Co., Ltd.	₩ 9,809,975	₩ 4,047,971	₩ 4,047,971	₩ (5,762,004)
Non-Marketable equity securities:				
Acuon Capital Corporation	500,000	83,261	83,261	(416,739)
HYUNDAI TRANSYS INC.	9,957,454	41,619,453	41,619,453	31,661,999
KYONGNAM SHINMUN	20,992	3,489	3,489	(17,503)
MJT&I Corp.	378,837	-	-	(378,837)
HAEVICH HOTEL&RESORTS Co., Ltd.	-	12,032,991	12,032,991	12,032,991
MOTOR WIN Co., Ltd.	21,156	-	-	-
Fair Value through Profit or Loss				
Machinery Financial Cooperative	1,660,000	1,660,000	1,660,000	-
Korea Defense Industry Association	1,250,000	1,250,000	1,250,000	-
Korea Auto Industries Coop. Association	4,000	4,000	4,000	-
Korea Die Mold Industry Cooperative	2,000	2,000	2,000	-
Korea Forging Cooperative	4,000	4,000	4,000	-
	<u>₩ 23,608,414</u>	<u>₩ 60,707,165</u>	<u>₩ 60,707,165</u>	<u>₩ 37,119,907</u>

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

8. Other financial assets (cont'd)

- (3) Other long-term financial assets as of December 31, 2018, consist of equity instrument at fair value though OCI and details are as follows (Korean won in thousands):

	<u>Acquisition cost</u>	<u>Fair value</u>	<u>Book value</u>	<u>Cumulative valuation difference</u>
Equity instrument at FVOCI				
Marketable equity securities:				
Corentec Co., Ltd.	₩ 9,809,975	₩ 4,371,520	₩ 4,371,520	₩ (5,438,455)
Non-Marketable equity securities:				
Acuon Capital Corporation	500,000	83,261	83,261	(416,739)
HYUNDAI DYMOS INC.	9,957,454	41,619,453	41,619,453	31,661,999
KYONGNAM SHINMUN	20,992	3,489	3,489	(17,503)
MJT&I Corp.	378,837	-	-	(378,837)
HAEVICH HOTEL&RESORTS Co., Ltd.	-	12,032,991	12,032,991	12,032,991
MOTOR WIN Co., Ltd.	21,156	-	-	-
Fair Value through Profit or Loss				
Machinery Financial Cooperative	1,660,000	1,660,000	1,660,000	-
Korea Defense Industry Association	1,250,000	1,250,000	1,250,000	-
Korea Auto Industries Coop. Association	4,000	4,000	4,000	-
Korea Die Mold Industry Cooperative	2,000	2,000	2,000	-
Korea Forging Cooperative	4,000	4,000	4,000	-
Beneficiary rights	2,040	2,040	2,040	-
	<u>₩ 23,610,454</u>	<u>₩ 61,032,754</u>	<u>₩ 61,032,754</u>	<u>₩ 37,443,456</u>

- (4) Details of restricted financial assets as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	<u>Description</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>Restrictions</u>
Cash and cash equivalents	Free deposits	₩ 62,667	₩ 62,667	Seize
Short-term financial instruments	Deposits	28,000,000	28,000,000	Restrictions for growth together fund
	Deposits	50,000	50,000	Guarantee deposits for licenses
Long-term financial instruments	Guarantee deposits	5,000	5,000	Guarantee deposits for checking accounts
	Deposits	80,000	80,000	Guarantee deposits for licenses
		<u>₩ 28,197,667</u>	<u>₩ 28,197,667</u>	

Hyundai Wia Corporation and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018
9. Investment in associate

(1) Investments in associates as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

Investee	Main business	Country of domicile	Percentage of ownership	Acquisition cost	Book value	
					2019	2018
Hyundai Wia Automotive Engine (Shandong) Company	Auto parts manufacturing	China	30 %	₩ 115,180,603	₩ 196,004,134	₩ 168,670,141
Hyundai Special Steel Co., Ltd.	Steel wire manufacturing	Korea	40 %	114,710,883	114,087,274	115,475,745
Hyundai Wia Motor Dies (Shandong) Company	Auto parts manufacturing	China	20 %	8,194,598	8,977,270	7,949,159
Total				<u>₩ 238,086,084</u>	<u>₩ 342,343,140</u>	<u>₩ 326,781,783</u>

(2) Changes in the Group's investments in associates for the three-month periods ended March 31, 2019, and 2018 are as follows (Korean won in thousands):

Investee	2019				
	January 1	Gain (loss) on equity method	Equity changes from equity method	Others (*)	March 31
Hyundai Wia Automotive Engine (Shandong) Company	₩ 168,670,141	₩ 5,967,750	₩ 21,366,243	₩ -	₩ 196,004,134
Hyundai Special Steel Co., Ltd.	115,475,745	(1,531,919)	143,448	-	114,087,274
Hyundai Wia Motor Dies (Shandong) Company	7,949,159	566,174	285,934	176,003	8,977,270
	<u>₩ 292,095,045</u>	<u>₩ 5,002,005</u>	<u>₩ 21,795,625</u>	<u>₩ 176,003</u>	<u>₩ 319,068,678</u>

(*) Others consist of exchange rate fluctuations.

Investee	2018				
	January 1	Gain on equity method	Equity changes from equity method	Others (*)	March 31
Hyundai Wia Automotive Engine (Shandong) Company	₩ 201,213,840	₩ 5,809,311	₩ 8,463,398	₩ -	₩ 215,486,549
Hyundai Special Steel Co., Ltd.	118,587,481	452,805	144,686	-	119,184,972
Hyundai Wia Motor Dies (Shandong) Company	6,980,462	256,493	257,189	177,475	7,671,619
	<u>₩ 326,781,783</u>	<u>₩ 6,518,609</u>	<u>₩ 8,865,273</u>	<u>₩ 177,475</u>	<u>₩ 342,343,140</u>

(*) Others consist of exchange rate fluctuations.

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

9. Investment in associate (cont'd)

- (3) The condensed financial information of the Group's associates as of and for the three-month periods ended March 31, 2019 is as follows (Korean won in thousands):

Accounts	March 31, 2019		
	Hyundai Wia Automotive Engine (Shandong) Company	Hyundai Special Steel Co., Ltd.	Hyundai Wia Motor Dies (Shandong) Company
Current assets	₩ 763,655,345	₩ 233,042,886	₩ 111,994,194
Non-current assets	690,775,183	327,564,349	24,124,593
Total assets	1,454,430,528	560,607,235	136,118,787
	418,945,011	224,300,164	86,673,654
Current liabilities	307,561,878	130,374,758	8,437,000
Non-current liabilities	726,506,889	354,674,922	95,110,654
Total liabilities	727,923,639	205,932,313	41,008,133
Total equity			
	324,123,339	111,510,066	26,069,645
Revenue	14,973,634	(3,829,797)	1,048,958
Operating income	71,220,810	358,620	1,429,669
Other comprehensive income	86,194,444	(3,471,177)	2,478,627
Total comprehensive income	₩ 763,655,345	₩ 233,042,886	₩ 111,994,194

(*) The above summarized financial information reflects the amount after adjustments arising from acquisitions of equity interests and differences arising from accounting policies between the Group and the investees, but before elimination inter-group transactions and goodwill.

- (4) A reconciliation of the net assets of the associates to the carrying amount of the interest in associates recognized in the consolidated financial statements as of March 31, 2019 is as follows (Korean won in thousands):

Accounts	March 31, 2019		
	Hyundai Wia Automotive Engine (Shandong) Company	Hyundai Special Steel Co., Ltd.	Hyundai Wia Motor Dies (Shandong) Company
Net assets of the associates	₩ 727,923,639	₩ 205,932,313	₩ 41,008,133
Ownership interest	30%	40%	20%
Net assets attributable to the Group	218,377,092	82,372,925	8,201,627
Elimination of intragroup transactions	(22,372,958)	-	(485,419)
Goodwill	-	31,714,349	1,261,062
Book value	₩ 196,004,134	₩ 114,087,274	₩ 8,977,270

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

10. Investment in joint arrangements

- (1) Details of the Group's investments in joint arrangements as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

Investee	Main business	Country of domicile	Percentage of ownership	Acquisition cost	Book value	
					2019	2018
Wia Magna Powertrain Corp.	Auto parts manufacturing	Korea	50 %	₩ 6,649,322	₩ 15,651,461	₩ 18,007,931

(*) All joint arrangements where the Group holds joint control have been structured through a separate vehicle, and each party to the joint arrangement holds access right to the net assets in entities classified as joint ventures.

- (2) Changes in investment in joint arrangements for the three-month periods ended March 31, 2019, and 2018 are as follows (Korean won in thousands):

Investee	2019			
	January 1	Gain (loss) on equity method	Dividends received	March 31
Wia Magna Powertrain Corp.	₩ 18,007,931	₩ 643,530	₩ (3,000,000)	₩ 15,651,461

Investee	2018			
	January 1	Gain (loss) on equity method		March 31
Wia Magna Powertrain Corp.	₩ 18,639,228	₩ 535,561	₩	₩ 19,174,789

- (3) The summarized financial information of the joint arrangements of the Group as of and for the three-month periods ended March 31, 2018 is as follows (Korean won in thousands):

Investee	March 31, 2018					
	Assets	Liabilities	Net assets	Sales	Net income	Comprehensive income
Wia Magna Powertrain Corp.	₩ 73,403,861	₩ 42,100,940	₩ 31,302,921	₩ 34,852,676	₩ 1,332,990	₩ 1,332,990

(*) The above summarized financial information reflects the amount after adjustments arising from acquisitions of equity interests and differences arising from accounting policies between the Group and the investees, but before elimination inter-group transactions and goodwill.

- (4) A reconciliation of the net assets of the joint arrangement to the carrying amount of the interest in the joint arrangement recognized in the joint arrangement financial statements is as follows (Korean won in thousands):

	March 31, 2019	
	Wia Magna Powertrain Corp.	
Net assets	₩	31,302,921
Ownership interest		50%
Net assets attributable to the group		15,651,461
Adjustments		-
Book value	₩	15,651,461

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

11. Property, plant and equipment

(1) Changes in property, plant and equipment for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	January 1	Acquisition	Disposal	Depreciation	impairment	Others (*)	March 31
2019	₩ 2,569,455,983	₩ 47,942,556	₩ (130,125)	₩ (51,248,858)	₩ (4,760,673)	₩ 10,017,649	₩ 2,571,276,532
2018	2,600,274,429	37,868,414	(25,297,656)	(50,224,022)	-	4,657,070	2,567,278,235

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

(2) Assets pledged as collateral

Land with a carrying amount of approximately ₩57,254 million, has been pledged for government grant up to ₩6,644 million. The Group is not allowed to pledge the asset as collateral for other borrowings or to sell it to other entities.

12. Investment property

(1) Changes in investment property for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	January 1	Depreciation	Others (*)	March 31
2019	₩ 4,565,944	₩ (527)	₩ 53,613	₩ 4,619,030
2018	1,522,714	-	-	1,522,714

(2) Incomes(expenses) in investment property for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Rental income	₩ 3,006	₩ -
Operating cost	(527)	-

13. Intangible assets

Details of changes in intangible assets for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	January 1	Acquisition	Amortization	Disposal	Others (*)	March 31
2019	₩ 213,184,566	₩ 6,944,401	₩ (14,029,750)	₩ (803,599)	₩ 54,131	₩ 205,349,749
2018	243,739,964	6,482,119	(13,685,456)	-	(58,731)	236,477,896

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

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

14. Construction contract

- (1) Details of the gross amount due from customers under contract work as an asset and the gross amount due to customers under contract work as a liability as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019	December 31, 2018
Cumulative cost	₩ 1,406,646,540	₩ 1,122,957,151
Cumulative profit	146,339,072	133,889,776
Cumulative income	1,552,985,612	1,256,846,927
Cumulative construction in progress	1,525,160,615	1,273,296,159
The gross amount due from customers under contract work as an asset	109,006,766	95,226,407
The gross amount due to customers under contract work as a liability	81,181,769	111,675,639

There is no amount of retention related to the above construction contract as of March 31, 2019 and December 31, 2018. Also, advance receipts from customers as of March 31, 2019 and December 31, 2018, amount to ₩3,203 thousand and ₩1,024,868 thousand respectively.

- (2) Of the contracts that have been accounted for as the revenue in accordance with the percentage of completion using the cost input method and were in progress at the end of the previous year, the changes in the total contract amount and estimated total contract costs, and the effect of such changes on the profit and loss of the current and future periods are as follows (Korean won in thousands):

	Machinery
Changes in total contract amount and estimated total contract costs	₩ (718,598)
Effect on income before tax in the current period	(5,284,802)
Effect on income before tax in the future period	4,566,205
Effect on the gross amount due from customers under contract work as an asset	(5,284,802)
Provision for construction loss	764,509

- (3) There are no major contracts in which the amount of contract is 5% or more of the sales amount, which is recognized in progress based on the cost basis input method.

15. Trade and non-trade payables

Details of trade and non-trade payables as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Trade payables	₩ 1,245,317,048	₩ -	₩ 1,191,029,358	₩ -
Subtotal	1,245,317,048	-	1,191,029,358	-
Account payables	64,355,772	1,549,602	102,293,926	1,549,602
Accrued expenses	42,413,090	-	27,578,051	-
Accrued dividends	15,937,037	-	-	-
Long-term unearned revenues	-	4,277,353	-	3,960,127
Long-term deposits received	-	5,112,999	-	4,098,936
Lease liabilities	948,590	81,131	-	-
Subtotal	123,654,489	11,021,085	129,871,977	9,608,665
	₩ 1,368,971,537	₩ 11,021,085	₩ 1,320,901,335	₩ 9,608,665

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

16. Borrowings and debentures

(1) Details of borrowings as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 73,631,068	₩ -	₩ 51,996,042	₩ -
Current portion of long-term borrowings and debentures	552,287,809	-	304,846,573	-
Long-term borrowings	-	785,204,528	-	775,235,733
Debentures	-	907,708,852	-	1,147,390,665
	<u>₩ 625,918,877</u>	<u>₩ 1,692,913,380</u>	<u>₩ 356,842,615</u>	<u>₩ 1,922,626,398</u>

(2) As of March 31, 2019 and December 31, 2018, short-term borrowings provided to the financial institutions did not meet the derecognition criteria of financial assets. Accordingly, the Group recognized the amount equivalent to the nominal amount of trade receivables, ₩66,209 million and ₩39,996 million respectively, as borrowings.

(3) Details of long-term borrowings as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	Lender	Interest rate (%)	March 31, 2019	December 31, 2018
Funds for equipment	Shinhan Bank	2.33	₩ 50,000,000	₩ 50,000,000
General loans	BBVA Bank	3.26	113,780,000	111,810,000
General loans	BTMU Bank	3.76	56,890,000	55,905,000
General loans	NH Bank	3.38	4,583,330	5,000,000
General loans	Standard Chartered Bank Korea limited	1.10~3.76	39,515,348	38,823,240
General loans	Kookmin Bank	3.96~4.59	64,483,300	63,636,100
General loans	Industrial Bank of Korea	4.47	20,248,800	11,393,200
General loans	Mizuho Bank	0.95~3.66	120,926,600	120,920,600
General loans	China Minsheng Banking Corp	4.51	8,437,000	8,138,000
General loans	Korea Development Bank	3.66~4.28	72,105,930	70,755,444
General loans	Export-import Bank of Korea	3.87~3.91	227,560,000	223,620,000
General loans	Shinhan Bank	0.95~5.45	69,859,962	69,527,800
General loans	China Merchants Bank	3.86	3,408,632	11,170,544
General loans	Bank of China	3.84	6,362,780	6,255,505
General loans	KEB Hana Bank	0.95~5.17	59,330,655	53,126,872
			<u>917,492,337</u>	<u>900,082,305</u>
			<u>(132,287,809)</u>	<u>(124,846,572)</u>
			<u>₩ 785,204,528</u>	<u>₩ 775,235,733</u>

Less current portion of long-term borrowing

Hyundai Wia Corporation and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

16. Borrowings and debentures (cont'd)

- (4) Details of debentures as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

No. of public offered debentures	Issued date	Maturity	Interest rate (%)	March 31, 2019	December 31, 2018
74-2 nd	2014-04-08	2019-04-08	3.45	120,000,000	120,000,000
75-1 st	2014-11-27	2019-11-27	2.47	60,000,000	60,000,000
75-2 nd	2014-11-27	2021-11-27	2.73	100,000,000	100,000,000
76-1 st	2015-02-10	2020-02-10	2.28	100,000,000	100,000,000
76-2 nd	2015-02-10	2022-02-10	2.44	100,000,000	100,000,000
77-1 st	2015-05-13	2020-05-13	2.73	100,000,000	100,000,000
77-2 nd	2015-05-13	2022-05-13	2.66	100,000,000	100,000,000
78-1 st	2016-04-11	2021-04-11	1.93	100,000,000	100,000,000
78-2 nd	2016-04-11	2023-04-11	2.17	30,000,000	30,000,000
79-1 st	2017-02-21	2020-02-21	1.92	140,000,000	140,000,000
79-2 nd	2017-02-21	2022-02-21	2.26	60,000,000	60,000,000
80-1 st	2017-07-24	2020-07-24	2.13	90,000,000	90,000,000
80-2 nd	2017-07-24	2022-07-24	2.58	100,000,000	100,000,000
81-1 st	2018-04-17	2021-04-17	2.67	90,000,000	90,000,000
81-2 nd	2018-04-17	2023-04-17	3.09	40,000,000	40,000,000
				1,330,000,000	1,330,000,000
				(420,000,000)	(180,000,000)
				(2,291,148)	(2,609,335)
				<u>₩ 907,708,852</u>	<u>₩ 1,147,390,665</u>

Less current maturities
Less discounts on debentures

17. Provisions

- (1) Details of provisions as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Provision for warranty	₩ 26,948,627	₩ 30,148,729	₩ 26,256,584	₩ 31,297,812
Other provision	-	169,337,953	-	164,887,794
	<u>₩ 26,948,627</u>	<u>₩ 199,486,682</u>	<u>₩ 26,256,584</u>	<u>₩ 196,185,606</u>

(*) Provision related to lawsuits (Note 34).

- (2) Changes in the provisions for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	Provision for warranty		Other provision	
	2019	2018	2019	2018
January 1	₩ 57,554,396	₩ 164,887,794	₩ 49,639,931	₩ 146,798,202
Additional provisions recognized	3,131,637	4,450,159	4,034,787	4,448,781
Reductions arising from payments	(3,578,311)	-	(1,303,231)	-
Others (*)	(10,366)	-	22,842	-
March 31	<u>₩ 57,097,356</u>	<u>₩ 169,337,953</u>	<u>₩ 52,394,329</u>	<u>₩ 151,246,983</u>

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

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

18. Other financial liabilities

Details of other financial liabilities as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Derivative liabilities	₩ 1,372,155	₩ -	₩ 976,476	₩ -
Financial guarantee liabilities	65,094	47,973	63,967	62,915
	<u>₩ 1,437,249</u>	<u>₩ 47,973</u>	<u>₩ 1,040,443</u>	<u>₩ 62,915</u>

19. Retirement benefit plans

(1) As of March 31, 2019 and December 31, 2018, amounts recognized in the consolidated statements of financial position related to retirement benefit obligations are as follows (Korean won in thousands):

	March 31, 2019		December 31, 2018	
Present value of defined benefit obligation	₩	200,568,538	₩	196,328,511
Fair value of plan assets		(164,321,757)		(179,999,569)
Retirement benefit obligation	<u>₩</u>	<u>36,246,781</u>	<u>₩</u>	<u>16,328,942</u>

(2) Details of changes in retirement benefit obligation for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		
	Defined benefit obligations	Plan assets	Retirement benefit obligation
January 1, 2019	₩ 196,328,510	₩ (179,999,569)	₩ 16,328,941
Current service cost	6,307,239	-	6,307,239
Interest cost (income)	1,303,817	(1,195,018)	108,799
Other	(1,204)	2,930	1,726
	<u>203,938,362</u>	<u>(181,191,657)</u>	<u>22,746,705</u>
Remeasurements:			
Return on plan assets (net of an amount included in the interest income above)	-	211,315	211,315
	-	211,315	211,315
Contribution:			
Employer's contribution	-	-	-
Benefit paid from assets:			
Benefit paid	(3,369,824)	16,658,585	13,288,761
March 31, 2019	<u>₩ 200,568,538</u>	<u>₩ (164,321,757)</u>	<u>₩ 36,246,781</u>

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

19. Retirement benefit plans (cont'd)

(2) Details of changes in retirement benefit obligation for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands): (cont'd)

	2018		
	Defined benefit obligations	Plan assets	Retirement benefit obligation
January 1, 2018	₩ 174,032,988	₩ (188,999,795)	₩ (14,966,807)
Current service cost	5,900,376	-	5,900,376
Interest cost (income)	1,384,279	(1,504,123)	(119,844)
Other	(99)	136,371	136,272
	<u>181,317,544</u>	<u>(190,367,547)</u>	<u>(9,050,003)</u>
Remeasurements:			
Return on plan assets (net of an amount included in the interest income above)	-	563,749	563,749
	-	<u>563,749</u>	<u>563,749</u>
Contribution:			
Employer's contribution	-	-	-
Benefit paid from assets:			
Benefit paid	(3,731,993)	8,462,703	4,730,710
March 31, 2018	<u>₩ 177,585,551</u>	<u>₩ (181,341,095)</u>	<u>₩ (3,755,544)</u>

(3) The principal assumptions used for actuarial valuation as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019	December 31, 2018
Discount rate	1.90% ~ 2.70%	1.90% ~ 2.70%
Expected salary increase rate	0.92% ~ 4.43%	0.92% ~ 4.43%

(4) Details of plan assets as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019	December 31, 2018
Financial assets	₩ 164,247,071	₩ 179,935,454
Cash and cash equivalents	33,780	21,402
Others	40,906	42,713
	<u>₩ 164,321,757</u>	<u>₩ 179,999,569</u>

20. Other current liabilities

Details of other current liabilities as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019	December 31, 2018
Advance received	₩ 27,714,700	₩ 33,590,249
Withholdings	9,083,903	11,680,962
	<u>₩ 36,798,603</u>	<u>₩ 45,271,211</u>

Hyundai Wia Corporation and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

21. Capital stock

Details of capital stock as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019	December 31, 2018
Authorized shares	40,000,000	40,000,000
Issued shares	27,195,083	27,195,083
Price per share	5,000 won	5,000 won
Capital stock	₩ 135,975,415	₩ 135,975,415

22. Other contributed capital

Details of other contributed capital as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019	December 31, 2018
Additional paid-in capital	₩ 499,045,123	₩ 499,045,123
Other additional capital	1,490,959	1,490,959
Treasury stock	(113,208,381)	(113,208,381)
	₩ 387,327,701	₩ 387,327,701

23. Other capital components

Details of other capital components as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019	December 31, 2018
Gain on valuation of financial assets at fair value through OCI	₩ 28,177,721	₩ 28,423,328
Loss on disposal of financial assets at fair value through OCI	(2,787,805)	(2,787,805)
Equity changes of equity method	(8,658,896)	(25,179,980)
Exchange differences on translations of foreign operations	(8,141,410)	(18,879,163)
Gain result from merger of a subsidiary	11,698,685	11,698,685
	₩ 20,288,295	₩ (6,724,935)

24. Retained earnings and dividends

(1) Details of retained earnings as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019	December 31, 2018
Business rationalization reserve	₩ 215,117	₩ 215,117
Other legal reserve	76,849	76,849
Legal earned surplus reserve	13,421,752	13,421,752
Reserve for research and manpower development	179,000,000	179,000,000
Voluntary reserve	2,204,129,291	2,239,309,846
Unappropriated retained earnings	121,190,731	88,329,457
	₩ 2,518,033,740	₩ 2,520,353,021

Hyundai Wia Corporation and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

24. Retained earnings and dividends (cont'd)

(2) Details of dividend payments as for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won):

	2019		2018	
Dividends per share	₩	600	₩	600
Outstanding shares		27,195,083		27,195,083
Treasury shares		(633,354)		(633,354)
Dividends received shares		26,561,729		26,561,729
Total dividends	₩	15,937,037,400	₩	15,937,037,400

25. Sales

Details of sales for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		
	Auto parts	Machinery	Total
Type of goods or services:			
Auto parts sales	₩ 1,615,598,036	₩ -	₩ 1,615,598,036
Machinery sales	-	118,771,853	118,771,853
Installation service	-	115,066,915	115,066,915
	₩ 1,615,598,036	₩ 233,838,768	₩ 1,849,436,804
Transfer time of goods or services			
Goods transferred in a point in time	1,615,598,036	118,771,853	1,734,369,889
Service transferred over time	-	115,066,915	115,066,915
	₩ 1,615,598,036	₩ 233,838,768	₩ 1,849,436,804
	2018		
	Auto parts	Machinery	Total
Type of goods or services:			
Auto parts sales	₩ 1,479,504,115	₩ -	₩ 1,479,504,115
Machinery sales	-	142,766,728	142,766,728
Installation service	-	118,583,313	118,583,313
	₩ 1,479,504,115	₩ 261,350,041	₩ 1,740,854,156
Transfer time of goods or services			
Goods transferred in a point in time	1,479,504,115	142,766,728	1,622,270,843
Service transferred over time	-	118,583,313	118,583,313
	₩ 1,479,504,115	₩ 261,350,041	₩ 1,740,854,156

26. Selling and administrative expenses

(1) Details of selling expenses for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		2018	
Export expenses	₩	7,869,350	₩	6,674,406
Advertisement expenses		2,391,540		1,735,591
Product warranty expenses		3,131,637		4,034,787
Transportation expenses		7,386,153		8,975,499
Sales promotion costs		2,485,998		3,138,978
	₩	23,264,678	₩	24,559,261

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

26. Selling and administrative expenses (cont'd)

(2) Details of administrative expenses for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Salaries	₩ 16,255,920	₩ 16,227,691
Retirement benefits	1,536,755	1,393,146
Employee benefits	5,067,615	5,827,451
Communication expense	261,678	276,555
Rental fees	1,446,631	1,718,579
Entertainment expenses	310,848	380,207
Travel and transportation expenses	1,075,296	884,835
Vehicles expenses	217,506	186,196
Commission expenses	3,121,785	3,287,189
Supplies expenses	73,472	113,384
Office supplies expenses	60,265	81,457
Repair expenses	98,593	74,678
Publication expenses	378,570	458,896
Current research and development expenses	4,227,593	4,410,815
Depreciation	925,004	835,060
Depreciation of right-of-use assets	1,470	-
Bad debt expenses (reversal)	53,994	5,183,884
Amortization of intangible assets	2,522,946	2,876,175
Insurance expenses	600,447	614,088
Tax deduction	164,334	337,876
Others	1,505,059	1,170,476
	<u>₩ 39,905,781</u>	<u>₩ 46,338,638</u>

27. Other non-operating income and expenses

(1) Details of other non-operating income for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Gain on foreign currency exchange	₩ 5,959,535	₩ 9,318,410
Gain on foreign currency translation	12,543,166	9,578,017
Gain on derivative transactions	115,075	-
Gain on disposal of property, plant and equipment	28,180	7,446,507
Reversal of other allowance for doubtful accounts	56,185	-
Royalty income	2,479,354	1,920,785
Miscellaneous income	9,323,592	7,459,855
Financial guaranteed income	16,050	-
Dividend	6,219	-
Rental income	56,466	-
	<u>₩ 30,583,822</u>	<u>₩ 35,723,574</u>

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

27. Other non-operating income and expenses (cont'd)

- (2) Details of other non-operating expense for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		2018
Loss on foreign currency exchange	₩ 3,591,472	₩	5,586,849
Loss on foreign currency translation	5,645,313		3,899,446
Loss on derivative transactions	1,145,148		-
Loss on derivative valuations	1,401,251		-
Loss on disposal of property, plant and equipment	92,266		7,097,190
Impairment loss on property, plant and equipment	4,760,673		-
Loss on disposal of intangible assets	3,599		-
Other allowance for doubtful accounts	-		3,071
Donation	26,123		46,294
Miscellaneous expense	7,024,073		8,764,085
Loss on disposal of non-current asset held for sale	188,785		-
	<u>₩ 23,878,703</u>	₩	<u>25,396,935</u>

28. Financial income and expenses

- (1) Details of financial income for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		2018
Interest income:			
Cash and cash equivalent	₩ 5,943,981	₩	4,004,968
Trade and other receivables	43,049		92
Others	15,511		16,532
Gain on disposal of financial asset at FVtPL	3,829		-
	<u>₩ 6,006,370</u>	₩	<u>4,021,592</u>

- (2) Details of financial expenses for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		2018
Interest expenses of short-term borrowing	₩ -	₩	722,412
Interest expenses of long-term borrowing	8,649,418		5,416,960
Interest expenses of debentures	8,550,686		8,801,486
Other interest expenses	308,347		533,001
	<u>17,508,451</u>		<u>15,473,859</u>
Less capitalization of borrowing costs (*)	(725,205)		(782,959)
	<u>16,783,247</u>		<u>14,690,900</u>
Other financial expenses	199,706		261,641
Interest expenses of leases	7,594		-
	<u>₩ 16,990,546</u>	₩	<u>14,952,541</u>

- (*) The interest rates of borrowing costs for the three-month periods ended March 31, 2019 and 2018 are 2.53% and 2.61%, respectively.

Hyundai Wia Corporation and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

29. Expenses by nature

Expenses classified by nature for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		2018
Raw materials and merchandise purchased	₩ 1,449,316,075	₩	1,409,910,678
Changes in inventories	47,439,488		6,062,033
Employees' salaries	82,824,792		79,737,797
Depreciation and amortization	65,515,767		62,918,017
Others	189,735,759		212,045,935
	<u>₩ 1,834,831,881</u>	₩	<u>1,770,674,460</u>

30. Income tax expenses

Income tax expenses for the three-month periods ended March 31, 2019 and 2018 are computed as follows (Korean won in thousands):

	2019		2018
Current tax:			
In respect of current year	₩ 7,273,546	₩	1,775,546
Adjustments for prior years	(516,439)		-
Changes in deferred taxes due to:			
Temporary differences	(4,563,873)		8,016,859
Recognition of deferred tax assets due to tax loss carryforward	-		(15,930,847)
Income tax expense (benefit)	<u>₩ 2,193,234</u>	₩	<u>(6,138,442)</u>

31. Earnings (loss) per share

(1) Basic earnings (loss) per common share for the three-month periods ended March 31, 2019 and 2018 are calculated as follows (Korean won in thousands except per share amounts):

	2019		2018
Profit (loss) for the year	₩ 13,778,166	₩	(17,232,002)
Number of common shares outstanding (*)	<u>26,561,729</u>		<u>26,561,729</u>
Basic earnings (loss) per common share (Korean won)	<u>₩ 519</u>	₩	<u>(649)</u>

(*) the weighted-average number of shares outstanding.

(2) The Company does not compute diluted earnings per common share for the three-month periods ended March 31, 2019 and 2018, as the Company has no dilutive items during the reporting periods.

32. Financial instruments

(1) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through optimization of the debt and equity balance. The Group's overall capital risk management strategy remains unchanged from that of the prior periods.

(2) Financial risk management

1) Financial risk management objectives

The Group's Finance function monitors and manages the financial risks relating to the operations of the Group through internal risk reports, which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

There was no change in the Group's financial risk management objectives and risk management policies during the three-month periods ended March 31, 2019.

2) Market risk

The Group's risk is mainly exposed to foreign exchange rate in foreign currency fluctuation and interest rate risk. Therefore, the Group uses various derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

The supplemental exposure to market risk is measured using the value-at-risk by sensitivity analysis. The Group's overall market risk management strategy remains unchanged from that of the prior periods.

A. Foreign currency risk

The Group undertakes transactions denominated in foreign currencies, consequently, exposures to exchange rate fluctuation arise. Exchange rate exposures are managed within the limits of approved Group policy parameters utilizing forward foreign exchange contracts.

B. Interest rate risk

The Group has borrowings at fixed or variable interest rates. Also, the Group is exposed to interest rate risk arising from financial instruments with variable interest rates. To manage the interest rate risk, the Group maintains an appropriate balance between borrowings with fixed and variable interest rates and by the use of interest rate swap and forward interest rate contracts. The Group manages its interest rate risk through regular assessments of the change in markets conditions and the adjustments in nature of its interest rates.

C. Other price risk

The Group is exposed to equity price risks arising from equity investments. The Group holds equity instruments for strategic rather than trading purposes and so the Group does not actively trade these investments.

3) Credit risk

There are no significant changes in the maximum exposure to credit risk compared to the previous periods.

4) Liquidity risk

There is no significant change in the undiscounted contractual cash flows of financial liabilities compared to the previous periods.

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

32. Financial instruments (cont'd)

(3) Fair value of financial instruments

Except as detailed in the above table, management considered that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

Details of financial assets and liabilities recognized as book value due to the inexistence of reliable information are as follows (Korean won in thousands):

	March 31, 2019		December 31, 2018	
Investment securities (*1)	₩	2,920,000	₩	2,920,000

(*1) Investment is recognized at cost as the Group determined that it is difficult to obtain the reliable financial information to measure fair value or it is mostly impossible to evaluate the probabilities of occurrence of significant and diverse estimates reliably.

- 1) The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

- A. The analysis of financial instruments measured at fair value after initial recognition by classifying them as Level 1 to Level 3 according to the extent to which fair value is observable in the market is as follows (Korean won in thousands):

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Equity instrument at FVOCI:				
Listed stocks	₩ 4,047,971	₩ -	₩ -	₩ 4,047,971
Unlisted stocks	-	-	53,739,194	53,739,194
Other financial assets:				
Financial instruments	-	847,241,598	-	847,241,598
	₩ 4,047,971	₩ 847,241,598	₩ 53,739,194	₩ 905,028,763
Other financial liabilities:				
Financial guarantee liabilities	₩ -	₩ 113,067	₩ -	₩ 113,067
Derivative liabilities	-	1,372,155	-	1,372,155
	₩ -	₩ 1,485,222	₩ -	₩ 1,485,222

Hyundai Wia Corporation and its subsidiaries
Notes to the interim condensed consolidated financial statements
March 31, 2019 and 2018

32. Financial instruments (cont'd)

(3) Fair value of financial instruments (cont'd)

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Equity instrument at FVOCI:				
Listed stocks	₩ 4,371,520	₩ -	₩ -	₩ 4,371,520
Unlisted stocks	-	-	53,739,194	53,739,194
Financial liabilities at FVPL:				
Beneficiary certificate	-	2,040	-	2,040
Other financial assets:				
Financial instruments	-	864,059,988	-	864,059,988
Derivative assets	-	843,346	-	843,346
	₩ <u>4,371,520</u>	₩ <u>864,905,374</u>	₩ <u>53,739,194</u>	₩ <u>923,016,088</u>
Other financial liabilities:				
Financial guarantee liabilities	₩ -	₩ 126,882	₩ -	₩ 126,882
Derivative liabilities	-	976,476	-	976,476
	₩ <u>-</u>	₩ <u>1,103,358</u>	₩ <u>-</u>	₩ <u>1,103,358</u>

The significant transfers between Level 1 and Level 2 have not occurred as of March 31, 2019 and December 31, 2018.

B. Reconciliations of Level 3 fair value measurements for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019					
	January 1	Gain (loss) for the year	Other comprehensive income	Purchase (disposal)	Reclassified from Level 3 to Level 1	March 31
Unlisted stocks	₩ 53,739,194	₩ -	₩ -	₩ -	₩ -	₩ 53,739,194
	2018					
	January 1	Gain (loss) for the year	Other comprehensive income	Purchase (disposal)	Reclassified from Level 3 to Level 1	March 31
Unlisted stocks	₩ 60,966,394	₩ -	₩ -	₩ -	₩ -	₩ 60,966,394

The gross gains and losses recognized in other comprehensive income are related to unlisted stocks held at the end of the reporting period and reported as changes in the gain or loss on financial assets at fair value through OCI.

32. Financial instruments (cont'd)

(3) Fair value of financial instruments (cont'd)

- 2) The following is a description of valuation techniques and input variables used in measuring fair value of financial instruments classified as Level 2 and Level 3.

- Foreign exchange forward

The fair value of foreign exchange forward is measured principally on the basis of the forward exchange rate announced in the market at the end of the reporting period for the period in which it meets the remaining period of the currency forward. If the forward exchange rate of the period that coincides with the remaining period of the foreign exchange forward is not disclosed in the market, the interpolation method is applied to the forward exchange rate for each period disclosed in the market to estimate the leading exchange rate in a period similar to the remaining period of the foreign exchange forward, fair value of forward. The discount rate used to measure the fair value of the foreign exchange forward is determined using the yield curve derived from the interest rate announced on the market at the end of the reporting period.

As explained above, input variables used to measure the fair value of foreign exchange forward are derived through the forward exchange rate and yield curve that are observable in the market at the end of the reporting period. Therefore, the Group classifies the fair value measurements of foreign exchange forward as Level 2 on Hierarchy of fair value.

- Unlisted stocks

The fair value of unlisted stocks is measured by using the discounted cash flow model (DCF model). In order to forecast future cash flows, the Group uses unobservable prices and ratios in certain parts such as sales growth rate, operating income rate before tax and WACC. The weighted average cost of capital (WACC) used to discount future cash flows is calculated by using the Capital Asset Pricing Model (CAPM).

As the Group judges that assumptions and estimates mentioned above are significant to the effect on fair value of unlisted stocks, the Group classifies the fair value measurements of unlisted stocks as Level 3 on Hierarchy of fair value.

- 3) The following is a description of the valuation process that the Group is conducting in relation to Level 2 and Level 3 fair value measurements.

The key non-observable input variables used in Level 3 fair value measurements are derived as described below.

- The sales growth rate and the pre-tax profit margin used in measuring the fair value of unlisted stocks are estimated based on the average of sales growth rate and pre-tax profit margin of comparable listed companies.
- The weighted average cost of capital (WACC), which is the discount rate used to measure the fair value of unlisted stocks and contingent consideration, is estimated by the weighted average of cost of equity capital and after-tax cost of debt capital. Cost of equity capital is derived from the CAPM by estimating the stock beta reflecting the target capital structure of the issuer based on the stock beta of comparable listed companies.

- 4) The Group makes judgement that changes in non-observable input variables to reflect reasonably possible substitutive assumptions will not result in significant changes in fair value measurements.
- 5) There are no significant changes in the business environment or economic environment that occurred affecting the fair value of financial assets and financial liabilities held by the Group for the three-month periods ended March 31, 2018.

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

32. Financial instruments (cont'd)

(3) Fair value of financial instruments (cont'd)

- 6) The following table gives the information about the quantitative information of fair value valuation technique using significant unobservable inputs and the relationship between unobservable inputs and fair value valuation.

The instruments measured at fair value of financial statements	Fair value		Fair value hierarchy level
	Mar. 31, 2019	Dec. 31, 2018	
Unlisted stocks	₩ 53,739,194	₩ 53,739,194	3
Significant unobservable inputs and range	Sales growth rate	Operating income rate before tax	WACC
	(-)0.5–3.6%	2.1–5.3%	5.53-9.33%
The relationship between unobservable inputs and fair value valuation	Description		
	The fair value of unlisted stocks will increase (decrease) when sales growth rate and operating income rate before tax increase (decrease) and WACC decrease (increase). Discount cash flows.		
Valuation technique	In order to forecast future cash flows, the Group uses unobservable prices and ratios in certain parts such as sales growth rate, operating income rate before tax and WACC.		

(4) Reclassification of financial assets

There are no financial assets reclassified due to changes in the purposes and usage for the three-month periods ended March 31, 2019.

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

33. Related-party and affiliates transactions

- (1) Details of related parties and affiliates under the *Monopoly Regulation and Fair Trade Act* of the Republic of Korea (“Affiliates by the Act”) as of March 31, 2019 are as follows (Korean won in thousands):

	Name of related parties
Equity investment entity	HYUNDAI MOTOR COMPANY
Joint venturer	Wia Magna Powertrain Corp.
Associates	Hyundai Wia Automotive Engine (Shandong) Company Hyundai Wia Motor Dies (Shandong) Company Hyundai Special Steel Co., Ltd.
Affiliates by the Act	Hyundai-Rotem Corp. Hyundai Kefico Hyundai Capital Services Inc. Hyundai Card Co., Ltd. KIA MOTORS CORP. Hyundai Mobis Hyundai Glovis Hyundai Transys and others

- (2) Transactions between the Group and related parties or affiliates by the Act for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

		2019			
		Sales/proceeds		Purchases/expenses	
	Companies	Sales	Others	Purchases	Others
Equity investment entity	HYUNDAI MOTOR COMPANY	₩ 194,336,131	₩ -	₩ 15,684,705	₩ 4,959,499
Joint venturer	Wia Magna Powertrain Corp.	-	135,464	35,035,786	-
Associates	Hyundai Wia Automotive Engine (Shandong) Company	72,224,651	2,687,736	98,909,969	183,873
	Hyundai Wia Motor Dies (Shandong) Company	41,377	8,001	-	-
	Hyundai Special Steel Co., Ltd.	-	-	1,978,278	-
Affiliates by the Act	KIA MOTORS CORP.	657,668,024	-	18,370,953	2,790,679
	Hyundai-Rotem Corp.	654,025	-	-	82,417
	Hyundai Motor Manufacturing Rus LLC	98,176,405	-	-	219,376
	Others	550,134,885	13,142,181	116,815,952	19,876,819

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

33. Related-party and affiliates transactions (cont'd)

- (2) Transactions between the Group and related parties or affiliates by the Act for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands): (cont'd)

		2018			
		Sales/proceeds		Purchases/expenses	
		Sales	Others	Purchases	Others
Equity investment entity	Companies HYUNDAI MOTOR COMPANY	₩ 216,136,189	₩ 100,334	₩ 32,948,512	₩ 2,710,350
Joint venturer	Wia Magna Powertrain Corp.	-	-	27,885,954	400,014
	Hyundai Wia Turbo Corporation	92,465,919	1,697,504	109,232,924	429
Associates	Hyundai Wia Automotive Engine (Shandong) Company	1,403,858	-	-	61,202
	Hyundai Wia Motor Dies (Shandong) Company	-	-	1,143,598	-
Affiliates by the Act	KIA MOTORS CORP.	598,886,673	-	13,303,603	1,752,597
	Hyundai-Rotem Corp.	1,402,407	-	-	87,436
	Hyundai Motor Manufacturing Rus LLC	93,441,992	-	-	1,068,885
	Others	456,620,964	15,466,035	138,485,739	16,715,981

- (3) As of March 31, 2019 and December 31, 2018, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows (Korean won in thousands):

		March 31, 2019			
		Receivables		Payables	
		Trade receivables	Other receivables	Trade payables	Other payables
Equity investment entity	Companies HYUNDAI MOTOR COMPANY	₩ 167,898,045	₩ 3,384,505	₩ 5,162,813	₩ 11,015,341
Joint venturer	Wia Magna Powertrain Corp.	-	3,149,011	27,452,447	-
Associates	Hyundai Wia Automotive Engine (Shandong) Company	62,024,245	5,254,129	70,979,777	26,815,654
	Hyundai Wia Motor Dies (Shandong) Company	1,046,972	1,009,131	-	46,967
	Hyundai Special Steel Co., Ltd.	-	269,910	3,776,830	-
Affiliates by the Act	KIA MOTORS CORP.	521,693,866	2,536,958	-	9,215,942
	Hyundai-Rotem Corp.	713,339	879,817	-	294,075
	Hyundai Motor Manufacturing Rus LLC	24,299,441	-	-	135,208
	Others	435,065,994	4,266,058	139,967,015	40,852,928

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

33. Related-party and affiliates transactions (cont'd)

(3) As of March 31, 2019 and December 31, 2018, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows (Korean won in thousands): (cont'd)

	Companies	December 31, 2018			
		Receivables		Payables	
		Trade receivables	Other receivables	Trade payables	Other payables
Equity investment entity	HYUNDAI MOTOR COMPANY	₩ 201,442,903	₩ 3,433,871	₩ 9,363,650	₩ 17,636,946
Joint venturer	Wia Magna Powertrain Corp.	-	-	25,149,031	-
Associates	Hyundai Wia Automotive Engine (Shandong) Company	60,232,222	6,437,748	34,988,632	41,009,978
	Hyundai Wia Motor Dies (Shandong) Company	4,407,625	968,311	-	104,104
	Hyundai Special Steel Co., Ltd.	-	-	2,874,513	-
Affiliates by the Act	KIA MOTORS CORP.	579,559,893	558,768	267,015	13,935,216
	Hyundai-Rotem Corp.	559,050	765,143	-	319,593
	Hyundai Motor Manufacturing Rus LLC	31,393,725	-	-	96,378
	Others	414,950,223	3,386,449	182,693,432	41,497,812

(4) There were no equity transactions with the related parties for the three-month periods ended March 31, 2019 and 2018.

(5) The Group has a debt financial instrument issued by HYUNDAI MOTOR SECURITIES CO., LTD. amounting to ₩80,000 million as of March 31, 2019.

(6) There are no guarantees provided from the related parties to the Group as of March 31, 2019.

(7) The guarantees provided to the related parties or affiliates by the Group as of March 31, 2019 and December 31, 2018 are as follows:

Company	Secured party	March 31, 2019		December 31, 2018	
		Guarantees	Guarantees amount	Guarantees	Guarantees amount
Hyundai Wia Automotive Engine (Shandong) Company	SMBC	Local borrowing guarantees	USD 38,140,000	Local borrowing guarantees	USD 38,140,000

(8) The compensation for key management personnel for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019	2018
Short-term benefits	₩ 3,032,200	₩ 3,157,032
Postemployment benefits	533,071	403,602
Other long-term benefits	1,387	11,856
	₩ 3,566,658	₩ 3,572,490

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

34. Commitments and contingencies

- (1) Performance guarantees provided by unrelated parties to the Group as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands, USD):

	March 31, 2019		December 31, 2018	
	Currency	Amount	Currency	Amount
Woori Bank	USD	458,250	USD	1,062,185
Kookmin Bank	USD	12,671,872	USD	17,149,675
Machinery Financial Cooperative	KRW	49,241,791	KRW	50,829,658
Korea Defense Industry Association	KRW	41,276,277	KRW	39,881,408
Seoul Guarantee Insurance co., Ltd.	KRW	63,322,278	KRW	68,532,925
Korean Fire Protection Association	KRW	3,711,220	KRW	3,711,220

- (2) Detail of notes provided by the Group for guarantees and other purposes as of March 31, 2019, are as follows (Korean won in thousands):

Note	March 31, 2019			Purpose of provision
	Provided to	Count	Amount	
	Korea Defense Industry Association	1	Blank check	Performance guarantee

- (3) For promotion of machinery, the Group has entered into comprehensive financing agreements, and the limits under these agreements are as follows (Korean won in thousands, CNY):

Leasing company	Number of contracts		Limits
Hyundai Commercial Inc.	461	₩	100,000,000
Hyundai Financial Leasing Co., Ltd.	24	CNY	200,000,000

- (4) As of March 31, 2019, the Group maintains the payment guarantee contracts amounting to USD190,000,000 related to the Group's usance transactions.
- (5) The Group set discount limits of notes issued by the Group with Shinhan Bank and six other banks, which amount to ₩389 billion, for the Group's suppliers.
- (6) The Group maintains receivables discount agreements with Shinhan bank and five other banks, which amount to ₩759.7 billion. As of March 31, 2019, the Group does not have discounted receivables.
- (7) As of March 31, 2019, the not-yet-matured receivables that do not meet the derecognition criteria amount to ₩66.2 billion.
- (8) As of March 31, 2019, the Group is involved in domestic and foreign lawsuits. The Group expects that it is currently unable to estimate the outcomes or the potential financial impacts of such lawsuits. As of March 31, 2019, the Group has recognized a litigation provision for some of the above lawsuits in relation to the ordinary wage amounting to ₩169,338 million.

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

35. Cash flow

- (1) Addition items not involving cash outflows for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		2018
Retirement benefits	₩ 6,416,038	₩	5,780,532
Depreciation	51,486,017		50,224,022
Bad debt expense	53,994		5,183,884
Loss on disposal of trade receivables	199,706		261,641
Tax expense (income)	2,193,234		(6,138,442)
Interest expense	16,790,840		14,690,900
Warranty	3,131,637		4,034,787
Amortization	14,029,750		13,685,456
Loss on foreign currency translation	5,645,313		3,899,446
Impairment loss on P.P.E.	4,760,673		-
Other bad debt expense	-		3,071
Loss on disposal of P.P.E.	92,266		7,097,190
Loss on disposal of intangible assets	3,599		-
Loss on derivative valuations	1,401,251		-
Loss on disposal of non-current asset held for sale	188,785		-
Others	300,760		670,367
	<u>₩ 106,693,863</u>	₩	<u>99,392,854</u>

- (2) Deduction items not involving cash inflows for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019		2018
Interest income	₩ 6,002,541	₩	4,021,592
Gain on foreign currency translation	12,543,166		9,578,017
Gain on disposal of property and equipment	28,180		7,446,507
Reversal of other allowance for doubtful accounts	56,185		-
Dividend income	6,219		-
Gain on equity method	5,645,535		7,054,171
Gain on disposal of financial asset at FVtPL	3,829		-
	<u>₩ 24,285,655</u>	₩	<u>28,100,287</u>

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

35. Cash flow (cont'd)

(3) Details of changes in assets and liabilities resulting from operating activities are as follows (Korean won in thousands):

	2019	2018
Decrease (increase) in trade receivables	₩ 23,131,714	₩ (296,159,861)
Decrease (increase) in other current assets	(2,100,174)	990,874
Increase in the gross amount due from customers for contract work as an asset	(13,780,359)	(2,365,783)
Decrease (increase) in loans and other receivables	3,722,043	(3,163,359)
Decrease in inventories	52,388,322	8,638,441
Decrease (increase) in non-current loans and other receivables	375,395	(404,713)
Increase (decrease) in trade payables	45,476,907	(126,406,554)
Decrease in other payables	(8,808,121)	(62,379,307)
Decrease in other current liabilities	(8,677,466)	(5,498,085)
Decrease in other current financial liabilities	(5,577)	-
Decrease in the gross amount due to customers for contract work as a liability	(30,493,870)	(533,655)
Increase in provision	157,973	3,145,549
Increase in employee benefits obligations	287,302	286,235
Payment of retirement benefits	(3,369,824)	(3,731,993)
Decrease in plan assets	16,658,585	8,599,073
Increase (decrease) in other non-current liabilities	79,000	(18,000)
Increase in other non-current financial liabilities	935,304	-
Increase (decrease) in other assets and liabilities	(15,298)	34,136
	<u>₩ 75,961,856</u>	<u>₩ (478,967,002)</u>

(4) Significant non-cash transactions for the three-month periods ended March 31, 2019 and 2018 are described as follows (Korean won in thousands):

	2019	2018
Transfer of construction in progress	₩ 21,881,964	₩ 8,154,793
Reclassification to the current portion of debenture	240,000,000	-
Reclassification to the current portion of long-term borrowings	3,889,400	-
Other payables related to acquisition of property, plant and equipment	(15,012,150)	4,749,298
Initial recognition of right-of-use assets and lease liabilities	1,263,027	-
Reclassification of retained earnings to dividends payable	15,937,037	15,937,037

Hyundai Wia Corporation and its subsidiaries

Notes to the interim condensed consolidated financial statements

March 31, 2019 and 2018

35. Cash flow (cont'd)

(5) Changes in liabilities arising from financial activities for the three-month periods ended March 31, 2019 and 2018 are as follows (Korean won in thousands):

	2019					
	January 1	Changes in cash flows	Effect on exchange	Amortized	Other	March 31
Short-term borrowings	₩ 51,996,042	₩ 35,812,294	₩ 806,144	₩ -	₩ (14,983,412)	₩ 73,631,068
Current portion of long-term borrowings	304,846,573	(4,467,837)	435,948	-	251,473,125	552,287,809
Long-term borrowings	775,235,733	427,786	13,347,079	83,330	(3,889,400)	785,204,528
Debentures	1,147,390,665	-	-	318,187	(240,000,000)	907,708,852
Lease liabilities	-	(240,900)	-	7,594	1,263,027	1,029,721
Dividends payable	-	-	-	-	15,937,037	15,937,037

	2018					
	January 1	Changes in cash flows	Effect on exchange	Amortized	Other	March 31
Short-term borrowings	₩ 14,889,777	₩ 48,278,905	₩ (60,323)	₩ -	₩ -	₩ 63,108,359
Current portion of long-term borrowings	182,823,879	(6,604,328)	678,566	-	6,819,801	183,717,918
Long-term borrowings	858,204,697	6,775,855	(1,287,037)	-	(6,819,801)	856,873,714
Debentures	1,196,919,414	-	-	300,761	-	1,197,220,175
Dividends payable	-	-	-	-	15,937,037	15,937,037

36. Non-current asset held for sale

Detail of non-current asset held for sale as of March 31, 2019 and December 31, 2018 are as follows (Korean won in thousands):

	March 31, 2019	December 31, 2018
Machinery	₩ 3,030,708	₩ 15,962,237
Fixtures and tools	865,678	865,678
	<u>3,896,386</u>	<u>16,827,915</u>

As of March 31, 2019, the Company has entered into sale agreements with respect to machinery and fixture and tools classified as non-current assets held for sale and is in progress of sale procedures.