

**KOREA WATER RESOURCES CORPORATION**

**SEPARATE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**WITH INDEPENDENT AUDITORS' AUDIT REPORT**

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## **Independent Auditors' Audit Report**

(Based on a report originally issued in Korean)

To the Board of Directors and Shareholders of  
Korea Water Resources Corporation:

### **Opinion**

We have audited the accompanying separate financial statement of Korea Water Resources Corporation (the "Company"). The separate financial statements consist of the separate statements of financial position as of December 31, 2019 and 2018, and the related separate statements of comprehensive income, separate statements of changes in shareholders' equity and separate statements of cash flows, all expressed in Korean won, for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2019 and 2018, and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean government-owned and Quasi-government Accounting Regulations and Standards

### **Basis for Opinion**

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

### **Emphasis of matter**

As described in Note 2 to the separate financial statements, matters not described in Korean government-owned and Quasi-government Accounting Regulations and Standards relating to accounting are recognized in accordance with K-IFRS.

## **Responsibilities of Management and Those Charged with Governance for the separate financial statements**

The Company's management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean government-owned and Quasi-government Accounting Regulations and Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance's responsibilities include overseeing the Company's financial reporting process.

## **Auditors' responsibilities for the Audit of the Separate Financial Statements**

Our responsibility is to express a conclusion on these separate financial statements based on our audit.

We conducted our audit in accordance with standards for audit of separate financial statements in the Republic of Korea. An audit is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the Company audit. We are solely responsible for our audit opinion.

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

February 24, 2020

*Nexia Samduk*

Seoul, Korea

This report is effective as of the auditors' audit report date. Accordingly, certain subsequent events or circumstances may have occurred between the auditors' audit report date and the time this report is read. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

**KOREA WATER RESOURCES CORPORATION  
(the “Company”)**

**SEPARATE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

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

**Lee, Hak Soo  
Chief Executive Officer  
Korea Water Resources Corporation**

**KOREA WATER RESOURCES CORPORATION**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2019 AND 2018**

	Notes	December 31, 2019	December 31, 2018
(In thousands of Korean won)			
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5,6,39,40	₩118,630,239	₩232,489,526
Short-term financial assets	7,10,11,39,40	3,029,858	134,486,807
Trade and other receivables, net	8,11,39,40	659,564,452	730,320,768
Inventories	12	7,452,858,795	6,932,741,912
Current tax assets	37	5,073,135	-
Other non-financial assets	13	142,563,394	66,603,515
<b>TOTAL CURRENT ASSETS</b>		<b>8,381,719,873</b>	<b>8,096,642,528</b>
<b>NON-CURRENT ASSETS</b>			
Non-current financial assets at FVPL	7,39,40	7,189,395	2,387,228
Non-current financial assets at FVOCI	9,39,40	26,294,255	26,377,466
Long-term loans	11,39,40	14,991,463	16,237,327
Non-current derivative assets	7,39,40	79,457,604	65,161,316
Long-term trade and other receivables, net	8,39,40	257,126,993	183,227,961
Property, plant and equipment	15,21,24	1,582,035,493	1,584,399,754
Intangible assets other than goodwill	16,24,25	11,019,943,883	11,018,524,341
Investments in subsidiaries	14	319,585,612	303,462,158
Investments in associates	14	73,959,164	80,113,516
Deferred tax asset	37	65,563,125	34,755,371
Other non-financial assets	13	3,849,346	3,735,188
<b>TOTAL NON-CURRENT ASSETS</b>		<b>13,449,996,333</b>	<b>13,318,381,626</b>
<b>TOTAL ASSETS</b>		<b>₩21,831,716,206</b>	<b>₩21,415,024,154</b>

(Continued)

**KOREA WATER RESOURCES CORPORATION**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2019 AND 2018**

	Notes	December 31, 2019	December 31, 2018
		(In thousands of Korean won)	
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18,21,39,40	₩412,453,468	₩351,027,160
Current portion of long-term borrowings	19,39,40	13,229,200	22,405,600
Current portion of debentures, net	19,39,40	1,040,499,000	1,155,190,000
Current derivative liabilities	7	1,447,379	-
Current tax liabilities	37	-	10,618,516
Other current liabilities	17,26	1,541,792,672	1,190,169,532
Current provisions	23	140,528,975	96,805,174
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,149,950,694</b>	<b>2,826,215,982</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	18,21,39,40	2,224,749	-
Long-term borrowings	19,39,40	326,544,800	219,774,000
Debentures, net	19,39,40	9,727,361,020	10,279,771,435
Non-current derivative liabilities	7,39,40	20,816,594	42,484,008
Other non-current liabilities	25,26	46,262,105	46,513,761
Net defined benefit liabilities	22	266,190,843	199,316,484
Non-current provisions	23,44	-	34,330,845
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>10,389,400,111</b>	<b>10,822,190,533</b>
<b>TOTAL LIABILITIES</b>		<b>13,539,350,805</b>	<b>13,648,406,515</b>
<b>EQUITY</b>			
Issued capital	1,27	8,890,120,337	8,477,497,134
Undisposed deficit	28,29	(606,345,437)	(722,140,291)
Other equity components	30	8,590,501	11,260,796
<b>TOTAL EQUITY</b>		<b>8,292,365,401</b>	<b>7,766,617,639</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>₩21,831,716,206</b>	<b>₩21,415,024,154</b>

See accompanying notes to the separate financial statements.

**KOREA WATER RESOURCES CORPORATION**  
**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Notes	December 31, 2019	December 31, 2018
(In thousands of Korean won)			
REVENUE	4,31,41,42	₩2,948,382,571	₩3,376,113,255
COST OF SALES	38,42	(2,433,871,941)	(2,739,979,142)
GROSS PROFIT		514,510,630	636,134,113
Selling, general and administrative expenses	32,38	(194,501,682)	(157,571,514)
OPERATING PROFIT		320,008,948	478,562,599
Other income	33	40,679,976	61,775,100
Other expenses	33	(38,413,449)	(19,639,205)
Other gain(loss), net	34	288,584	435,217
Financial income	35,39	48,599,294	50,549,425
Financial costs	36,39	(268,058,634)	(282,570,053)
Loss on valuation of investments in subsidiaries and associates	14	(6,196,743)	(7,140,781)
PROFIT BEFORE INCOME TAX EXPENSE		96,907,976	281,972,302
Income tax expense (profit)	37	(27,294,320)	33,364,435
PROFIT FOR THE PERIOD		124,202,296	248,607,867
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit plan	22,28	(8,407,443)	(8,210,811)
Loss on valuation of financial assets at FVOCI	9,30	(63,074)	(33,638)
Total items that will not be reclassified to profit or loss		(8,470,517)	(8,244,449)
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of unrealized change in fair values of cash flow hedges		(2,607,221)	(3,733,384)
Total items that are or may be reclassified subsequently to profit or loss		(2,607,221)	(3,733,384)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF INCOME TAX		(11,077,738)	(11,977,833)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		₩113,124,558	₩236,630,034

See accompanying notes to the separate financial statements.

**KOREA WATER RESOURCES CORPORATION**  
**SEPARATE STATEMENTS OF**  
**CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Issued capital	Undisposed deficit	Other equity components	Total equity
	(In thousands of Korean won)			
Balance at January 1, 2018	₩8,101,944,480	(₩917,017,301)	₩14,967,573	₩7,199,894,752
Accumulated effect of change on accounting policies	-	(45,520,045)	60,244	(45,459,801)
Comprehensive income for the period				
Profit for the period	-	248,607,867	-	248,607,867
Other comprehensive income	-	(8,210,811)	(3,767,021)	(11,977,832)
Total comprehensive income for the period	-	240,397,056	(3,767,021)	236,630,035
Transactions with owners of the Company				
Increase in paid-up capital	375,552,653	-	-	375,552,653
Total transactions with owners of the Company	375,552,653	-	-	375,552,653
Balance at December 31, 2018	₩8,477,497,133	(₩722,140,290)	₩11,260,796	₩7,766,617,639
Balance at January 1, 2019	₩8,477,497,133	(₩722,140,290)	₩11,260,796	₩7,766,617,639
Accumulated effect of change on accounting policies				
Comprehensive income for the period				
Profit for the period	-	124,202,296	-	124,202,296
Other comprehensive income	-	(8,407,443)	(2,670,295)	(11,077,738)
Total comprehensive income for the period	-	115,794,853	(2,670,295)	113,124,558
Transactions with owners of the Company				
Increase in paid-in capital	412,623,204	-	-	412,623,204
Total transactions with owners of the Company	412,623,204	-	-	412,623,204
Balance at December 31, 2019	₩8,890,120,337	(₩606,345,437)	₩8,590,501	₩8,292,365,401

See accompanying notes to the separate financial statements

**KOREA WATER RESOURCES CORPORATION**  
**SEPARATE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Notes	2019	2018
(In thousands of Korean won)			
Cash flows from operating activities			
Profit for the period		₩124,202,296	₩248,607,867
Adjustments for			
Post-employment benefits	22	65,329,910	30,955,250
Depreciation	4,15	102,469,417	88,973,302
Amortization	16	488,710,914	553,033,825
Bad debt expenses	8	3,133,167	1,098,015
Transfer of provisions	23	127,700,571	(28,723,838)
Gain on disposal of property, plant and equipment		(1,818,295)	(993,695)
Loss on disposal of property, plant and equipment		1,381,206	292,573
Loss on disposal of intangible assets		-	219,570
Loss on disposal of inventories	35	148,505	46,335
Interest income	36	(9,042,667)	(8,026,366)
Interest expenses		227,661,661	242,369,544
Gain on valuation of financial assets at FVPL	7,35	(6,148)	-
Loss on valuation of financial assets at FVPL	7,36	27,638	24,772
Dividend income		-	(30,521)
Gain on valuation of derivative instruments	35	(39,225,000)	(34,547,000)
Gain on transaction of derivative instruments	35	-	(6,894,000)
Loss on transaction of derivative instruments	36	-	810,000
Gain on foreign currency transactions	35	(226,448)	(977,311)
Loss on foreign currency transactions	36	1,060	4,818,738
Gain on foreign currency translation	35	(65,855)	(74,227)
Loss on foreign currency translation	36	40,494,080	34,547,000
Loss on valuation of investments in associates		6,196,743	7,140,781
Income tax expense		(27,294,320)	33,364,435
Others, net		(451,656)	(1,328,494)
Changes in:			
Trade receivables		(2,186,024)	4,265,866
Inventories		(389,074,678)	(383,201,469)
Other operating assets		(48,357,533)	(69,472,962)
Long-term trade receivables		(60,524,617)	-
Trade payables		565,546	(3,994,396)
Other operating liabilities		339,101,633	27,073,168
Assets for defined benefit plan		(4,111,097)	189,358
Payment of employee benefits		(5,436,067)	(6,823,829)
Cash generated from operating activities		939,303,942	732,742,291

(Continued)

**KOREA WATER RESOURCES CORPORATION**  
**SEPARATE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Notes	2019	2018
		(In thousands of Korean won)	
Dividends received		₩33,176	₩30,522
Interest received		34,257,697	8,068,600
Interest paid		(407,829,995)	(388,966,272)
Income taxes refund (paid)		(5,073,135)	421,802
Net cash provided by operating activities		560,691,685	352,296,943
Cash flows from investing activities			
Acquisition of short-term financial instruments		-	(108,888,975)
Disposal of short-term financial instruments		132,786,394	-
Acquisition of financial assets at FVPL		(5,711,359)	-
Disposal of financial assets at FVPL		887,704	-
Increase in loans		(1,025,482)	(951,185)
Decrease in loans		2,210,971	9,416,679
Increase in deposits		(64,053,739)	(83,594,388)
Decrease in deposits		50,669,324	67,493,394
Acquisition of property, plant and equipment		(90,492,420)	(147,796,982)
Disposal of property, plant and equipment		-	16,569,919
Acquisition of intangible assets		(558,113,522)	(702,908,534)
Disposal of intangible assets		74,662,179	164,701,544
Receipt of government grants		1,216,260	-
Collection of construction charge		200,000	5,403,115
Acquisition of investments in subsidiaries and associates		(16,165,845)	(4,558,000)
Net cash used in investing activities		(472,929,535)	(785,113,413)
Cash flows from financing activities			
Additional acquisition of investment in subsidiaries		-	(76,577,815)
Repayment of lease liabilities		(3,796,418)	-
Repayment of current portion of long-term liabilities		(22,405,600)	(64,402,646)
Settlement of derivatives		(1,269,071)	(5,523,641)
Repayment of debentures		(1,354,963,552)	(1,351,541,500)
Proceeds from debentures		648,190,000	1,469,142,000
Proceeds from long-term borrowings		120,000,000	200,000,000
Cash contribution of Government and Local Government		412,623,204	375,552,653
Net cash provided by financing activities		(201,621,437)	546,649,051
Net increase in cash and cash equivalents		(113,859,287)	113,832,581
Cash and cash equivalents at January 1		232,489,526	118,656,945
Cash and cash equivalents at December 31		₩118,630,239	₩232,489,526

See accompanying notes to the separate financial statements.

**KOREA WATER RESOURCES CORPORATION**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2019 AND 2018, AND**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**1. REPORTING ENTITY:**

Korea Water Resources Development Corporation (“KWRDC”) was incorporated in 1967 in accordance with the Korea Water Resources Development Corporation Act of the Republic of Korea.

KWRDC was reorganized as Industrial Sites & Water Resources Development Corporation on December 24, 1973, pursuant to the Act for Promotion of Industrial Site Development and had been reorganized again as Korea Water Resources Corporation (the “Company”), pursuant to the Korea Water Resources Corporation Act (the “K-water Act”) on July 1, 1988.

The Company is engaged in the business of promoting public interests by developing and managing water resources, facilitating water supply and improving the quality of water. In addition, the Company is involved in development projects for industrial complexes and special-purpose areas in accordance with the K-water Act.

As of December 31, 2019, issued capital of the Company amounts to ₩8,901 billion, and the present ownership of the Company is as follows:

	(Unit: In thousands of Korean won)	
	Share capital	Percentage of ownership
Government of the Republic of Korea	₩8,292,549,916	93.2%
Korea Development Bank	601,390,088	6.7%
Local government	7,026,279	0.1%
	₩8,900,966,283	100.0%

## **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES:**

### (1) Basis of presentation

The Company prepared separate financial statements in accordance with the Korean government-owned and Quasi-government Accounting Regulations and Standards. Korean International Financial Reporting Standard (“K-IFRS”) were adopted for preparing these separate financial statements according to the aforementioned regulations and standards.

#### (i) Government grants (Article 44: Accounting of Government Grants)

Government grants used for the acquisition of certain assets are deducted from the acquisition cost of the acquired assets and such grants are offset against the depreciation expenses of the acquired assets during the useful lives of the assets. Government grants received for consignment management service provided by the Company are recognized as other income.

#### (ii) Contribution to the Employee Welfare Fund (Article 49)

The Company contributes to the employee welfare fund, and contributions are recognized as operating expenses in accordance with Employee Welfare Fund Act.

#### (iii) Presentation of financial statements (Article 2)

Financial statements are prepared and accounts are created and classified in accordance with guidelines set by the Minister of Strategy and Finance.

### (2) New or amended standards issued, but not yet adopted by the Company

New standards and amendments issued but not effective for the period beginning on January 1, 2019, do not exist.

### (3) New or amended standards adopted by the Company

The Company has applied the following amendment to standards and interpretation for the fiscal period beginning on January 1, 2019:

#### 1) Amendments to K-IFRS 1106, *Lease*

The Company has applied K-IFRS 1116 and changed accounting policy at the date of initial application, January 1, 2019. K-IFRS 1116 *Leases* replaces K-1017 *Leases*, Interpretation 2101 *Determining whether an Arrangement contains a Lease*, Interpretation 2015 *Operation Leases-Incentives*, and Interpretation 2027 *Evaluating the Substance of Transaction Involving the Legal Form of la Lease*.

In accordance with the Transition of K-IFRS 1116, the Company has applied the change of accounting policy retrospectively and the cumulative effect of initially applying the standard was recognized as an adjustment to the opening balance of undisposed deficit at the date of initial application, January 1,

2019. Comparative financial statements were not restated. The impact of the application and the practical expedients applied by the Company are described in more details in note 2

#### 2) Amendments to K-IFRS 1109, Financial Instruments

The narrow-scope amendments enable companies to measure certain early-payable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. The amendments do not have a significant impact on the separate financial statements.

#### 3) Amendments to Korean IFRS 1019, Employee Benefits

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

#### 4) Amendments to Korean IFRS 1028, Investments in Associates and Joint Ventures

The amendments clarify that the Company shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The amendments do not have a significant impact on the separate financial statements.

#### 5) Enactment to Interpretation of Korean IFRS 2123, Uncertainty over Income Tax Treatments

The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. The amendments do not have a significant impact on the separate financial statements.

#### (4) Significant accounting policies:

Except as described below, the accounting policies applied by the Company for these separate financial statements are the same as those applied by the Company for its separate financial statements as of and for the year ended December 31, 2018.

##### 1) Lease

The Company has applied K-IFRS 1106, Lease with a date of initial application of January 1, 2019:

The company shall apply a single method for recognition and measurement of all leases unless their terms are under 12 months and for which underlying assets are of low value. Accordingly, the Company shall recognize a right-of-use asset that represents a lessee's right to use an underlying asset and a lease liability that represents responsibility of lease payments

At inception of a contract, the Company assessed whether the contract is, or contains, a lease.

For a contract that were entered before the dated of initial application, the company can apply a practical expedient, not to reassess whether a contract is, or contains, a lease at the date of initial application.

##### (i) When the Company is a Lessor

The Company recognizes lease payments from operating leases as income on either a straight-line basis. The Company adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognize those costs as an expense over the lease term on the same basis as the lease income.

##### (ii) When the Company is a Lessee

The Company recognizes a right-of-use asset and a lease liability at the date of initial application for leases previously classified as an operating lease applying K-IFRS 1017

##### (Initial measurement of the lease liability)

The Company has measured that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Incremental borrowing rate for measuring lease liabilities at January 1, 2019 is 2.05%.

(Unit: In thousands of Korean won)

	<u>K-IFRS 1116</u>
Operating lease agreements at December 31, 2018	₩6,854,698
Present value discounted using the lessee's incremental borrowing rate at January 1, 2019	6,717,000
Finance lease at December 31, 2018	-
leases for which the underlying asset is of low value	-
Leases for which remaining lease term is under 12 months.	-
Variable lease payments that depend on an index or a rate;	-
Lease liabilities at January 1, 2019	6,717,000

The Company has used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease by applying the practical expedients.

The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

(Measurement of a right-of-use asset)

The Company recognizes a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying K-IFRS 1017. The Company measures the use-of-right assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statements of financial position immediately before the date of initial application.

When the Company measured a right-of-use asset at the date of initial application retrospectively with the cumulative effect of initially applying the Standard, the Company has used the following practical expedients on a lease-by-lease basis.

- To rely on its assessment of whether leases are onerous applying K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review
- To exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The company is not required to reassess whether a contract is, or contains, a lease to contracts that were previously identified as a lease. The company shall assess whether the contract is, or contains, a lease at inception of a contract after the date of initial application.

(iii) Summary of new accounting policies

New accounting policies at the date of initial application of K-IFRS 1116 are summarized as follow;

- Right –of-use assets

At the commencement date, the Company recognizes a right-of-use asset. The Company measures the right-of-use asset at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any measurement of the lease liability.

The cost of the right-of-use asset shall comprise: (a) the amount of the initial measurement of the lease liability, (b) any initial direct costs incurred by the lessee, (c) any lease payments made at or before the commencement date, less any lease incentives received.

The Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company performs an impairment review to the right-of-use asset.

- Lease liabilities

At the commencement date, the Company measure the lease liability at the present value of the lease payments that are not paid at that date. the lease payments comprise the following payments (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable; (b) variable lease payments that depend on an index or a rate, (c) amounts expected to be payable by the lessee under residual value guarantees; (d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payment that does not depend on an index or a rate is recognized as an expense.

When the Company measures present value of the lease payments, the Company uses the Company's incremental borrowing rate when that the interest rate implicit cannot be readily determined.

After the commencement date, the Company measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments, or if there is a change in the lease term, or there is a change in the assessment of an option to purchase the underlying asset.

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

The company applies recognition exemption to short-term leases of buildings and vehicles. The company also applies recognition exemption to leases of low value asset for office equipment.

Short-term leases or leases for which the underlying asset is of low value, the Company recognize the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Book values of right-of-use assets and lease liabilities and change of lease payment during the reporting period are described in note 21.

As at January 1, 2019, the date of initial application, the effects on the financial statements of the application of K-IFRS 1116 are as follows.

	(Unit: In thousands of Korean won)		
	December 31, 2018 (before adjustments)	K-IFRS 1116 Adjustments	January 1, 2019 (after adjustments)
CURRENT ASSETS	₩8,096,642,529	₩-	₩8,096,642,529
NON-CURRENT ASSETS	13,318,381,624	6,717,000	13,325,098,624
Property, plant and equipment	1,584,399,754	6,717,000	1,591,116,754
- right-of-use assets	-	6,717,000	6,717,000
<b>TOTAL ASSETS</b>	<b>₩21,415,024,153</b>	<b>₩6,717,000</b>	<b>₩21,421,741,153</b>
CURRENT LIABILITIES	₩2,826,215,982	₩-	₩2,826,215,982
NON-CURRENT LIABILITIES	10,822,190,533	6,717,000	10,828,907,533
Long-term trade and other payables	-	6,717,000	6,717,000
- Lease liabilities	-	6,717,000	6,717,000
<b>TOTAL LIABILITIES</b>	<b>13,648,406,515</b>	<b>6,717,000</b>	<b>13,655,123,515</b>
TOTAL EQUITY	7,766,617,638	-	7,766,617,638
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>₩21,415,024,153</b>	<b>₩6,717,000</b>	<b>₩21,421,741,153</b>

### **3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:**

The Company makes estimates and assumptions concerning the future. The estimates and assumptions are continuously assessed, considering historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (1) Income taxes

The Company recognizes assets and liabilities for anticipated tax audit issues based on the best estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

#### (2) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select variety of methods and make assumptions that are mainly based on market condition existing at the end of the reporting period.

#### (3) Provisions

The company makes payment of incentives every year based on business performance according to management evaluation conducted by Ministry of Economy and Finance. The payment of incentives is recorded as provisions.

#### (4) Net defined benefit liabilities

The present value of the defined benefit liability depends on various factors that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for pensions include the discount rate, which is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined liability are based on current market conditions.

#### 4. SEGMENT INFORMATION:

##### (1) Business segments

The Company is not required to disclose operating segment information. The Company instead has elected to present certain financial information for its six business units as described below:

Business segment	Main goods and services
Multiregional waterworks business	Operational management of multiregional waterworks
Multipurpose dams operation business	Operational management of multipurpose dams
Site development business	Sales and rent of land
Construction business	Construction of tangible assets (waterworks, dams, etc.)
Local waterworks and sewage treatment business	Operation and management of local waterworks and sewage treatment
Other businesses	Foreign business, aggregate business, consignment business, Kyung-in canal operation business, Four River Restoration operation business and renewable energy business

(2) The following table provides information of operations for each operating segment for the years ended December 31, 2019 and 2018:

##### ① December 31, 2019

	Total revenue	Interbusiness unit revenue	External revenue	(Unit: In thousands of Korean won)	
				Operating profit	Depreciation and amortization
Multiregional waterworks business	₩1,155,253,619	₩-	₩1,155,253,619	₩123,407,963	₩396,002,574
Multipurpose dams operation business	492,766,178	-	492,766,178	84,352,282	131,093,533
Site development business	265,562,422	-	265,562,422	124,746,069	1,019,421
Construction business	376,546,362	-	376,546,362	176,456,535	20,034
Local waterworks and sewage treatment business	173,350,568	-	173,350,568	(96,079)	4,232,235
Other businesses	484,903,422	-	484,903,422	(14,165,852)	58,812,533
Total	₩2,948,382,571	₩-	₩2,948,382,571	₩320,008,948	₩591,180,331

② December 31, 2018

	(Unit: In thousands of Korean won)				
	Total revenue	Interbusiness unit revenue	External revenue	Operating profit	Depreciation and amortization
Multiregional waterworks business	₩1,142,324,992	₩-	₩1,142,324,992	₩135,094,423	₩437,103,676
Multipurpose dams operation business	527,642,595	-	527,642,595	151,510,110	126,877,539
Site development business	572,863,589	-	572,863,589	220,240,443	1,846,884
Construction business	570,060,384	-	570,060,384	-	16,525
Local waterworks and sewage treatment business	184,914,316	-	184,914,316	(2,348,247)	3,383,412
Other businesses	378,307,379	-	378,307,379	(25,934,130)	72,779,091
Total	<u>₩3,376,113,255</u>	<u>₩-</u>	<u>₩3,376,113,255</u>	<u>₩478,562,599</u>	<u>₩642,007,127</u>

The Company does not provide information of asset and liability for each operating segment and regional financial information because most of the businesses are done domestically.

#### **5. CASH AND CASH EQUIVALENTS:**

Details of cash and cash equivalents as of December 31, 2019 and December 31, 2018, are as follows:

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Demand deposits	₩41,971,761	₩16,675,920
Cash equivalents classified as short-term investment assets	76,658,478	215,813,606
	<u>₩118,630,239</u>	<u>₩232,489,526</u>

#### **6. RESTRICTED FINANCIAL INSTRUMENTS:**

Details of cash and cash equivalents that are restricted in use as of December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
Description	December 31, 2019	December 31, 2018
Restricted in use for designated purpose (*1)	₩6,787,797	₩15,765,344

(\*1) Restricted cash and cash equivalents consist of advance payments received from customers in light of local waterworks and restricted in use only for designated purposes

## 7. FINANCIAL ASSETS AT FAIR VALUE:

### A. Financial assets at fair value through profit or loss (FVPL)

(1) Details of financial assets measured at fair value through profit or loss as of December 31, 2019 and December 31, 2018, are as follows:

	(Unit: In thousands of Korean won)			
	December 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Financial assets at FVPL:				
Beneficial securities(*1)	₩-	₩7,189,395	₩-	₩2,387,228

(\*1) The financial assets are categorized as available-for-sale financial assets as of December 31, 2018.

(2) Profit or loss in relation to the financial assets at fair value through profit or loss for the years ended December 31, 2019, are as follows.

	2019	2018
Profit (loss) in relation to Beneficial securities	(₩21,489)	(₩24,772)

### B. Derivative instruments

(1) Details of derivative instruments as of December 31, 2019 and December 31, 2018, are as follows:

	(Unit: In thousands of Korean won)			
	December 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Financial derivative assets:				
Currency swap	₩-	₩53,072,389	₩-	₩14,439,857
Interest rate swap (“IRS”)	1,269,071	26,385,215	-	50,721,459
	<u>₩1,269,071</u>	<u>₩79,457,604</u>	-	<u>₩65,161,316</u>
Financial derivative liabilities:				
Currency swap	₩-	₩5,615,863	₩-	₩27,700,721
IRS	1,447,379	15,200,731	-	14,783,287
	<u>₩1,447,379</u>	<u>₩20,816,594</u>	₩-	<u>₩42,484,008</u>

(2) Purpose

The Company entered into currency swap contracts to hedge cash flow risk associated with change in foreign exchange rate and interest rate of foreign currency debentures. Moreover, the Company entered into IRS contracts to hedge cash flow risk associated with change in interest rate of Korean won-denominated debentures.

(3) Details of risks and the Company's strategy

Details of risks: The Company is exposed to risks of fluctuations in exchange rates of Korean won against foreign currencies and interest rate appreciation on the repayment of foreign currency-denominated debentures. Also, the Company is exposed to cash flow risk associated with change in interest rate of Korean won-denominated debentures.

Strategy: The Company entered into cross-currency IRS contracts to fix the principal and interest amount in Korean won and IRS contracts to fix the interest rate of Korean won-denominated debentures.

(4) Details of cross-currency swaps (cash flow hedge) as of December 31, 2019 are as follows:

(Unit: In thousands of Korean won, JPY, USD)

Counterparty	Contract period	Notional amount		Interest rate		Contract exchange rate
		Payment	Receipt	Payment (%)	Receipt (%)	
Korea Development Bank	16.05.20-31.05.20	₩117,250,000	USD 100,000	1.84	2.77	1,172.50
KEB Hana Bank	17.05.23-22.05.23	167,850,000	USD 150,000	2.05	2.75	1,119.00
Korea Development Bank	17.05.23-22.05.23	111,900,000	USD 100,000	2.06	2.75	1,119.00
KB Bank	17.05.23-22.05.23	111,900,000	USD 100,000	2.05	2.75	1,119.00
KEB Hana Bank	18.05.15-23.05.15	323,700,000	USD 300,000	2.15	3.88	1,079.00
NOMURA	18.09.20-23.09.20	225,442,000	CHF 200,000	1.97	0.15	1,127.21
Societe Generale	19.08.02-22.08.02	225,442,000	USD 100,000	1.22	1.56	1,181.90

(5) Details of IRSs (cash flow hedge) as of December 31, 2019 are as follows:

(Unit: In thousands of Korean won)

Counterparty	Contract period	Notional amount	Interest rate	
			Payment (%)	Receipt (%)
Standard Chartered	10.07.16-20.07.16	₩50,000,000	4.97	Pegged with IRS Index
Standard Chartered	10.08.09-20.08.09	40,000,000	4.86	Pegged with IRS Index
BNP-PARIBAS	10.08.09-20.08.09	30,000,000	4.86	Pegged with IRS Index
BNP-PARIBAS	10.08.09-20.08.09	30,000,000	4.86	Pegged with IRS Index
BNP-PARIBAS	10.11.23-20.11.23	20,000,000	4.56	Pegged with BPSTAR(*1) Index
NOMURA	16.01.26-36.01.26	30,000,000	2.04	2.91
Societe Generale	17.03.09-22.06.09	30,000,000	2.11	CD+0.24
NOMURA	17.11.09-37.11.09	50,000,000	2.56	2.86
KEB Hana Bank	18.03.16-23.03.16	200,000,000	2.64	CD+0.33
KEB Hana Bank	18.06.22-28.06.22	100,000,000	2.57	2.94
KEB Hana Bank	18.06.22-43.06.22	100,000,000	2.57	2.94
KDB	18.09.19-43.09.19	60,000,000	2.29	2.57
BNP-PARIBAS	18.12.18-43.12.18	30,000,000	1.99	2.37
KEB Hana Bank	19.09.16-24.09.16	120,000,000	1.41	CD+0.15

(\*1) BNP Paribas Index ("BPSTAR")

(\*2) Certificate of Deposit ("CD")

(6) Valuation gains (losses) and transaction gains (losses) of derivative instruments for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)					
	Valuation gain (loss)		Transaction gain (loss)		Changes in other comprehensive incomes	
	2019	2018	2019	2018	2019	2018
Cash flow hedge	₩39,225,000	₩34,547,000	₩-	₩6,084,000	(₩2,607,221)	(₩3,733,384)

Gain on valuation of derivatives in accumulated other comprehensive income at the end of the period is recognized with tax effect subtracted directly from equity.

## 8. TRADE AND OTHER RECEIVABLES:

(1) Details of trade and other receivables as of December 31, 2019 and 2018, are as follows:

### ① December 31, 2019

	(Unit: In thousands of Korean won)			
	Receivables	Bad debt allowances	Present value discount	Book value
Current assets				
Trade receivables	₩218,426,832	(₩231,126)	₩-	₩218,195,706
Unclaimed construction	320,568,040	-	-	320,568,040
Other receivables	129,178,661	(8,377,954)	-	120,800,707
Subtotal	668,173,533	(8,609,080)	-	659,564,453
Non-current assets	-	-	-	-
Trade receivables	62,831,448	-	(2,314,496)	60,516,952
Other receivables	196,610,042	-	-	196,610,042
Subtotal	259,441,490	-	(2,314,496)	257,126,994
Total	₩927,615,023	(₩8,609,080)	(₩2,314,496)	₩916,691,447

### ② December 31, 2018

	(Unit: In thousands of Korean won)			
	Receivables	Bad debt allowances	Present value discount	Book value
Current assets				
Trade receivables	₩216,371,670	(₩331,760)	₩-	₩216,039,909
Unclaimed construction	366,046,748	-	-	366,046,748
Other receivables	155,780,945	(7,546,834)	-	148,234,111
Subtotal	738,199,363	(7,878,594)	-	730,320,768
Non-current assets	-	-	-	-
Trade receivables	10,000	-	(7,665)	2,335
Other receivables	183,225,626	-	-	183,225,626
Subtotal	183,235,626	-	(7,665)	183,227,961
Total	₩921,434,989	(₩7,878,594)	(₩7,665)	₩913,548,729

(2) Details of other receivables as of December 31, 2019 and December 31, 2018, are as follows:

(Unit: In thousands of Korean won)

	Dec. 31, 2019			Dec. 31, 2018		
	Receivables	Bad debt allowances	Book value	Receivables	Bad debt allowances	Book value
Current assets :						
Other receivables	₩107,616,684	(₩8,377,954)	₩99,238,730	₩109,050,279	(₩7,546,834)	₩101,503,445
Accrual revenue	21,345,122	-	21,345,122	46,560,151	-	46,560,151
Deposits	216,856	-	216,856	170,515	-	170,515
Non-current assets:			-			-
Deposits	196,610,042	-	196,610,042	183,225,627	-	183,225,627
	<u>₩325,788,704</u>	<u>(₩8,377,954)</u>	<u>₩317,410,750</u>	<u>₩339,006,572</u>	<u>(₩7,546,834)</u>	<u>₩331,459,738</u>

### (3) Credit risk and allowances

The trade and other receivables above are categorized as financial assets at amortized cost. Trade receivables do not contain interest factor and ordinary collection period is 30 days.

① Details of aging analysis on trade receivables as of December 31, 2019 and 2018 are as follows:

(Unit: In thousands of Korean won)

	December 31, 2019	December 31, 2018
Normal receivables	₩256,729,131	₩196,425,285
Receivables overdue but not impaired	11,689,439	16,663,237
- More than 12 months	1,705,851	12,842,781
- 12 months ~ 24 months	4,861,577	2,333,888
- 6 months ~ 12 months	2,982,385	1,431,099
- 3 months ~ 6 months	1,379,764	14,587
- 1 months ~ 3 months	759,862	40,882
Impaired receivables	12,839,710	3,293,148
- More than 24 months	10,686,356	275,801
- 12 months ~ 24 months	436,495	49,143
- 6 months ~ 12 months	1,532,675	1,973,255
- 3 months ~ 6 months	96,376	943,391
- 1 months ~ 3 months	87,808	51,558
Subtotal	281,258,280	216,381,670
Less: bad debt allowance	(231,126)	(331,760)
Less: present value discount	(2,314,496)	(7,665)
Total	<u>₩278,712,658</u>	<u>₩216,042,245</u>

② Details of aging analysis on other receivables as of December 31, 2019 and 2018 are as follows

(Unit: In thousands of Korean won)

	December 31, 2019	December 31, 2018
Normal receivables	₩622,799,924	₩646,866,454
Receivables overdue but not impaired	12,412,871	46,382,256
- More than 12 months	-	1,520,786
- 12 months ~ 24 months	40,917	18,867,478
- 6 months ~ 12 months	450,019	10,894,139
- 3 months ~ 6 months	11,921,935	4,839,656
- 1 months ~ 3 months	-	10,260,196
Impaired receivables	11,143,948	11,804,609
- More than 24 months	7,617,464	6,657,388
- 12 months ~ 24 months	2,045,012	2,011,051
- 6 months ~12 months	1,030,342	2,538,211
- 3 months ~6 months	398,481	439,037
- 1 months ~3 months	52,649	158,921
Subtotal	646,356,743	705,053,319
Subtraction: bad debt allowance	(8,377,954)	(7,546,834)
Total	<u>₩637,978,789</u>	<u>₩697,506,485</u>

(\*) Other receivables contain contract assets (unclaimed construction).

(4) Details of changes in bad debt allowance of trade and other receivables in 2019 and 2018 are as follows:

(Unit: In thousands of Korean won)

	2019		2018	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning balance	₩331,760	₩7,546,834	₩195,234	₩6,995,408
IFRS Adjustment (beginning)	-	-	136,826	(53,816)
Bad debt expenses	30,228	3,102,939	50,866	1,047,149
Write-off of trade and other receivables	(130,862)	(2,271,818)	(51,165)	(441,907)
Ending balance	<u>₩231,126</u>	<u>₩8,377,954</u>	<u>₩331,760</u>	<u>₩7,546,834</u>

**9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)**

(1) Changes in financial assets measured at fair value through other comprehensive income (unlisted stocks) for the years ended December 31, 2019 and 2018 are as follows:

① 2019

	(Unit: In thousands of Korean won)				
	Beginning balance	Acquisitions	Disposals	Valuation	Ending balance
Unlisted equity securities	₩26,377,466	₩-	₩-	(₩83,211)	₩26,294,255

② 2018

	(Unit: In thousands of Korean won)				
	Beginning balance	Acquisitions	Disposals	Valuation	Ending balance
Unlisted equity securities	₩5,649,542	₩20,772,301	₩-	(₩44,377)	₩26,377,466

(2) Details of unlisted stocks as of December 31, 2019 and 2018 are as follows:

	(Unit: In thousands of Korean won)					
	Ownership	Stocks	Acquisition cost	Fair value	Dec 31, 2019 Book value	Dec 31, 2018 Book value
Korea construction management corporation	18.90%	178,200	₩4,000,000	₩4,000,000	₩4,000,000	₩4,000,000
Korea foreign infra/urban development resources corporation	11.00%	4,154,400	20,772,301	20,644,713	20,644,713	20,727,924
P-waters, Limited	2.00%	36,144	180,720	180,720	180,720	180,720
Luzon clean water	2.80%	67,500,000	1,468,822	1,468,822	1,468,822	1,468,822
Total			₩26,421,843	₩26,294,255	₩26,294,255	₩26,377,466

**10. SHORT-TERM FINANCIAL INSTRUMENTS:**

Details of short-term financial instruments as of December 31, 2019 and 2018 are as follows:

	(Unit: In thousands of Korean won)	
	Dec 31, 2019	Dec 31, 2018
	Current	Current
Specific money trust	₩-	₩132,786,394

## 11. OTHER FINANCIAL ASSETS:

Other financial assets as of December 31, 2019 and 2018 are as follows:

(Unit: In thousands of Korean won)

	December 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Employee loan	₩-	₩7,692,846	₩-	₩8,609,583
Other loan	1,760,788	7,298,617	1,700,412	7,627,744
	₩1,760,788	₩14,991,463	₩1,700,412	₩16,237,327

## 12. INVENTORIES:

Details of inventories as of December 31, 2019 and 2018 are as follows:

(Unit: In thousands of Korean won)

	December 31, 2019		December 31, 2018	
	Acquisition cost	Book value	Acquisition cost	Book value
Raw materials	₩3,812,144	₩3,812,144	₩3,357,834	₩3,357,834
Product	7,440,921,613	7,440,921,613	6,921,120,487	6,921,120,487
Store	8,028,512	8,028,512	8,167,065	8,167,065
Other stock	96,526	96,526	96,526	96,526
	₩7,452,858,795	₩7,452,858,795	₩6,932,741,912	₩6,932,741,912

## 13. NON-FINANCIAL ASSETS:

Details of non-financial assets as of December 31, 2019 and 2018 are as follows:

(Unit: In thousands of Korean won)

	December 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Prepayment	₩137,175,441	₩-	₩54,989,188	₩-
Accrual assets	5,387,952	-	11,614,328	-
Others	-	3,849,346	-	3,735,188
	₩142,563,393	₩3,849,346	₩66,603,516	₩3,735,188

## 14. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES:

Details of subsidiaries and associates as of December 31, 2019 and 2018, are as follows:

(Unit: In thousands of Korean won)

Companies	Principal activity	Country of corporation	Ownership (%)	Acquisition cost	Book value	
					Dec. 31, 2019	Dec. 31, 2018
Subsidiaries:						
KDS Hydro Pte. Ltd.	Investment for Patrind hydropower project in Pakistan	Singapore	80.00%	₩103,921,368	₩103,681,085	₩103,681,085
Waterway Plus Co., Ltd.	Marina business at Kyung-in Canal	Korea	100.00%	5,900,000	5,900,000	5,900,000
K-Water Thailand Co., Ltd.	Water management project in Thailand	Thailand	99.99%	28,831	28,831	28,831
JSC Nenskra Hydro	Nenskra hydropower project in Georgia	Georgia	93.01%	203,504,320	203,504,320	191,787,320
TinaHydropower Limited	Water management project in Solomon Island	Solomon Island	100.00%	4,745,173	4,745,173	1,564,922
K-Water Operations Management	Service for K-Water Operations Management	Korea	100.00%	500,000	500,000	500,000
Patrind O&M (*1)	Hydropower project in Pakistan	Singapore	99.99%	462,505	462,505	-
Hasang O&M (*1)	Hydropower project in Indonesia	Indonesia	94.99%	763,699	763,699	-
				₩319,825,896	₩319,585,613	₩303,462,158
Associates:						
KWPP Holdings Co.	Angat Dam hydropower project in Philippines	Philippines	38.50%	₩268	₩268	₩268
Angat Hydropower Co. (*1)	Angat Dam hydropower project in Philippines	Philippines	40.00%	100,845,106	73,916,506	80,113,249
Water Genesis	K-Water R&D company	Korea	20.00%	10,000	10,000	-
Pump Care	K-Water R&D company	Korea	20.00%	10,380	10,380	-
Sejong Tech	K-Water R&D company	Korea	20.00%	11,000	11,000	-
Surjitech	K-Water R&D company	Korea	20.00%	11,010	11,010	-
				₩100,887,764	₩73,959,164	₩80,113,516

(\*1) After the Company acquired share 99.99% (₩22,302,766 thousand) of Angat Hydropower Co. in 2014, it was classified into a subsidiary but after its share 59.99% (₩45,236,869 thousand) was disposed (gain on disposal of investment in subsidiary of ₩31,855,209 thousand) in 2014, it was classified into an associate.

## 15. PROPERTY, PLANT AND EQUIPMENT:

(1) Details of property, plant and equipment as of December 31, 2019 and 2018, are as follows:

① December 31, 2019

(Unit: In thousands of Korean won)

	Acquisition cost	Government grant	Accumulated depreciation	Net book value
Land	₩247,543,859	₩-	₩-	₩247,543,859
Buildings	551,501,506	(704,780)	(228,215,837)	322,580,889
Structures	468,489,294	-	(156,984,036)	311,505,258
Machinery and equipment	1,078,495,316	-	(618,752,314)	459,743,002
Ships	13,914,779	-	(9,965,397)	3,949,382
Vehicles	15,128,726	-	(10,771,024)	4,357,702
Furniture and fixtures	87,029,688	-	(56,808,286)	30,221,402
Tools	89,585,262	-	(72,058,877)	17,526,385
Construction in progress	179,481,396	-	-	179,481,396
Right-of-use assets	8,288,218	-	(3,162,000)	5,126,218
	<b>₩2,739,458,044</b>	<b>(₩704,780)</b>	<b>(₩1,156,717,771)</b>	<b>₩1,582,035,493</b>

② December 31, 2018

(Unit: In thousands of Korean won)

	Acquisition cost	Government grant	Accumulated depreciation	Net book value
Land	₩247,956,664	₩-	₩-	₩247,956,664
Buildings	541,918,948	(745,615)	(208,113,859)	333,059,474
Structures	466,835,367	-	(141,100,972)	325,734,395
Machinery and equipment	1,071,250,623	-	(574,221,404)	497,029,219
Ships	13,732,844	-	(10,093,816)	3,639,028
Vehicles	14,954,567	-	(9,459,181)	5,495,386
Furniture and fixtures	78,770,838	-	(53,153,828)	25,617,010
Tools	84,312,596	-	(70,330,277)	13,982,319
Construction in progress	131,886,259	-	-	131,886,259
	<b>₩2,651,618,706</b>	<b>(₩745,615)</b>	<b>(₩1,066,473,337)</b>	<b>₩1,584,399,754</b>

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

① December 31, 2019

	(Unit: In thousands of Korean won)						
	Net book value at Jan 1, 2019	Acquisition	Disposal	Depreciation	Transfer	Others(*1)	Net book value at Dec 31, 2018
Land	₩247,956,665	₩-	(₩412,805)	₩-	₩-	₩-	₩247,543,860
Buildings	333,805,088	-	(398,720)	(20,543,399)	10,228,270	194,430	323,285,669
Government grants	(745,616)	-	-	40,835	-	-	(704,781)
Structures	325,734,395	-	(243,723)	(16,032,451)	1,698,109	348,927	311,505,257
Machinery and equipment	497,029,218	-	(1,012,168)	(46,580,409)	7,836,595	2,469,763	459,742,999
Ships	3,639,029	-	(13,048)	(733,627)	1,057,028	-	3,949,382
Vehicles	5,495,386	807,269	(25)	(1,944,928)	-	-	4,357,702
Furniture and fixtures	25,617,010	13,080,248	(6,931)	(8,469,203)	-	280	30,221,404
Tools	13,982,319	-	(190)	(4,540,213)	8,084,470	-	17,526,386
Construction in progress	131,886,260	76,604,904	-	-	(28,904,472)	(105,295)	179,481,397
Right-of-use assets	1,584,399,754	-	-	(3,666,023)	-	8,792,241	1,589,525,972
	<u>₩3,168,799,508</u>	<u>₩90,492,420</u>	<u>(₩2,087,609)</u>	<u>(₩102,469,417)</u>	<u>₩-</u>	<u>₩11,700,346</u>	<u>₩1,582,035,493</u>

(\*1) Others include ₩3,013,400 thousand transferred from intangible assets, ₩105,295 thousand transferred to construction in progress and ₩7,144,937 thousand from the effect of accounting change.

② December 31, 2018

	(Unit: In thousands of Korean won)						
	Net book value at January 1, 2018	Acquisition	Disposal	Depreciation	Transfer	Others(*1)	Net book value at December 31, 2018
Land	₩182,629,054	₩11,156,200	(₩1,907)	₩-	₩54,170,630	₩2,688	₩247,956,665
Buildings	291,481,303	-	(306,383)	(16,838,566)	59,507,809	(39,075)	333,805,088
Government grants	(786,451)	-	-	40,835	-	-	(745,616)
Structures	287,262,816	-	(1)	(14,713,539)	53,190,718	(5,599)	325,734,395
Machinery and equipment	513,107,655	-	(1,012,840)	(42,687,762)	27,595,151	27,014	497,029,218
Ships	3,799,888	-	(6)	(733,593)	572,740	-	3,639,029
Vehicles	5,809,759	1,520,986	(26)	(1,834,391)	-	(942)	5,495,386
Furniture and fixtures	20,491,647	12,910,870	(4,200)	(7,777,608)	8,243	(11,942)	25,617,010
Tools	12,217,612	-	(1,159)	(4,428,678)	6,181,297	13,247	13,982,319
Construction in progress	227,236,832	122,460,786	(15,053,764)	-	(201,226,588)	(1,531,006)	131,886,260
	<u>₩1,543,250,115</u>	<u>₩148,048,842</u>	<u>(₩16,380,286)</u>	<u>(₩88,973,302)</u>	<u>₩-</u>	<u>(₩1,545,615)</u>	<u>₩1,584,399,754</u>

(\*1) Others include ₩172,336 thousand transferred from intangible assets.

## 16. INTANGIBLE ASSETS:

(1) Details of intangible assets other than goodwill as of December 31, 2019 and 2018, are as follows:

### ① December 31, 2019

(Unit: In thousands of Korean won)

	Acquisition cost	Contributions toward construction	Government grant	Accumulated amortization and impairment	Net book value
Software	₩157,068,560	₩-	₩-	(₩99,056,242)	₩58,012,318
Industrial proprietary rights	449,094	-	-	(₩403,238)	45,856
Intangible assets under development	3,746,545,788	-	(1,263,455)	(₩1,168,853,889)	2,576,428,444
Concession assets usage rights	16,199,094,323	(3,917,943)	(15,032,493)	(₩8,804,280,881)	7,375,863,006
Other intangible assets	6,279,425,681	-	-	(₩5,269,831,422)	1,009,594,259
	<u>₩26,382,583,446</u>	<u>(₩3,917,943)</u>	<u>(₩16,295,948)</u>	<u>(₩15,342,425,672)</u>	<u>₩11,019,943,883</u>

### ② December 31, 2018

(Unit: In thousands of Korean won)

	Acquisition cost	Contributions toward construction	Government grant	Accumulated amortization and impairment	Net book value
Software	₩147,878,791	₩-	₩-	(₩96,265,334)	₩51,613,457
Industrial proprietary rights	449,094	-	-	(₩382,724)	66,370
Intangible assets under development	3,346,072,736	-	(6,334,196)	(₩1,168,853,889)	2,170,884,651
Concession assets usage rights	16,456,895,445	(4,403,786)	(16,376,591)	(₩8,648,892,128)	7,787,222,940
Other intangible assets	6,278,568,346	-	-	(₩5,269,831,423)	1,008,736,923
	<u>₩26,229,864,412</u>	<u>(₩4,403,786)</u>	<u>(₩22,710,787)</u>	<u>(₩15,184,225,498)</u>	<u>₩11,018,524,341</u>

(2) Changes in intangible assets other than goodwill for the years ended December 31, 2019 and 2018, are as follows:

① December 31, 2019

	(Unit: In thousands of Korean won)			
	Net book value at January 1, 2019	Additions	Disposal	Amortizations
Software	₩51,613,457	₩12,082,625	₩-	(₩5,683,764)
Industrial proprietary rights	66,370	-	-	(20,514)
Intangible assets under development	2,177,218,847	545,173,562	-	-
(Government grants)	(6,334,196)	(1,216,260)	-	-
Concession assets usage rights	7,803,599,531	-	(70,145,703)	(484,350,733)
(Government grants)	(16,376,591)	-	-	1,344,098
Other intangible assets	1,008,736,923	857,336	-	-
	<u>₩11,018,524,341</u>	<u>₩556,897,263</u>	<u>(₩70,145,703)</u>	<u>(₩488,710,913)</u>
	Impairment loss	Transfer	Others (*1)	Net book value at December 31, 2019
Software	₩-	₩-	₩-	₩58,012,318
Industrial proprietary rights	-	-	-	45,856
Intangible assets under development	-	(141,687,109)	(3,013,400)	2,577,691,900
(Government grants)	-	-	6,287,000	(1,263,456)
Concession assets usage rights	-	141,687,109	105,295	7,390,895,499
(Government grants)	-	-	-	(15,032,493)
Other intangible assets	-	-	-	1,009,594,259
	<u>₩-</u>	<u>₩-</u>	<u>₩3,378,895</u>	<u>₩11,019,943,883</u>

(\*1) Others include intangible assets under development of ₩105,295 thousand transferred to property, plant and equipment

② December 31, 2018

	(Unit: In thousands of Korean won)			
	Net book value at January 1, 2018	Additions	Disposal	Amortizations
Software	₩38,848,434	₩15,939,412	(₩15)	(₩4,705,380)
Industrial proprietary rights	89,294	-	-	(22,924)
Intangible assets under development	1,812,064,154	668,227,387	-	-
(Government grants)	(6,334,196)	-	-	-
Concession assets usage rights	8,571,374,379	529,998,495	(581,660,283)	(549,649,619)
(Government grants)	(41,035,237)	-	-	1,344,098
Other intangible assets	1,007,488,213	1,553,523	(304,813)	-
	<b>₩11,382,495,041</b>	<b>₩1,215,718,817</b>	<b>(₩581,965,111)</b>	<b>(₩553,033,825)</b>
	Impairment loss (*1)	Transfer	Others (*2)	Net book value at December 31, 2018
Software	₩-	₩-	₩1,531,006	₩51,613,457
Industrial proprietary rights	-	-	-	66,370
Intangible assets under development	-	(259,245,569)	(43,827,125)	2,177,218,847
(Government grants)	-	-	-	(6,334,196)
Concession assets usage rights	-	259,245,569	(425,709,010)	7,803,599,531
(Government grants)	-	-	23,314,548	(16,376,591)
Other intangible assets	-	-	-	1,008,736,923
	<b>₩-</b>	<b>₩-</b>	<b>(₩444,690,581)</b>	<b>₩11,018,524,341</b>

(\*1) Others include intangible assets under development of ₩172,337 thousand transferred to property.

(3) Details of individually significant intangible assets as of December 31, 2019 and 2018, are as follows:

① December 31, 2019

		(Unit: In thousands of Korean won)
		Amount
Description		
Software	Development expense, other intangible assets and construction in progress for data processing	₩58,012,318
Industrial proprietary rights	Copyright, patents and industrial proprietary rights	45,856
Intangible assets under development	Water facilities under construction	2,576,428,444
Concession assets usage rights	Management right of water facilities in capital area	6,100,496,435
	Usage rights of water dams, usage rights of hydrogen dams, concession asset usage rights and management right of aggregate complex	1,275,366,571
Other intangible assets	Waterfront business rights	1,000,000,000
	Membership	9,594,259
Total		<u>₩11,019,943,883</u>

② December 31, 2018

		(Unit: In thousands of Korean won)
		Amount
Description		
Software	Development expense, other intangible assets and construction in progress for data processing	₩51,613,457
Industrial proprietary rights	Copyright, patents and industrial proprietary rights	66,370
Intangible assets under development	Water facilities under construction	2,170,884,651
Concession assets usage rights	Management right of water facilities in capital area	6,433,543,798
	Usage rights of water dams, usage rights of hydrogen dams, concession asset usage rights and management right of aggregate complex	1,353,679,142
Other intangible assets	Waterfront business rights	1,000,000,000
	Membership	8,736,923
Total		<u>₩11,018,524,341</u>

## **17. CONTRACT ASSET AND CONTRACT LIABILITY:**

The Company applied Accounting Standard No. 1115 'Revenue occurring in contract with customers' from the beginning of 2018.

(1) Contract assets and contract liabilities recognized by the Company as of December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Contract asset – Unclaimed construction	₩320,568,040	₩366,046,748
Contract liabilities – extra-invoiced construction	22,364,405	60,290,392

## **18. TRADE AND OTHER PAYABLES:**

Details of trade and other payables as of December 31, 2019 and 2018 are as follows

	(Unit: In thousands of Korean won)			
	December 31, 2019		December 31, 2018	
	Current	Non-Current	Current	Non-Current
Trade payables	₩17,477,323	₩-	₩16,911,777	₩-
Other payables	247,710,074	-	193,784,651	-
Accrued expenses	106,146,775	-	137,293,197	-
Dividend payables	312,406	-	312,406	-
Lease liabilities	2,896,878	2,224,749	-	-
Others	37,910,012	-	2,725,129	-
	₩412,453,468	₩2,224,749	₩351,027,160	₩-

## 19. BORROWINGS AND DEBENTURES:

(1) Details of borrowings and debentures as of December 31, 2019 and 2018, are as follows:

(Unit: In thousands of Korean won)

	December 31, 2019	December 31, 2018
Current:		
Current portion of long-term borrowings	₩13,229,200	₩22,405,600
Current portion of debentures	1,040,499,000	1,155,190,000
	<u>1,053,728,200</u>	<u>1,177,595,600</u>
Non-current:		
Long-term borrowings	326,544,800	219,774,000
Debentures	9,733,234,000	10,286,318,000
Less: Present value of discount on debentures	(5,872,980)	(6,546,565)
	<u>10,053,905,820</u>	<u>10,499,545,435</u>
	<u>₩11,107,634,020</u>	<u>₩11,677,141,035</u>

(2) Repayment schedule of borrowings and debenture are as follows:

① December 31, 2019

(Unit: In thousands of Korean won)

	Borrowings	Debenture	Total
In 1 year	₩13,229,200	₩1,040,499,000	₩1,053,728,200
1~5 years	325,744,800	4,237,454,000	4,563,198,800
After 5 year	800,000	5,495,780,000	5,496,580,000
	<u>₩339,774,000</u>	<u>₩10,773,733,000</u>	<u>₩11,113,507,000</u>

② December 31, 2018

(Unit: In thousands of Korean won)

	Borrowings	Debenture	Total
In 1 year	₩22,405,600	₩1,155,190,000	₩1,177,55,600
1~5 years	219,774,000	4,914,508,000	5,134,282,000
After 5 year	-	5,371,810,000	5,371,810,000
	<u>₩242,179,600</u>	<u>₩11,441,508,000</u>	<u>₩11,683,687,600</u>

(3) Details of long-term borrowings as of December 31, 2019 and 2018, are as follows:

(Unit: In thousands of Korean won)

Financial institutions	Interest rate	Maturity	December 31, 2019	December 31, 2018
Long-term borrowings denominated in Korean won				
Korea Development Bank	Floating interest rate	2023	₩19,774,000	₩42,179,600
KEB Hana Bank	Floating interest rate	2023	320,000,000	200,000,000
Total			339,774,000	242,179,600
Less: Current portion of long-term borrowings			(13,229,200)	(22,405,600)
			₩326,544,800	₩219,774,000

(4) Details of debentures as of December 31, 2019 and December 31, 2018, are as follows:

(Unit: In thousands of Korean won, JPY and USD)

Series	Interest rate	Maturity	December 31, 2019		December 31, 2018	
			Foreign currency	Korean won	Foreign currency	Korean won
101st–241th	5.49%, etc.	01/14/2020– 12/21/2047		₩9,550,000,000	-	₩10,370,000,000
Land compensation (15-01–17-12)	2.60%, etc.	01/07/2017– 12/31/2020		499,000	-	5,689,000
Euro-USD bonds	3.88%, etc.	23/05/2022 - 20/05/2031	USD 850,000,000	984,130,000	USD 750,000,000	838,575,000
CHF bonds	0.15%	23/09/2023	CHF 200,000,000	239,104,000	CHF 200,000,000	227,244,000
				10,773,733,000		11,441,508,000
Less: Present value discount				(5,872,980)		(6,546,565)
Less: Current portion				(1,040,499,000)		(1,155,190,000)
				₩9,727,361,020		₩10,279,771,435

## **20. OTHER FINANCIAL LIABILITIES:**

Details of other financial liabilities as of December 31, and 2018 are as follows:

(Unit: In thousands of Korean won)

	December 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Derivatives	₩1,447,379	₩20,816,594	₩ -	₩42,484,008

## **21. LEASES:**

(1) Lease agreements

In previous year, the company recognized lease liabilities in relation to the finance leases which was classified into finance leases according to K-IFRS 1017 in previous year. In this year, the Company has recognized right-of-use assets and lease liabilities in relation to the leases which was previously classified into operating lease for implementation of K-IFRS 1017. The Company recognized ₩1,166,593 thousand as expense for the leases of which underlying assets are below ₩ 6,000 thousand.

(2) Right-of-use assets by class of underlying asset as of December 31, 2019, are as follows.

(Unit: In thousands of Korean won)

	Acquisition cost	Accumulated depreciation	Net book value
Right-of-use assets, Buildings	₩3,351,739	(₩1,334,314)	₩2,017,425
Right-of-use assets, vehicles	4,936,479	(1,827,686)	3,108,793
	<u>₩8,288,218</u>	<u>(₩3,162,000)</u>	<u>₩5,126,218</u>

(3) Movements in right-of-use assets by class of underlying asset for the years ended December 31, 2019, are as follows:

(Unit: In thousands of Korean won)

	Net book value at Jan 01,2019	Change on accounting policies	Acquisitions	Depreciation	Disposals	Net book value at Dec 31,2019
Right-of-use assets, buildings	₩-	₩3,430,717	₩-	(₩1,413,292)	₩-	₩2,017,425
Right-of-use assets, vehicles	-	3,286,283	2,075,241	(2,252,731)	-	3,108,793
	<u>₩-</u>	<u>₩6,717,000</u>	<u>₩2,075,241</u>	<u>(₩3,666,023)</u>	<u>₩-</u>	<u>₩5,126,218</u>

(4) Details of lease liabilities as of December 31, 2019, are as follows.

(Unit: In thousands of Korean won)

	Acquisition cost
Less than and equal to 1 year	₩2,956,264
Less than 1 year and more than and equal to 5 years	2,270,356
More than 5 years	-
Total undiscounted lease payments	5,226,620
Discounts on present value	(104,993)
Present value of the lease payments	<u>₩5,121,627</u>

(5) Current and non-current portions of lease liabilities as of December 31, 2019, are as follows.

(Unit: In thousands of Korean won)

	December 31, 2019
Current	₩2,896,878
Non-Current	2,224,749
	<u>₩5,121,627</u>

(6) Movements in lease liabilities in relation to lease agreement for the years ended December 31, 2019, are as follows:

(Unit: In thousands of Korean won)

	Net book value at Jan 01,2019	change on accounting policies	Addition	Interest	Repayment	Net book value at Dec 31,2019
Lease liabilities	₩-	₩6,717,000	₩2,075,241	₩125,805	(₩3,796,419)	₩5,121,627

(7) Profit or loss in relation to the lease for the years ended December 31, 2019, are as follows.

(Unit: In thousands of Korean won)

	Acquisition cost
Depreciation of right-of-use assets:	
Right-of-use assets, buildings	₩1,413,292
Right-of-use assets, vehicles	2,252,731
Payments of Interest	125,805
Payments for short term leases	-
Payments for leases of low-value assets	1,166,593
	₩4,958,421

(8) The Company recognized ₩3,796,418 thousand as total cash outflow in statement of cash flows for the years ended December 31, 2019.

## **22. EMPLOYEE BENEFITS:**

### (1) Defined contribution retirement plan

The Company sponsors defined contribution plan for certain qualified employees. The plan assets are managed independently from the Company's assets by the plan administrator. If employees leave before they meet the requirements to be qualified for the defined contribution plan, the Company's contribution payable is reduced by the amount of the contribution lost.

Profit or loss recognized by defined contribution retirement plan for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Cost of good sells	₩12,662,018	₩12,178,930
Selling and administrative expenses (Retirement benefit)	3,271,931	1,656,821
Other	818,320	767,649
	₩16,752,269	₩14,603,399

(2) Defined benefit retirement plan

① Actuarial assumptions as of December 31, 2019 and December 31, 2018, are as follows:

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Discount rate	2.13%	2.40%
Expected rate on plan assets	2.13%	2.40%
Future salary increase rate	4.19%	3.98%

② Details of expenses recognized in profit or loss for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Current service costs	₩28,807,316	₩26,697,021
Previous service costs	31,898,171	-
Interest on obligation	4,908,409	4,533,457
Interest on plan assets	(314,839)	(275,228)
	<u>₩65,299,057</u>	<u>₩30,955,250</u>

The amounts recognized in employee expenses in the accompanying separate statement of comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Cost of sales	₩29,063,354	₩24,602,967
Selling, general and administrative expenses	18,596,907	4,077,393
Others	17,638,796	2,274,890
	<u>₩65,299,057</u>	<u>₩30,955,250</u>

③ Present value of defined benefit obligations and fair value of plan assets as of December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	₩282,836,055	₩211,504,841
Fair value of plan assets	(16,645,212)	(12,188,357)
Recognized as defined benefit liabilities	<u>₩266,190,843</u>	<u>₩199,316,484</u>

- ④ Movements in present value of defined benefit obligations for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Beginning balance	₩211,504,841	₩176,304,894
Current service costs	28,807,316	26,697,020
Previous service costs	31,898,171	-
Interest on obligation	4,908,409	4,533,457
Actuarial loss (gain)	11,153,385	10,793,299
Benefits paid	(5,436,067)	(6,823,829)
Ending balance	<u>₩282,836,055</u>	<u>₩211,504,841</u>

- ⑤ Movements in plan assets for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Beginning balance	₩12,188,357	₩12,141,393
Operating commissions	(30,853)	(32,517)
Interest on plan assets	314,839	275,228
Actuarial loss	61,771	(38,906)
Contributions by employer directly to plan assets	4,500,000	-
Benefit paid by the plan	(388,902)	(156,841)
Ending balance	<u>₩16,645,212</u>	<u>₩12,188,357</u>

Accumulated actuarial loss recorded in other comprehensive income as of December 31, 2019 and 2018, is as follows:

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Accumulated actuarial loss	(₩21,255,366)	(₩12,847,923)

- ⑥ Main categories of the plan assets as of December 31, 2019 and December 31, 2018, are as follows:

	(Unit: In thousands of Korean won)	
	Fair value of plan assets	
	December 31, 2019	December 31, 2018
Financial deposits and others	₩16,645,212	₩12,188,357

For 2019, the actual return on the plan asset is ₩376,610 thousand.

## 23. PROVISIONS:

(1) Provisions as of December 31, 2019 and 2018 are as follows:

(Unit: In thousands of Korean won)

	December 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Current provision for employment	₩99,340,692	₩-	₩88,064,261	₩-
Provision for lawsuit	34,330,845	-	-	34,330,845
Provision for greenhouse gas	6,638,670	-	3,747,484	-
Other current provision	218,768	-	4,993,429	-
	<u>₩140,528,975</u>	<u>₩-</u>	<u>₩96,805,174</u>	<u>₩34,330,845</u>

(2) Changes in provisions for the years ended December 31, 2019 and 2018 are as follows:

### ① December 31, 2019

(Unit: In thousands of Korean won)

	Beginning	Transfer	Use	Reversal	Ending
Current provision for employment	₩88,064,261	₩99,929,928	(₩88,653,497)	₩-	₩99,340,692
Provision for lawsuit	34,330,845	23,928,481	(23,928,481)	-	34,330,845
Provision for greenhouse gas	3,747,484	3,842,162	(950,976)	-	6,638,670
Other current provision	4,993,429	-	(4,774,661)	-	218,768
	<u>₩131,136,019</u>	<u>₩127,700,571</u>	<u>(₩118,307,615)</u>	<u>₩-</u>	<u>₩140,528,975</u>

### ② December 31, 2018

(Unit: In thousands of Korean won)

	Beginning	Transfer	Use	reversal	Ending
Current provision for employment	₩86,679,602	₩85,162,325	(₩83,777,666)	₩-	₩88,064,261
Provision for lawsuit	37,641,847	2,392,582	(5,703,584)	-	34,330,845
Provision for recovery	22,745,859	17,463,824	(40,209,683)	-	-
Provision for greenhouse gas	1,498,816	3,747,484	(1,498,816)	-	3,747,484
Other current provision	11,293,735	3,816,845	(13,497,067)	3,379,916	4,993,429
	<u>₩159,859,859</u>	<u>₩112,583,060</u>	<u>(₩144,686,816)</u>	<u>₩3,379,916</u>	<u>₩131,136,019</u>

## 24. GOVERNMENT GRANTS:

(1) Details of government grants as of December 31, 2019 and the year ended December 31, 2018, are as follows:

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Buildings	(₩704,780)	(₩745,615)
Intangible assets under development	(1,263,455)	(6,334,196)
Concession assets usage rights	(15,032,493)	(16,376,591)
	<u>(₩17,000,728)</u>	<u>(₩23,456,402)</u>

(2) Movements of government grants related to assets for the years ended December 31, 2019 and 2018, are as follows:

### ① December 31, 2019

	(Unit: In thousands of Korean won)						
	Book value at Jan 01, 2018	Receipt	Acquisitions	Offset the depreciation	Profit	Others	Book value at Dec 31, 2018
Buildings	(₩745,615)	₩-	₩-	₩40,835	₩-	₩-	(₩704,780)
Intangible assets under development	(6,334,196)	(1,216,259)	-	-	-	6,287,000	(1,263,455)
Concession assets usage rights	(16,376,591)	-	-	1,344,098	-	-	(15,032,493)
	<u>(₩23,456,402)</u>	<u>(₩1,216,259)</u>	<u>₩-</u>	<u>₩1,384,933</u>	<u>₩-</u>	<u>₩6,287,000</u>	<u>(₩17,000,728)</u>

### ② December 31, 2018

	(Unit: In thousands of Korean won)						
	Book value at January 1, 2018	Receipt	Acquisitions	Offset the depreciation	Profit	Others	Book value at December 31, 2018
Buildings	(₩786,451)	₩-	₩-	₩40,836	₩-	₩-	(₩745,615)
Intangible assets under development	(6,334,196)	-	-	-	-	-	(6,334,196)
Concession assets usage rights	(41,035,237)	-	-	1,344,098	-	23,314,548	(16,376,591)
	<u>(₩48,155,884)</u>	<u>₩-</u>	<u>₩-</u>	<u>₩1,384,934</u>	<u>₩-</u>	<u>₩23,314,548</u>	<u>(₩23,456,402)</u>

## 25. CONSTRUCTION CHARGES:

(1) Change in construction charge revenue for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Offset with deferred construction charge revenue	₩451,656	₩281,930
Construction charge setoff with depreciation	485,843	485,843
	<u>₩937,499</u>	<u>₩767,772</u>

(2) Changes in deferred revenue relating to construction charge for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Beginning	₩46,513,761	₩41,392,575
Increment	200,000	5,403,116
Deletion	(451,656)	(281,930)
Ending	<u>₩46,262,105</u>	<u>₩46,513,761</u>

(3) Changes in construction charge recognized as subtraction of assets for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Beginning	₩4,403,786	₩4,889,628
Deletion	(485,843)	(485,843)
Ending	<u>₩3,917,943</u>	<u>₩4,403,786</u>

## 26. NON-FINANCIAL LIABILITIES:

Details of non-financial liabilities as of December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)			
	December 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Advance payment	₩1,495,701,201	₩-	₩1,116,330,439	₩-
Accrued revenue	230,303	-	174,898	-
Withholdings	23,496,763	-	13,373,803	-
Long-term deferred construction charge revenue	-	46,262,105	-	46,513,761
Extra invoiced construction	22,364,405	-	60,290,392	-
Total	<u>₩1,541,792,672</u>	<u>₩46,262,105</u>	<u>₩1,190,169,532</u>	<u>₩46,513,761</u>

## **27. ISSUED CAPITAL:**

(1) Details of issued capital as of December 31, 2019 and 2018, are as follows:

① December 31, 2019

	(Unit: In thousands of Korean won)		
	Government	Others	Total
Share capital	₩8,292,549,916	₩608,416,367	₩8,900,966,283

② December 31, 2018

	(Unit: In thousands of Korean won)		
	Government	Others	Total
Share capital	₩7,877,921,930	₩608,416,367	₩8,486,338,296

(2) Details of discount on shares issued as of December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Discount on shares issued	(₩10,845,946)	(₩8,841,164)

## **28. UNDISPOSED DEFICITS:**

(1) Details of undisposed deficits as of December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Legal reserve (*1)	₩-	₩-
Other legal reserve(*1)	-	-
Undisposed deficits	(606,345,438)	(722,140,291)
	(₩606,345,438)	(₩722,140,291)

(\*1) In accordance with the K-water Act, an amount equal to at least 20% of net income in each fiscal year is required to be appropriated as a legal reserve, until the reserve equals 50% of share capital. The legal reserve may not be utilized for cash dividends, but may only be used to offset a deficit, if any, or be transferred to share capital.

(2) Changes in undisposed deficits for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Beginning balance	(₩722,140,291)	(₩917,017,301)
Profit for the period	124,202,296	248,607,867
Actuarial gain (loss)	(8,407,443)	(8,210,811)
Others	-	(45,520,045)
Ending balance	<u>(₩606,345,438)</u>	<u>(₩722,140,291)</u>

(3) Dividends paid for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)			
	December 31, 2019		December 31, 2018	
	Investment	Dividend	Investment	Dividend
Investment	₩8,900,966,283	₩-	₩8,486,338,296	₩-

(4) Changes in actuarial loss for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Beginning balance	(₩49,995,866)	(₩41,785,055)
Changes for the period	(11,091,614)	(10,832,205)
Tax effect	2,684,170	2,621,394
Ending balance	<u>(₩58,403,310)</u>	<u>(₩49,995,866)</u>

## **29. DISPOSAL STATEMENTS OF DEFICIT:**

Disposal statements of deficit for the years ended December 31, 2019 and 2018 are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
	Expected date : 2019.02.25	Determined date : 2019.02.26
I. Undisposed deficit	(₩606,345,438)	(₩722,140,291)
Undisposed deficit	(722,140,291)	(917,017,301)
Net income	124,202,296	248,607,867
Actuarial gain(loss)	(8,407,443)	(8,210,811)
IFRS adjustment effect	-	(45,520,045)
II. Disposed amount	-	-
III. Undisposed Deficit carried forward	<u>(₩606,345,438)</u>	<u>(₩722,140,291)</u>

### 30. OTHER EQUITY COMPONENTS:

(1) Details of other equity factor as of December 31, 2019 and 2018 are as follows:

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Accumulated other comprehensive income	₩8,590,501	₩11,260,796

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

① 2019

	(Unit: In thousands of Korean won)		
	Gain (loss) on derivatives evaluation	Gain (loss) on FVOCI	Sum
Beginning	₩11,294,434	(₩33,638)	₩11,260,796
Changes	(3,439,606)	(83,210)	(3,522,816)
Tax effect	832,384	20,137	852,521
Ending	₩8,687,212	(₩96,711)	₩8,590,501

② 2018

	(Unit: In thousands of Korean won)			
	Gain (loss) on derivatives evaluation	Gain (loss) on FVOCI	Gain (loss) on AFC evaluation	Sum
Beginning	₩15,027,817	₩-	(₩60,244)	₩14,967,573
Changes	(4,925,308)	(44,377)	60,244	(4,909,441)
Tax effect	1,191,925	10,739	-	1,202,664
Ending	₩11,294,434	(₩33,638)	₩-	₩11,260,796

### 31. REVENUE:

Details of revenue of the Company for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Revenue from selling product:		
Held-for-sale land revenue	₩265,562,422	₩572,863,589
Water supply business revenue	1,155,253,619	1,142,324,992
Multipurpose dams business revenue	293,176,866	295,754,255
Power generation revenue	151,700,509	187,459,364
Dam management revenue	47,888,802	44,428,976
Ara waterway operation business revenue	28,123,865	34,448,283
Renewable energy revenue	84,775,075	78,448,826
Certified emission reduction	10,467,088	4,164,965
	2,036,948,246	2,359,893,250
Revenue from providing service:		
Local waterworks business revenue	145,302,961	160,590,884
Sewage treatment business revenue	28,047,607	24,323,432
Four River management business revenue	30,351,818	28,572,727
	203,702,386	213,487,043
Revenue from construction contract:		
Water resource revenue	68,997,536	73,308,462
Sewage construction revenue	9,463,020	5,642,838
Private investment construction revenue (waterworks)	253,207,326	440,707,365
Private investment construction revenue (multipurpose dams)	42,447,819	46,570,809
Private investment construction revenue (Kyung-in Canal Project)	2,430,662	3,830,910
	376,546,363	570,060,384
Other revenue:		
Foreign business revenue	7,887,581	9,063,715
Aggregate business revenue	-	16,591,185
Incidental business revenue	323,297,995	207,017,678
	331,185,576	232,672,578
Total	₩2,948,382,571	₩3,376,113,255

### 32. SELLING AND ADMINISTRATIVE EXPENSES:

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

	(Unit: In thousands of Korean won)	
	2019	2018
Contribution on employment benefit fund	₩14,593,874	₩6,758,000
Salary	53,908,851	51,355,036
Retirement benefit	19,333,683	2,983,321
Employment benefit expenses	7,401,157	6,597,701
Insurance	1,514,200	841,103
Depreciation	4,781,528	4,657,481
Amortization	505,351	608,199
Bad debt expenses (reversal)	30,228	50,866
Service fees	11,251,487	10,536,225
Advertisement expenses	8,883,430	9,680,076
Education and training expenses	5,504,964	5,691,152
Vehicle management expenses	228,440	286,583
Publication expenses	381,435	420,925
Business expenses	94,427	93,899
Rental expenses	1,166,593	1,535,904
Communication expenses	2,198,527	2,318,506
Taxes and duties	4,383,073	2,541,884
Supplies expenses	527,038	602,670
Sewage expenses	1,714,652	1,633,293
Repair expenses	10,910,468	9,234,095
Development expenses	39,177,469	32,988,143
Transportation expenses	1,715,197	2,237,000
Clothing expenses	722,619	199,941
Investigation expenses	53,721	100,762
Promotion expenses	852,372	960,074
Sales commission	909,071	980,145
Other selling and administrative expenses		
- Reward expenses	483,132	314,352
- Registration expenses	126,367	174,950
- Cooperation expenses	20,553	54,100
- Miscellaneous expenses	1,127,775	1,135,129
Total	₩194,501,682	₩157,571,514

### **33. OTHER INCOME AND EXPENSES:**

(1) Details of other revenue for the years ended December 31, 2019 and 2018 are as follows:

(Unit: In thousands of Korean won)

	2019	2018
Reversal of other bad debt allowance	₩-	₩3,379,916
Reversal of bad debt allowance	3,006	-
Construction charge revenue	451,656	281,930
Rental revenue	2,216,340	2,386,175
Miscellaneous revenue		
- Cost gain	3	-
- Compensation revenue	18,305,316	11,012,318
- Miscellaneous income	19,703,655	44,714,761
Total	<u>₩40,679,976</u>	<u>₩61,775,100</u>

(2) Details of other expenses for the years ended December 31, 2019 and 2018 are as follows:

(Unit: In thousands of Korean won)

	2019	2018
Transfer of other provision	₩23,928,481	₩15,254,300
Other bad debt expenses	3,102,939	1,047,149
Contribution expenses	2,479,322	2,291,192
Miscellaneous expenses		
- Cost loss	79,567	104,885
- Miscellaneous loss	2,163,351	444,873
- Sale cancellation loss	6,092,772	258,865
- Sale return loss	567,017	237,942
Total	<u>₩38,413,449</u>	<u>₩19,639,205</u>

### **34. OTHER GAIN AND LOSS:**

Details of other gain and loss for the years ended December 31, are as follows:

(Unit: In thousands of Korean won)

	2019	2018
Gain on disposal of tangible assets	₩1,818,295	₩993,695
Loss on disposal of tangible assets	(1,381,206)	(292,573)
Loss on disposal of intangible assets	-	(219,570)
Miscellaneous gain (loss)		
- Loss on disposal of inventories	(21,681)	(46,335)
- Loss on scrap of inventories	(126,824)	-
Total	<u>₩288,584</u>	<u>₩435,217</u>

### 35. FINANCIAL INCOME:

(1) Details of financial income for the years ended December 31, 2019 and 2018 are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Interest income	₩9,042,667	₩8,026,366
Dividend income	33,176	30,521
Gain on valuation of financial assets at FVPL	6,148	-
Gain on valuation of derivatives	39,225,000	34,547,000
Gain on transaction of derivatives	-	6,894,000
Gain on foreign currency translation	65,855	74,227
Gain on foreign currency transactions	226,448	977,311
Total	<u>₩48,599,294</u>	<u>₩50,549,426</u>

(2) Details of interest income for the years ended December 31, 2019 and 2018 are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Cash and cash equivalent	₩7,323,558	₩5,667,007
Trade and other receivables	1,719,109	2,359,359
Total	<u>₩9,042,667</u>	<u>₩8,026,366</u>

### 36. FINANCIAL COST:

(1) Details of financial costs for the years ended December 31, 2019 and 2018 are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Interest expenses	₩227,535,856	₩242,369,544
Loss on transaction of derivatives	-	810,000
Loss on valuation of financial assets at FVPL	27,638	24,772
Loss on foreign currency translation	40,494,080	34,547,000
Loss on foreign currency transaction	1,060	4,818,738
Total	<u>₩268,058,634</u>	<u>₩282,570,053</u>

(2) Details of interest expenses for the years ended December 31, 2019 and 2018 are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Trade and other payables	₩2,491,184	₩65,949
Long-term borrowings	6,313,257	7,598,657
Debenture	344,160,303	366,016,953
Derivatives	24,392,413	27,237,023
Subtotal	<u>377,357,157</u>	<u>400,918,582</u>
Less: capitalization of interest cost	(149,821,301)	(158,549,038)
Total	<u>₩227,535,856</u>	<u>₩242,369,544</u>

### 37. INCOME TAX EXPENSE (PROFIT):

(1) Details of income tax expense for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Current tax expense	₩-	₩11,879,996
Adjustment for prior years	(23,258)	(1,188,440)
Income taxes directly charged to equity	3,536,692	3,824,057
Origination and reversal of temporary differences	(30,807,754)	18,848,822
Income tax expense (profit)	<u>(₩27,294,320)</u>	<u>₩33,364,435</u>

(2) Reconciliation of effective tax rate:

	(Unit: In thousands of Korean won)	
	2019	2018
Profit before income tax expense	₩96,907,976	₩281,972,302
Income tax using the Company's statutory tax rate	23,451,730	68,237,297
Adjustments:		
Effect of graduated tax rates	(462,000)	(563,945)
Current adjustments for prior periods	(23,258)	(1,188,440)
Non-taxable income	(36,050)	(475,376)
Non-deductible expenses	4,198,279	5,654,647
Others	(54,423,021)	(38,299,747)
Income tax expense	<u>(₩27,294,320)</u>	<u>₩33,364,436</u>
Average effective tax rate	-	11.83%

(3) Details of tax effect recognized in other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Amount occurred on accounts recognized in other comprehensive income		
Gain (loss) on evaluation of derivatives	₩832,385	₩1,191,925
Gain (loss) on evaluation of fair value financial assets	20,137	10,739
Actuarial gain (loss)	2,684,170	2,621,394
Total	<u>₩3,536,692</u>	<u>₩3,824,058</u>

(4) Details of deferred tax assets (liabilities) as of December 31, 2019 and 2018 are as follows:

① December 31, 2019

(Unit: In thousands of Korean won)

	Beginning	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Ending
Depreciation	₩104,334,645	₩989,193	₩-	₩105,323,838
Government subsidy	5,676,449	(40,819)	-	5,635,630
Construction charge	1,065,716	(117,574)	-	948,142
Deferred revenue of construction charge	11,256,330	(60,901)	-	11,195,429
Defined benefit obligation	43,993,595	15,603,240	2,684,170	62,281,005
Pension assets	(2,949,582)	(1,078,559)	-	(4,028,141)
Financial assets at FV	76,029	4,707	20,137	100,873
Investment stocks	5,075,258	1,499,612	-	6,574,870
Surplus of bad debt allowances	740,935	(109,411)	-	631,524
Special depreciation	(2,896,741)	114,762	-	(2,781,979)
Construction interest on inventory	(191,611,467)	(27,115,132)	-	(218,726,599)
Ownership tax on inventory	(8,445,433)	(3,077,656)	-	(11,523,089)
Accrued revenue	(41,531)	10,800	-	(30,731)
Taxes and duties	(3,601)	-	-	(3,601)
Pre-depreciation allowance	(16,262,239)	203,009	-	(16,059,230)
Dividend payable	(5,430)	-	-	(5,430)
Acquisition tax	(37,450)	-	-	(37,450)
Provision for lawsuit	9,362,531	(1,155,467)	-	8,207,064
Payment guarantee for foreign subsidiary	155,796	103,975	-	259,771
Loss on evaluation of derivatives	(30,325)	-	832,385	802,060
Depreciation of marina management right	1,225,815	-	-	1,225,815
Provision of greenhouse gas	906,891	699,667	-	1,606,558
Foreign currency ordinary deposit	4,612	280,541	-	285,153
Impairment on 4 major rivers	(242,000,000)	242,000,000	-	-
Foreign currency adjustment asset	5,545,146	-	-	5,545,146
Common purchase tax	232,244	(11,274)	-	220,970
Acquisition tax	134,336	(7,353)	-	126,983
Unclaimed contraction (contraction assets)	(81,125,427)	11,005,847	-	(70,119,580)
Four River Dam business revenue	-	230,133,393	-	230,133,393
Four River Dam business investments	-	529,024,091	-	529,024,091
Extra-invoiced construction	-	(9,178,089)	-	(9,178,089)
Labor cost of overseas expatriates	-	765,240	-	765,240
Others	(14,793,833)	2,567,034	-	(12,226,799)
Deficit carried forward	1,684,447,025	(792,858,620)	-	891,588,405
Subtotal	1,314,030,294	200,194,256	3,536,692	1,517,761,242
Deferred income tax assets with low realizability	(1,279,274,923)	(172,923,194)	-	(1,452,198,117)
Deferred tax assets (liabilities)	₩34,755,371	₩27,271,062	₩3,536,692	₩65,563,125

② December 31, 2018

(Unit: In thousands of Korean won)

	Beginning	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Ending
Depreciation	₩9,621,978	₩94,712,667	₩-	₩104,334,645
Government subsidy	11,653,724	(5,977,275)	-	5,676,449
Construction charge	1,183,290	(117,574)	-	1,065,716
Deferred revenue of construction charge	10,017,003	1,239,327	-	11,256,330
Defined benefit obligation	33,861,796	7,510,405	2,621,394	43,993,595
Pension assets	(2,938,217)	(11,365)	-	(2,949,582)
Financial assets at FV	19,234	46,056	10,739	76,029
Investment stocks	3,347,189	1,728,069	-	5,075,258
Accrued expenses of aggregate management	5,504,498	(5,504,498)	-	-
Surplus of bad debt allowances	799,671	(58,736)	-	740,935
Special depreciation	(3,045,381)	148,640	-	(2,896,741)
Construction interest on inventory	(168,314,912)	(23,296,555)	-	(191,611,467)
Ownership tax on inventory	(4,704,404)	(3,741,029)	-	(8,445,433)
Accrued revenue	(10,108)	(31,423)	-	(41,531)
Taxes and duties	(3,601)	-	-	(3,601)
Pre-depreciation allowance	(15,459,355)	(802,884)	-	(16,262,239)
Dividend payable	(5,430)	-	-	(5,430)
Acquisition tax	(37,450)	-	-	(37,450)
Provision for lawsuit	11,676,148	(2,313,617)	-	9,362,531
Payment guarantee for foreign subsidiary	116,281	39,515	-	155,796
Loss on evaluation of derivatives	(1,222,249)	-	1,191,924	(30,325)
Depreciation of marina management right	1,225,815	-	-	1,225,815
Provision of greenhouse gas	362,713	544,178	-	906,891
Foreign currency ordinary deposit	4,612	-	-	4,612
Impairment on 4 major rivers	(242,000,000)	-	-	(242,000,000)
Foreign currency adjustment asset	5,545,146	-	-	5,545,146
Common purchase tax	243,518	(11,274)	-	232,244
Acquisition tax	141,689	(7,353)	-	134,336
Unclaimed contraction (contraction assets)	-	(81,125,427)	-	(81,125,427)
Others	(13,355,702)	(1,438,131)	-	(14,793,833)
Deficit carried forward	1,708,164,058	(23,717,033)	-	1,684,447,025
Subtotal	1,352,391,554	(42,185,317)	3,824,057	1,314,030,294
Deferred income tax assets with low realizability	(1,313,241,616)	33,966,693	-	(1,279,274,923)
Deferred tax assets (liabilities)	₩39,149,938	(₩8,218,624)	₩3,824,057	₩34,755,371

(5) Details of temporary difference not recognized as deferred tax assets as of December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Temporary difference subtracted		
Taxable deficit	₩1,452,198,117	₩1,279,274,923

(6) Details of deferred tax assets as of December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Deferred tax assets	₩65,563,125	₩34,755,371
Deferred tax liabilities	-	-
	<u>₩65,563,125</u>	<u>₩34,755,371</u>

### 38. CHARACTERISTIC CATEGORIES OF EXPENSES:

(1) 2019

(Unit: In thousands of Korean won)

	Changes in inventories	Selling and administrative expense	Cost of goods sold	Total
Changes in inventory:				
Raw materials	(₩454,310)	₩-	₩-	(₩454,310)
Products	(519,801,126)	-	-	(519,801,126)
Supplies	138,553	-	-	138,553
Other inventories	-	-	1,479,715,876	1,479,715,876
Purchased amount of inventories	-	53,908,851	369,003,335	422,912,186
Salary	-	21,936,567	39,365,767	61,302,334
Retirement expenses	-	7,401,157	39,268,193	46,669,350
Employment benefit	-	1,514,200	1,120,310	2,634,510
Insurance expenses	-	5,407,126	96,042,869	101,449,995
Depreciation	-	1,933,808	486,777,106	488,710,914
Amortization	-	101,065	-	101,065
Bad debt expenses	-	(70,837)	-	(70,837)
Service fees	-	11,251,487	49,764,214	61,015,701
Advertisement expenses	-	8,883,430	1,485,753	10,369,183
Education and training expenses	-	5,504,964	1,308,894	6,813,858
Vehicle management expenses	-	228,440	2,059,470	2,287,910
Publication expenses	-	381,435	765,506	1,146,941
Business expenses	-	94,427	10,951	105,378
Rental expenses	-	1,166,593	801,884	1,968,477
Communication expenses	-	2,198,527	5,932,908	8,131,435
Taxes and duties	-	4,383,073	88,268,261	92,651,334
Supplies expenses	-	527,038	1,914,246	2,441,284
Sewage expenses	-	1,441,241	4,345,945	5,787,186
Repairment expenses	-	10,910,468	118,395,523	129,305,991
Development expenses	-	34,626,966	6,773,140	41,400,106
Transportation expenses	-	1,715,197	14,099,587	15,814,784
Clothing expenses	-	722,619	4,829	727,448
Investigation expenses	-	53,721	130,585,214	130,638,935
Promotion expenses	-	852,372	-	852,372
Sales commission	-	909,071	-	909,071
Others	-	16,518,676	16,179,043	32,697,719
Total	(₩520,116,883)	₩194,501,682	₩2,953,988,824	₩2,628,373,623

(2)2018

(Unit: In thousands of Korean won)

	Changes in inventories	Selling and administrative expense	Cost of goods sold	Total
Changes in inventory:				
Raw materials	₩369,506	₩-	₩-	₩369,506
Products	(516,604,949)	-	-	(516,604,949)
Supplies	(31,995)	-	-	(31,995)
Other inventories	36,454	-	-	36,454
Purchased amount of inventories	-	-	1,868,744,114	1,868,744,114
Salary	-	48,604,144	356,913,523	405,517,667
Retirement expenses	-	5,734,213	37,730,185	43,464,399
Employment benefit	-	6,597,701	39,292,464	45,890,166
Insurance expenses	-	841,103	852,532	1,693,635
Depreciation	-	4,657,481	83,666,685	88,324,167
Amortization	-	608,199	551,534,029	552,142,228
Bad debt expenses	-	-	-	-
Service fees	-	10,536,225	51,090,166	61,626,391
Advertisement expenses	-	9,680,076	1,102,821	10,782,897
Education and training expenses	-	5,691,152	1,158,885	6,850,037
Vehicle management expenses	-	286,583	1,957,129	2,243,711
Publication expenses	-	420,925	788,969	1,209,894
Business expenses	-	93,899	12,743	106,642
Rental expenses	-	1,535,904	3,813,666	5,349,570
Communication expenses	-	2,318,506	5,792,787	8,111,293
Taxes and duties	-	2,541,884	84,117,999	86,659,883
Supplies expenses	-	602,670	2,295,352	2,898,022
Sewage expenses	-	1,371,247	5,050,086	6,421,333
Repayment expenses	-	9,234,095	113,823,555	123,057,650
Development expenses	-	32,988,143	8,129,076	41,117,219
Transportation expenses	-	2,237,000	18,134,730	20,371,730
Clothing expenses	-	199,941	5,300	205,241
Investigation expenses	-	100,762	3,105,679	3,206,441
Promotion expenses	-	370,471	-	370,471
Sales commission	-	589,603	-	589,603
Others	-	9,729,587	17,097,649	26,827,236
Total	(₩516,230,984)	₩157,571,514	₩3,256,210,126	₩2,897,550,656

### 39. CATEGORIES OF FINANCIAL INSTRUMENTS:

(1) Financial assets and liabilities by categories as of December 31, 2019 and 2018, are detailed as follows:

#### ① December 31, 2019

(Unit: In thousands of Korean won)

Current financial assets	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at AC	Derivative hedging-instrument-designated	Total
Cash and cash equivalents	₩118,630,239	₩-	₩-	₩-	₩118,630,239
Short-term loans	1,760,788	-	-	-	1,760,788
Trade and other receivables	659,564,452	-	-	-	659,564,452
Derivative instrument assets	-	-	-	1,269,071	1,269,071
<b>Total</b>	<b>₩779,955,479</b>	<b>₩-</b>	<b>₩-</b>	<b>₩1,269,071</b>	<b>₩781,224,550</b>

(Unit: In thousands of Korean won)

Non-current financial assets	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at AC	Derivative hedging-instrument-designated	Total
Derivative instrument assets	₩-	₩-	₩-	₩79,457,604	₩79,457,604
Financial assets at FVPL	-	-	7,189,395	-	7,189,395
Financial assets at FVOCI	-	26,294,255	-	-	26,294,255
Long-term loans	14,991,463	-	-	-	14,991,463
Subtotal	14,991,463	26,294,255	7,189,395	79,457,604	127,932,717
Trade and other receivables	257,126,993	-	-	-	257,126,993
<b>Total</b>	<b>₩272,118,456</b>	<b>₩26,294,255</b>	<b>₩7,189,395</b>	<b>₩79,457,604</b>	<b>₩385,059,710</b>

(Unit: In thousands of Korean won)

Current financial liabilities	Financial liabilities at AC	Derivative hedging-instrument-designated	Total
Current portion of long-term borrowings	₩13,229,200	₩-	₩13,229,200
Debentures	1,040,499,000	-	1,040,499,000
Derivative instrument liabilities	-	1,447,379	1,447,379
Subtotal	1,053,728,200	1,447,379	1,055,175,579
Trade and other liabilities	412,141,062	-	412,141,062
<b>Total</b>	<b>₩1,465,869,262</b>	<b>₩1,447,379</b>	<b>₩1,467,316,641</b>

(Unit: In thousands of Korean won)

Non-current financial liabilities	Financial liabilities at AC	Derivative hedging instrument designated	Total
Trade and other liabilities	₩2,224,749	₩-	₩2,224,749
Long-term borrowings	326,544,800	-	326,544,800
Debentures	9,727,361,020	-	9,727,361,020
Derivative instrument liabilities	-	20,816,594	20,816,594
<b>Total</b>	<b>₩10,056,130,569</b>	<b>₩20,816,594</b>	<b>₩10,076,947,163</b>

② December 31, 2018

(Unit: In thousands of Korean won)

Current financial assets	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at AC	Derivative hedging-instrument-designated	Total
Cash and cash equivalents	₩232,489,526	₩-	₩-	₩-	₩232,489,526
Short-term loans	1,700,412	-	-	-	1,700,412
Short-term financial assets	132,786,395	-	-	-	132,786,395
Trade and other receivables	730,320,768	-	-	-	730,320,768
Total	₩1,097,297,101	₩-	₩-	₩-	₩1,097,297,101

(Unit: In thousands of Korean won)

Non-current financial assets	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at AC	Derivative hedging-instrument-designated	Total
Derivative instrument assets	₩-	₩-	₩-	₩65,161,316	₩65,161,316
Financial assets at FVPL	-	-	2,387,228	-	2,387,228
Financial assets at OCI	-	26,377,466	-	-	26,377,466
Loans and receivables	16,237,327	-	-	-	16,237,327
Trade and other receivables	183,227,961	-	-	-	183,227,961
Total	₩199,465,288	₩26,377,466	₩2,387,228	₩65,161,316	₩293,391,298

(Unit: In thousands of Korean won)

Current financial liabilities	Financial liabilities at AC	Derivative hedging-instrument-designated	Total
Current portion of long-term borrowings	₩22,405,600	₩-	₩22,405,600
Debentures	1,155,190,000	-	1,155,190,000
Subtotal	1,177,595,600	-	1,177,595,600
Trade and other liabilities	350,714,754	-	350,714,754
Total	₩1,528,310,354	₩-	₩1,528,310,354

(Unit: In thousands of Korean won)

Non-current financial liabilities	Financial liabilities at AC	Derivative hedging instrument designated	Total
Long-term borrowings	₩219,774,000	₩-	₩219,774,000
Debentures	10,279,771,435	-	10,279,771,435
Derivative instrument liabilities	-	42,484,008	42,484,008
Total	₩10,499,545,435	₩42,484,008	₩10,542,029,443

(2) Financial income and costs by categories for the years ended December 31, 2019 and 2018, are as follows:

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Loans and receivables (including cash and cash equivalents):		
Interest income	₩9,042,667	₩8,026,366
Financial assets at FVPL:		
Dividend income	33,176	30,521
Gain (loss) on valuation, net	(21,489)	(24,772)
Derivative hedging instrument designated:		
Gain (loss) on transaction of derivative instruments, net	-	6,084,000
Gain (loss) on valuation of derivative instruments, net	39,225,000	34,547,000
Financial liabilities measured at amortized cost:		
Interest expense	(227,535,856)	(242,369,544)
Gain (loss) on foreign currency transactions, net	225,388	(3,841,426)
Gain (loss) on foreign currency translation, net	(40,428,225)	(34,472,773)
	(₩219,459,339)	(₩232,020,628)

#### **40. RISK MANAGEMENT:**

##### (1) Capital risk management

The fundamental goal of capital management is to maintain the Company's going-concern ability and to maximize shareholders' value by means of minimizing capital finance cost. The Company's management reviews the Company's capital structure periodically and maintains optimal capital structure by borrowings, capital increase and so forth.

The Company's financing ratio as of December 31, 2019 and 2018, are as follows;

	(Unit: In thousands of Korean won)	
	December 31, 2019	December 31, 2018
Net debt:		
Debts (borrowings and debentures)	₩11,107,634,020	₩11,677,141,035
Less: Cash and cash equivalents	(118,630,239)	(232,489,526)
	10,989,003,781	11,444,651,509
Equity	8,276,401,672	7,766,617,639
Total net debt and equity	₩19,265,405,454	₩19,211,269,148
Adjusted debt ratio	57.0%	59.6%

## (2) Financial risk management

### ① Goal of financial risk management

The board of directors is responsible for preparing overall systems for financial risk management and supervising financial risk management. The board of directors established risk management committee to develop the strategy for financial risk management and supervise financial risk management. The committee reviews the compliance of the risk management policy and procedure periodically and reports the result to the board of directors.

The Company's policies for financial risk management are prepared to recognize and analyze the Company's financial risk, establish the Company's risk threshold and control and manage the Company's financial risk to be not more than the risk threshold. The Company's risk management systems and policies are reviewed periodically to reflect the market environments and the Company's underlying operations. The Company makes employees to understand their own roles and responsibilities and structure control environments by training employees, financial risk management standards and procedures.

### ② Credit risk management

#### (a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The Company limits its exposure to credit risk by depositing cash and cash equivalents in financial institutions that have a high credit rate. The maximum exposure to credit risk at the reporting date is as follows:

(Unit: In thousands of Korean won)

	December 31, 2019	December 31, 2018
Financial assets at FVPL	₩-	₩2,387,228
Financial assets at FVOCI	-	26,377,466
Short-term loans	1,760,788	1,700,412
Long-term loans	14,991,463	16,237,327
Trade and other receivables	659,564,452	730,320,768
Long-term trade and other receivables	259,441,489	183,235,627
Cash and cash equivalents	118,630,239	232,489,526
Short-term financial assets	-	132,786,394
Derivative assets used for hedging	80,726,675	65,161,316
Financial guarantee contracts (*)	150,173,805	144,672,455
	<u>₩1,285,288,911</u>	<u>₩1,535,368,519</u>

(\*) The above amounts are maximum amounts that the Company should pay in case the principal debtors make claims.

### ③ Liquidity risk management

The followings are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting agreements as of December 31, 2019 and 2008

#### (a) December 31, 2019

	Carrying amount	Contractual cash flows	(Unit: In thousands of Korean won)	
			6 months or less	6–12 months
Trade and other payables	₩414,365,811	₩414,470,804	₩412,200,448	₩-
Debentures	10,767,860,020	13,559,226,443	1,029,031,348	328,531,348
Borrowings	339,774,000	359,050,812	10,326,805	10,326,805
Derivative financial liabilities used for hedging	22,263,973	22,263,973	-	1,447,379
	<b>₩11,544,263,804</b>	<b>₩14,355,012,032</b>	<b>₩1,451,558,601</b>	<b>₩340,305,532</b>

	(Unit: In thousands of Korean won)		
	1–2 years	2–5 years	More than 5 years
Trade and other payables	₩-	₩2,270,356	₩-
Debentures	3,366,831,817	4,373,203,131	4,461,628,799
Borrowings	14,260,126	324,137,076	-
Derivative financial liabilities used for hedging	-	9,024,147	11,792,447
	<b>₩3,381,091,943</b>	<b>₩4,708,634,710</b>	<b>₩4,473,421,246</b>

#### (b) December 31, 2018

	Carrying amount	Contractual cash flows	(Unit: In thousands of Korean won)	
			6 months or less	6–12 months
Trade and other payables	₩350,714,754	₩350,714,754	₩350,714,754	₩-
Debentures	11,434,961,435	8,792,413,064	488,617,525	1,035,591,525
Borrowings	242,179,600	266,783,812	14,475,494	14,475,494
Derivative financial liabilities used for hedging	42,484,008	42,484,008	-	-
	<b>₩12,070,339,797</b>	<b>₩9,452,395,638</b>	<b>₩853,807,773</b>	<b>₩1,050,067,019</b>

	(Unit: In thousands of Korean won)		
	1–2 years	2–5 years	More than 5 years
Trade and other payables	₩-	₩-	₩-
Debentures	1,343,643,373	4,761,401,523	1,163,159,118
Borrowings	19,102,420	216,578,012	2,152,392
Derivative financial liabilities used for hedging	4,249,900	19,937,487	18,296,621
	<b>₩1,366,995,693</b>	<b>₩4,997,917,022</b>	<b>₩1,183,608,131</b>

④ Currency risk

The Company's exposure to foreign currency risk is as follows based on notional amounts:

(Unit: In thousands of USD and CHF)

	December 31, 2019		December 31, 2018	
	USD	CHF	USD	CHF
Debentures	984,130,000	239,104,000	838,575,000	227,244,000

As of December 31 2019, the Company entered into currency swap contracts to hedge foreign currency risk, and the currency swap was designated as a hedging instrument for a hedge of foreign currency risk related to liabilities denominated in foreign currencies.

Currency swap was designed to offset fluctuation of foreign currency-denominated liabilities; therefore, assuming all other variables are consistent, there might be no effect on income before taxes resulting from fluctuation in foreign exchange rate.

⑤ Interest rate risk

Borrowings with floating rates were exposed to interest rate risk. The Company entered into currency and interest swap contracts to hedge interest rate risk of a considerable portion of borrowings with floating rates. The Company measures its interest rate risk based on 100 basis points ("bp"), which reflects the management's assessment of reasonable level of interest rate risk.

(a) At the reporting date, the interest rate profile of the Company's interest-bearing financial liabilities is as follows:

(Unit: In thousands of Korean won)

	December 31, 2019		December 31, 2018	
	Debentures	₩170,000,000		₩170,000,000
Borrowings	339,774,000		242,179,600	
	₩509,774,000		₩412,179,600	

(b) Cash flow sensitivity analysis for variable-rate instruments

A change of 100 bp in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

(Unit: In thousands of Korean won)

	December 31, 2019		December 31, 2018	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Debentures and borrowings	(₩5,097,740)	₩5,097,740	(₩4,121,796)	₩4,121,796

### (3) Fair values

#### ① Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the separate statement of financial position, are as follows:

(Unit: In thousands of Korean won)

	December 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value:				
Short-term financial asset	₩-	₩-	₩132,786,394	₩132,786,394
Financial assets at FVPL	7,189,395	7,189,395	2,387,228	2,387,228
Financial assets at OCI	26,294,255	26,294,255	26,377,466	26,377,466
Derivative instrument assets	80,726,675	80,726,675	65,161,316	65,161,316
	<u>114,210,325</u>	<u>114,210,325</u>	<u>226,712,404</u>	<u>226,712,404</u>
Assets carried at amortized cost:				
Short-term loans	1,760,788	1,760,788	1,700,412	1,700,412
Trade and other receivables	659,564,452	659,564,452	730,320,768	730,320,768
Long-term loans	14,991,463	14,991,463	16,237,327	16,237,327
Long-term trade and other receivables	257,126,993	257,126,993	183,227,961	183,227,961
Cash and cash equivalents	118,630,239	118,630,239	232,489,526	232,489,526
	<u>1,052,073,935</u>	<u>1,052,073,935</u>	<u>1,163,975,994</u>	<u>1,163,975,994</u>
Liabilities carried at fair value:				
Derivative instrument liabilities	22,263,973	22,263,973	42,484,008	42,484,008
Liabilities carried at amortized cost:				
Debentures	10,767,860,020	10,767,860,020	11,434,961,435	11,434,961,435
Borrowings	339,774,000	339,774,000	242,179,600	242,179,600
Trade and other payables	414,365,811	414,365,811	350,714,754	350,714,754
	<u>₩11,521,999,831</u>	<u>₩11,521,999,831</u>	<u>₩12,027,855,789</u>	<u>₩12,027,855,789</u>

## ② Fair value hierarchy

The different levels have been defined as follows:

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

The table below analyzes financial instruments carried at fair value, by valuation method, as of December 31, 2019:

	(Unit: In thousands of Korean won)			
	Level 1	Level 2	Level 3	Total
Financial assets :				
Derivative financial assets	₩-	₩80,726,675	₩-	₩80,726,675
Financial assets at FVPL	-	-	7,189,395	7,189,395
Financial assets at OCI	-	-	26,294,255	26,294,255
Financial liabilities :				
Derivative liabilities	-	22,263,973	-	22,263,973

### **41. SERVICE CONCESSION ARRANGEMENTS:**

If the Company constructs or replaces a public facility, such facility is transferred to the national or local government, with no consideration received in return in accordance with Article 32 of the K-water Act. Under Article 9, Paragraph 1, No. 6, the Company may impose fees for goods sold or services provided by such facility

Under K-IFRS, the businesses related to “Water facility construction in progress,” “Dams construction in progress”, “Ara canal construction in progress” and “Local water facility construction in progress” of the Company fall under the ‘service concession arrangement.’ Therefore, sales and cost of sales are recognized using the percentage-of-completion method. The Company recognizes revenue to the extent that related costs of sales will result in revenue.

## 42. TRANSACTIONS AND BALANCES WITH RELATED COMPANIES:

(1) Details of related parties as of December 31, 2019, are as follows:

Control relationship	Related party
Highest parent	Government of Republic of Korea
Subsidiaries	KDS Hydro Pte. Ltd., Water Way Plus Limited, K-Water Thailand Co., Ltd., JSC Nenskra Hydro, Tina Hydro Power Limited, K-Water Operation Management Limited, Patrind O&M, Hasang O&M
Associates	KWPP Holdings Co., Angat Hydropower Co., Water Genesis, Surjitech, Sejong Tech, Pump Care

(2) Significant transactions that occurred in the normal course of business with related companies are summarized as follows:

① Significant transactions with related companies for 2019 and 2018 are as follows:

Company	Sales and etc		Purchase and etc	
	2019	2018	2019	2018
Star Hydro Power Pte. Ltd.	₩2,829,500	₩2,578,674	₩-	₩-
Water Way Plus Limited	-	-	8,973,636	8,478,182
K-Water Operation Management Limited	-	-	29,245,688	8,479,584
	₩2,829,500	₩2,578,674	₩38,219,324	₩16,957,766

② Receivables and payables (except for borrowings and loans) with related parties as of December 31, 2019 and 2018 do not exist.

③ Details of payment guarantee providing to related parties as of December 31, 2019 are as follows:

Related party	Payment guarantee	(Unit: In USD)	
		Carrying amount	Financial institution
KDS Hydro Pte. Ltd.	Payment guarantee for borrowings	USD 40,000,000	KDB Bank

④ Details of compensation for main executives are as follows:

	(Unit: In thousands of Korean won)	
	2019	2018
Short-term Employee salary	₩1,025,986	₩1,048,686
Retirement benefit	49,318	4,866
Total	₩1,075,304	₩1,053,552

⑤ Assets pledged as collateral for related parties as of December 31, 2019, are as follows:

(Unit: In thousands of Korean won)

Financial Institutions	Related party	Collateral assets	Carrying amount	Borrowings
BPI, KEB Hana Bank, MayBank, UCPB, PBB, ShinHanBank, BoC	Angat Hydro Power Co.	Shares of Angat Hydropower Co. 20,360,980 stocks KWPP Holdings Co., 50 stocks	₩100,845,106	PHP 9,909,311,340
The Export-Import Bank of Korea, Asia Development Bank(ADB), International Financial Corporation(IFC), Islamic Development Bank(ISDB)	Star Hydro Power Pte. Ltd.	KDS Hydro Pte. Ltd., 91,014,979 stocks	103,921,368	USD 290,871,985

(\*1) Bank of the Philippine Islands (“BPI”)

(\*2) United Coconut Planters Bank (“UCPB”)

(\*3) Public Bank Berhad (“PBB”)

#### **43. NON-CASH INVESTING AND FINANCING ACTIVITIES:**

Significant non-cash investing and financing activities for the years ended December 31, 2019 and 2018, are as follows:

(Unit: In thousands of Korean won)

	2019	2018
Reclassification of construction in progress to asset	₩141,687,109	₩259,245,569
Reclassification of intangible assets under development to asset	28,904,472	201,226,588
Transfer to current portion of long-term borrowing	13,229,200	22,405,600
Transfer to current portion of debentures	1,040,499,000	1,155,190,000

#### **44. CONTINGENCIES:**

(1) Assets pledged as collateral for other parties

As of December 31, 2019, the Company has provided 36,114 shares (book value: ₩180,720 thousand) of P-waters Corporation as collateral to NH Bank for the borrowings of P-waters Corporation.

## (2) Litigations

There are 93 pending litigations as of December 31, 2019. The Company is a plaintiff and a defendant in 15 and 78 litigations, respectively.

Details of pending litigations as a defendant as of December 31, 2019, are as follows:

Nature of litigation	Number of litigations	Amount of litigation	(Unit: In thousands of Korean won)
			Note
Claims for construction costs	14	₩101,909,249	Demand for additional payment
Claims related to construction and management of dams	15	71,727,624	Damage claims and compensation for loss
Claims for Four River Restoration Project	4	271,016,438	Compensation for loss
Claims for Ara waterway	3	8,011,034	Compensation for loss, Solicitation money
Claims for EDC in Busan	6	1,216,587	Compensation for loss, Return of unreasonable gain
Claims for GC in Songsan	5	9,896,260	Compensation for loss
Claims for Water Business	10	21,221,435	Compensation for loss, Repurchase
Other claims	21	117,642,924	Damage claims and others
	78	₩602,641,551	

The amount of provision the Company recognized with respect to the lawsuits is ₩34,330,845 thousand as of December 31, 2019.

## (3) Major construction contracts

As of December 31, 2019, the Company has entered into various contracts totaling ₩1,572.6 billion for the development of new cities and industrial complex sites and construction of water facilities, dams and others. In connection with these contracts, contractors have designated the Company as a beneficiary of performance guarantee insurance by Seoul Guarantee Insurance and Construction Guarantee and others amounting to 15% of total contract amount.

## (4) Credit line agreements

The Company has entered into loan agreements with KEB Hana Bank and four other Korean financial institutions. The available credit lines under these agreements amounted to ₩290,000 million as of December 31, 2019. The Company has not drawn any amount as of December 31, 2019.

## (5) Guarantees received

Details of guarantees received from the third parties of the Company as of December 31, 2019, are as follows:

Guarantees from	Guarantee amount	(Unit: In thousands of USD)
		Description
The Export-Import Bank of Korea	USD 24,800	Capital payment guarantee for Star Hydro Power Ltd