

HYUNDAI HEAVY INDUSTRIES CO., LTD.

Condensed Separate Interim Financial Statements

June 30, 2012

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
Hyundai Heavy Industries Co., Ltd.:

Reviewed financial statements

We have reviewed the accompanying condensed separate interim financial statements of Hyundai Heavy Industries Co., Ltd. (the "Company"), which comprise the condensed separate statement of financial position as of June 30, 2012, the condensed separate statements of comprehensive income for the three-month and six-month periods ended June 30, 2012 and 2011, the condensed separate statements of changes in equity and cash flows for the six-month periods ended June 30, 2012 and 2011 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed separate interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No.1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

Our responsibility is to issue a report on these condensed separate interim financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed separate interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS No.1034, 'Interim Financial Reporting'.

Other matters

The procedures and practices utilized in the Republic of Korea to review such condensed separate interim financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying condensed separate interim financial statements are for use by those knowledgeable about Korean review standards and their application in practice.

The separate statement of financial position of the Company as of December 31, 2011, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us and our report thereon, dated March 8, 2012, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2011, presented for comparative purposes, is not different from that audited by us in all material respects.

Seoul, Korea
August 24, 2012

This report is effective as of August 24, 2012, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Condensed Separate Interim Statements of Financial Position
As of June 30, 2012 and December 31, 2011

<i>(In thousands of won)</i>	<u>Note</u>	<u>2012</u>	<u>2011</u>
Assets			
Cash and cash equivalents	33,34	₩ 1,087,430,450	608,305,745
Short-term financial assets	5,6,21,33,34	36,301,219	20,571,443
Trade and other receivables	7,26,33,34,37	3,673,581,784	3,247,270,300
Due from customers for contract work	7,26,33,34	2,129,485,030	2,567,103,777
Inventories	8	3,195,334,101	2,834,685,760
Derivative assets	21,33,34	98,553,677	127,646,236
Firm commitment assets	21	256,638,853	404,964,726
Other current assets	9	2,088,509,955	1,795,396,261
Total current assets		<u>12,565,835,069</u>	<u>11,605,944,248</u>
Investments in subsidiaries and associates	10,11	6,965,525,992	6,836,161,061
Long-term financial assets	5,6,12,21,33,34	1,909,867,514	1,785,927,934
Long-term trade and other receivables	7,33,34,37	429,955,883	509,610,401
Investment property	13	308,749,286	314,952,460
Property, plant and equipment	14	8,173,205,411	8,137,085,222
Intangible assets	15	380,601,344	370,355,123
Derivative assets	21,33,34	24,897,109	46,466,814
Firm commitment assets	21	185,641,084	178,916,489
Other non-current assets	35	146,517,637	135,077,805
Total non-current assets		<u>18,524,961,260</u>	<u>18,314,553,309</u>
Total assets		<u>₩ 31,090,796,329</u>	<u>29,920,497,557</u>

See accompanying notes to the condensed separate interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Condensed Separate Interim Statements of Financial Position, Continued
As of June 30, 2012 and December 31, 2011

<i>(In thousands of won)</i>	<i>Note</i>	2012	2011
Liabilities			
Short-term financial liabilities	<i>16,18,21,33,34,35</i>	₩ 4,684,623,852	3,915,685,636
Trade and other payables	<i>17,33,34,37</i>	2,932,112,092	2,450,270,548
Advances from customers		1,092,210,139	1,062,490,143
Due to customers for contract work	<i>26,35</i>	4,724,371,997	5,876,506,477
Derivative liabilities	<i>21,33,34</i>	123,562,353	230,144,853
Firm commitment liabilities	<i>21</i>	87,980,740	121,940,384
Income tax payable		222,701,987	372,070,938
Total current liabilities		13,867,563,160	14,029,108,979
Long-term financial liabilities	<i>16,18,21,33,34,35</i>	865,938,158	67,051,944
Long-term trade and other payables	<i>17,33,34,37</i>	12,142,296	14,650,331
Liabilities for defined benefit plans	<i>19</i>	153,036,147	90,741,609
Long-term provisions	<i>20</i>	114,202,884	129,884,994
Derivative liabilities	<i>21,33,34</i>	191,029,060	192,144,081
Firm commitment liabilities	<i>21</i>	8,229,947	22,758,464
Deferred tax liabilities		654,805,667	654,880,466
Total non-current liabilities		1,999,384,159	1,172,111,889
Total liabilities		15,866,947,319	15,201,220,868
Stockholders' equity			
Common stock of ₩ 5,000 par value	<i>22</i>	380,000,000	380,000,000
Authorized - 160,000,000 shares			
Issued and outstanding - 76,000,000 shares			
in 2012 and 2011			
Capital surplus	<i>22</i>	1,044,516,633	1,044,516,633
Capital adjustments	<i>23</i>	(1,400,454,947)	(1,400,454,947)
Accumulated other comprehensive income	<i>21,24</i>	979,424,701	852,646,761
Legal reserves	<i>25</i>	2,020,414,202	2,020,414,202
Voluntary reserves	<i>25</i>	11,577,000,278	9,403,891,528
Unappropriated retained earnings	<i>25</i>	622,948,143	2,418,262,512
Total stockholders' equity		15,223,849,010	14,719,276,689
Total liabilities and stockholders' equity		₩ 31,090,796,329	29,920,497,557

See accompanying notes to the condensed separate interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Condensed Separate Interim Statements of Comprehensive Income
For the three and six-month periods ended June 30, 2012 and 2011

(In thousands of won, except earnings per share)

	Note	2012		2011	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	21,26,37	₩ 6,218,845,921	12,142,194,711	6,055,351,931	12,361,605,192
Cost of sales	8,15,21,28,37	5,503,815,695	10,667,554,153	5,061,843,295	10,081,853,856
Gross profit		<u>715,030,226</u>	<u>1,474,640,558</u>	<u>993,508,636</u>	<u>2,279,751,336</u>
Selling, general and administrative expenses	15,27,28	<u>335,349,822</u>	<u>629,165,972</u>	<u>316,484,086</u>	<u>610,939,933</u>
Operating income		<u>379,680,404</u>	<u>845,474,586</u>	<u>677,024,550</u>	<u>1,668,811,403</u>
Finance income	21,29	129,828,627	363,015,057	572,711,239	1,090,189,559
Finance costs	21,29	274,765,413	387,116,155	199,096,629	458,615,428
Other non-operating income	21,30	146,452,632	135,891,513	35,502,971	150,339,865
Other non-operating expenses	21,30	<u>26,460,677</u>	<u>159,971,905</u>	<u>377,594,494</u>	<u>625,330,250</u>
Income before income taxes		<u>354,735,573</u>	<u>797,293,096</u>	<u>708,547,637</u>	<u>1,825,395,149</u>
Income taxes	31	<u>77,315,799</u>	<u>174,344,955</u>	<u>169,808,771</u>	<u>383,630,775</u>
Net income		<u>₩ 277,419,774</u>	<u>622,948,141</u>	<u>538,738,866</u>	<u>1,441,764,374</u>
Other comprehensive income	24,33	<u>1,306,102</u>	<u>126,777,940</u>	<u>187,541,357</u>	<u>369,271,113</u>
Total comprehensive income		<u>₩ 278,725,876</u>	<u>749,726,081</u>	<u>726,280,223</u>	<u>1,811,035,487</u>
Earnings per share					
Basic earnings per share	32	<u>₩ 4,526</u>	<u>10,164</u>	<u>8,790</u>	<u>23,524</u>

See accompanying notes to the condensed separate interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Condensed Separate Interim Statements of Changes in Equity
For the six-month periods ended June 30, 2012 and 2011

<i>(In thousands of won)</i>		Common stock	Capital surplus	Capital adjustments	Gain and loss on valuation of available-for-sale financial assets	Gain and loss on valuation of derivatives	Retained earnings	Total stockholders' equity
Balance at January 1, 2011	₩	380,000,000	1,044,516,633	(1,400,454,947)	656,130,418	12,705,682	12,379,655,400	13,072,553,186
Net income for the period		-	-	-	-	-	1,441,764,374	1,441,764,374
Changes in gain and loss on valuation of available-for-sale financial assets, net of tax		-	-	-	371,315,487	-	-	371,315,487
Changes in fair value of cash flow hedges, net of tax		-	-	-	-	(2,044,374)	-	(2,044,374)
Dividends		-	-	-	-	-	(429,019,080)	(429,019,080)
Balance at June 30, 2011	₩	<u>380,000,000</u>	<u>1,044,516,633</u>	<u>(1,400,454,947)</u>	<u>1,027,445,905</u>	<u>10,661,308</u>	<u>13,392,400,694</u>	<u>14,454,569,593</u>
Balance at January 1, 2012	₩	380,000,000	1,044,516,633	(1,400,454,947)	862,950,681	(10,303,920)	13,842,568,242	14,719,276,689
Net income for the period		-	-	-	-	-	622,948,141	622,948,141
Changes in gain and loss on valuation of available-for-sale financial assets, net of tax		-	-	-	102,286,401	-	-	102,286,401
Changes in fair value of cash flow hedges, net of tax		-	-	-	-	24,491,539	-	24,491,539
Dividends		-	-	-	-	-	(245,153,760)	(245,153,760)
Balance at June 30, 2012	₩	<u>380,000,000</u>	<u>1,044,516,633</u>	<u>(1,400,454,947)</u>	<u>965,237,082</u>	<u>14,187,619</u>	<u>14,220,362,623</u>	<u>15,223,849,010</u>

See accompanying notes to the condensed separate interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Condensed Separate Interim Statements of Cash Flows
For the six-month periods ended June 30, 2012 and 2011

(In thousands of won)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Net income for the period	₩ 622,948,141	1,441,764,374
Adjustments for:		
Post-employment benefit costs	67,414,052	75,109,421
Depreciation	229,674,714	218,502,025
Amortization	28,232,927	28,163,787
Bad debt expenses	38,351,290	51,040,346
Finance income	(151,080,554)	(725,753,800)
Finance costs	199,855,826	179,781,111
Other non-operating income	(84,225,517)	(13,584,968)
Other non-operating expenses	72,653,171	652,751,513
Income taxes	174,344,955	383,630,775
	<u>575,220,864</u>	<u>849,640,210</u>
Changes in assets and liabilities:		
Trade receivables	(474,903,422)	(521,046,352)
Other receivables	(36,264,353)	(71,778,463)
Due from customers for contract work	437,618,748	773,510,621
Inventories	(360,648,341)	(477,505,668)
Derivatives	(72,052,342)	(350,488,803)
Firm commitments	106,016,191	(7,660,072)
Other current assets	(275,520,381)	(185,909,570)
Long-term trade receivables	114,939,722	73,269,576
Trade payables	298,794,800	(127,186,672)
Other payables	182,922,019	454,081,631
Advances from customers	29,719,996	49,960,179
Due to customers for contract work	(1,152,134,480)	309,175,941
Long-term other payables	(2,508,074)	1,003,149
Benefits paid	(12,352,006)	(77,752,325)
Succession of benefits	39,862	448,646
Plan assets	7,192,629	54,264,431
Long-term provisions	(15,682,110)	1,751,593
Cash generated (used) from operations	<u>(26,652,537)</u>	<u>2,189,542,426</u>
Interest received	57,645,898	73,401,160
Interest paid	(86,046,591)	(62,505,969)
Dividends received	57,966,430	71,780,761
Income taxes paid	<u>(381,857,297)</u>	<u>(683,030,246)</u>
Net cash provided by (used in) operating activities	<u>(378,944,097)</u>	<u>1,589,188,132</u>

See accompanying notes to the condensed separate interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Condensed Separate Interim Statements of Cash Flows, Continued
For the six-month periods ended June 30, 2012 and 2011

(In thousands of won)

	<u>2012</u>	<u>2011</u>
Cash flows from investing activities		
Proceeds from sale of short-term financial assets	₩ 16,229,010	5,500,000
Proceeds from sale of investments in subsidiaries and associates	51,665,836	-
Proceeds from sale of long-term financial assets	218,913	41,928,648
Proceeds from collection of long-term other receivables	989,722	3,593,146
Proceeds from sale of property, plant and equipment	5,624,694	9,334,622
Acquisition of short-term financial assets	(35,500,000)	(10,500,000)
Acquisition of investments in subsidiaries and associates	(179,538,743)	(179,307,060)
Acquisition of long-term financial assets	(747,090)	(25,378,011)
Acquisition of long-term other receivables	(1,221,332)	(3,936,366)
Acquisition of property, plant and equipment	(271,536,011)	(346,019,070)
Acquisition of intangible assets	(38,479,148)	(39,263,719)
Acquisition of other non-current assets	(11,439,832)	(17,399,061)
Net cash used in investing activities	<u>(463,733,981)</u>	<u>(561,446,871)</u>
Cash flows from financing activities		
Proceeds from short-term financial liabilities	5,698,486,467	969,298,259
Proceeds from long-term financial liabilities	848,098,000	25,754,298
Repayment of short-term financial liabilities	(4,979,112,642)	(924,571,245)
Dividends paid	(245,153,760)	(429,019,080)
Net cash provided by (used in) financing activities	<u>1,322,318,065</u>	<u>(358,537,768)</u>
Effects of exchange rate changes on cash and cash equivalents	(515,282)	(1,359,640)
Net increase in cash and cash equivalents	479,124,705	667,843,853
Cash and cash equivalents at 1 January	<u>608,305,745</u>	<u>624,479,536</u>
Cash and cash equivalents at 30 June	<u>₩ 1,087,430,450</u>	<u>1,292,323,389</u>

See accompanying notes to the condensed separate interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Condensed Separate Interim Financial Statements
June 30, 2012

1. Reporting Entity

Hyundai Heavy Industries Co., Ltd. (the “Company”) was incorporated in 1973, under the Commercial Code of the Republic of Korea, and is engaged in the manufacture and sale of ships, offshore structures, plants, engines and others.

On August 1999, the Company was listed on the Korea Exchange. As of June 30, 2012, the Company’s major stockholders consist of Mong-Joon Chung (10.15%) and Hyundai Mipo Dockyard Co., Ltd. (7.98%).

2. Basis of Preparation

(1) Statement of compliance

The condensed separate interim financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”), as prescribed in *the Act on External Audits of Corporations*.

These condensed separate interim financial statements were prepared in accordance with K-IFRS No. 1034, ‘Interim Financial Reporting’ as part of the period covered by the Company’s K-IFRS annual separate financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as at and for the year ended December 31, 2011. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

These condensed interim financial statements are separate interim financial statements prepared in accordance with K-IFRS No.1027, ‘Consolidated and Separate Financial Statements’ presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

(2) Use of estimates and judgments

The preparation of the condensed separate interim financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these condensed separate interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the separate financial statements as of and for the year ended December 31, 2011.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Condensed Separate Interim Financial Statements
June 30, 2012

3. Significant Accounting Policies

Except as described below, the accounting policies applied by the Company in these condensed separate interim financial statements are the same as those applied by the Company in its separate financial statements as of and for the year ended December 31, 2011. The following changes in accounting policy are also expected to be reflected in the Company's separate financial statements as at and for the year ending December 31, 2012.

The Company has applied the amendments to K-IFRS No.1107, 'Financial Instruments: Disclosures' since January 1, 2012. The amendments require disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Company derecognizes transferred financial assets but still retains their specific risks and rewards, the amendments require additional disclosures of their risks.

4. Financial Risk Management

The Company's financial risk management objectives and policies are consistent with those disclosed in the separate financial statements as at and for the year ended December 31, 2011.

The Company's debt to capital ratio at the end of the reporting period is as follows:

<i>(In millions of won, except equity ratio)</i>	<u>2012</u>	<u>2011</u>
Total liabilities	₩ 15,866,947	15,201,221
Total equity	15,223,849	14,719,277
Cash and deposits(*1)	1,118,761	620,398
Borrowings(*2)	5,543,839	3,962,673
Liability to equity ratio	104.22%	103.27%
Net borrowing to equity ratio(*3)	29.07%	22.71%

(*1) Cash and deposits consist of cash and cash equivalents and short-term and long-term financial instruments.

(*2) Discount on debentures is deducted from the face value of debentures.

(*3) Net borrowing represents borrowings net of cash and deposits.

5. Short-term and Long-term Financial Assets

Short-term and long-term financial assets as of June 30, 2012 and December 31, 2011 are summarized as follows:

<i>(In millions of won)</i>	<u>2012</u>		<u>2011</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Financial instruments	₩ 31,297	33	12,059	33
Financial assets at fair value through profit or loss	5,004	164	8,512	10,184
Available-for-sale financial assets	-	1,909,671	-	1,775,711
	<u>₩ 36,301</u>	<u>1,909,868</u>	<u>20,571</u>	<u>1,785,928</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Condensed Separate Interim Financial Statements
June 30, 2012

6. Restricted Financial Instruments

Financial instruments, which are restricted in use subject to withdrawal restrictions in relation to construction contracts as of June 30, 2012 and December 31, 2011 are summarized as follows:

<i>(In millions of won)</i>		<u>2012</u>	<u>2011</u>
Short-term financial instruments	₩	798	1,559
Long-term financial instruments		33	33
	₩	<u>831</u>	<u>1,592</u>

7. Trade and Other Receivables and Due from Customers for Contract Work

(1) Trade and other receivables as of June 30, 2012 and December 31, 2011 are summarized as follows:

<i>(In millions of won)</i>		<u>2012</u>		<u>2011</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Trade receivables:					
Trade receivables	₩	3,625,046	537,751	3,157,488	652,710
Allowance for doubtful accounts		(179,840)	(121,066)	(123,291)	(156,417)
		<u>3,445,206</u>	<u>416,685</u>	<u>3,034,197</u>	<u>496,293</u>
Other receivables:					
Other accounts receivable		263,711	-	209,221	-
Allowance for doubtful accounts		(53,235)	-	(41,021)	-
Accrued income		16,348	-	25,476	-
Loans		265	-	-	265
Guarantee deposits		1,287	13,271	19,397	13,052
		<u>228,376</u>	<u>13,271</u>	<u>213,073</u>	<u>13,317</u>
	₩	<u>3,673,582</u>	<u>429,956</u>	<u>3,247,270</u>	<u>509,610</u>

(2) Due from customers for contract work as of June 30, 2012 and December 31, 2011 are summarized as follows:

<i>(In millions of won)</i>		<u>2012</u>		<u>2011</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Due from customers for contract work	₩	2,129,485	1,327	2,567,104	1,307
Allowance for doubtful accounts		-	(1,327)	-	(1,307)
	₩	<u>2,129,485</u>	<u>-</u>	<u>2,567,104</u>	<u>-</u>

(3) The movement in the allowance for impairment in respect of loans and receivables for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

<i>(In millions of won)</i>		<u>2012</u>	<u>2011</u>
Beginning balance	₩	322,036	380,076
Impairment loss recognized		38,351	89,317
Reversal of impairment loss		(4,330)	(3,970)
Write-offs		(589)	(143,387)
Ending balance	₩	<u>355,468</u>	<u>322,036</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Condensed Separate Interim Financial Statements
June 30, 2012

8. Inventories

Inventories as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

	2012			2011		
	Acquisition cost	Provision for inventory valuation	Carrying amount	Acquisition cost	Provision for inventory valuation	Carrying amount
Merchandise	₩ 91,869	(5,532)	86,337	84,701	(4,745)	79,956
Finished goods	268,577	(46,558)	222,019	367,957	(50,421)	317,536
Work-in-progress	1,608,803	(73,762)	1,535,041	1,460,350	(58,970)	1,401,380
Raw materials	803,558	(4,539)	799,019	731,756	(15,377)	716,379
Supplies	19,792	-	19,792	19,313	-	19,313
Materials-in-transit	533,126	-	533,126	300,122	-	300,122
	₩ 3,325,725	(130,391)	3,195,334	2,964,199	(129,513)	2,834,686

The write-downs of inventories to net realizable value amounting to ₩ 878 million and ₩ 2,754 million are included in cost of sales for the six-month periods ended June 30, 2012 and 2011, respectively.

9. Other Current Assets

Other current assets as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

	2012	2011
Advance payments	₩ 1,809,878	1,536,459
Prepaid expenses	278,632	258,937
	₩ 2,088,510	1,795,396

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10. Investments in Subsidiaries

Investments in subsidiaries as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Particulars	2012		2011	
			Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
Hyundai Samho Heavy Industries Co., Ltd.	Korea	Shipbuilding	94.92	₩ 1,817,690	94.92	₩ 1,817,690
Hyundai Oilbank Co., Ltd.	Korea	Manufacturing of petroleum products	91.13	2,954,745	91.13	2,954,745
Hyundai Heavy Material Service	Korea	Sale and manufacture of machinery equipment for shipbuilding	100.00	122,136	100.00	122,136
KOMAS Corporation	Korea	Shipping	100.00	131,635	100.00	176,635
Hyundai Energy & Resources Co., Ltd.	Korea	Services for crude oil and natural gas mining	40.00	20,000	40.00	20,000
Ulsan Hyundai Football Club Co., Ltd.	Korea	Football club	100.00	4,913	100.00	4,913
Hotel Hyundai Co., Ltd.	Korea	Hotel operation	100.00	2,807	100.00	2,807
Hyundai Finance Corporation	Korea	Granting of credit	67.49	90,726	67.49	90,726
LS Leading Solution Private Security Investment Trust 22 (Equity)	Korea	Other financial business	100.00	81,752	100.00	86,065
LS Leading Solution Private Security Investment Trust 35 (Equity)	Korea	Other financial business	100.00	16,073	100.00	16,933
Eastspring Private Global Asset allocation & Mining & Gold Fund of Funds Investment Trust A-1(*)	Korea	Other financial business	100.00	12,709	100.00	12,709
HHI China Investment Co., Ltd.	China	Holding company	100.00	286,425	100.00	286,425
Hyundai Financial Leasing Co., Ltd.	China	Financial and operating leases	41.26	67,403	41.26	67,403
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	China	Sale and manufacture of wheel loaders	100.00	50,186	100.00	33,183
Hyundai Vinashin Shipyard	Vietnam	Ship repair	10.00	20,149	10.00	20,149
Hyundai Construction Equipment India Private Ltd.	India	Sale and manufacture of machinery equipment for construction	100.00	42,605	100.00	31,200
Hyundai Transformers And Engineering India PVT, Ltd.	India	Sale and manufacture of transformers	100.00	227	100.00	227
Hyundai Construction Equipment Americas, Inc.	America	Sale of machinery equipment for construction	100.00	-	100.00	-
Hyundai Power Transformers USA, Inc.	America	Sale and manufacture of industrial electric equipment	100.00	62,609	100.00	62,609
Hyundai Ideal Electric Co.	America	Sale and manufacture of industrial electric equipment	100.00	25,494	100.00	25,494
PHECO Inc.	America	Design services for offshore facilities	100.00	237	100.00	237
HHI Battery Co., Ltd.	Canada	Manufacturing	100.00	16,813	-	-
Hyundai Heavy Industries Brasil - Real Estate Developments	Brazil	Real estate development	100.00	31,355	100.00	5,292
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Brazil	Manufacture, trade and repair of heavy equipment	100.00	25,008	100.00	3,176
Vladivostok Business Center	Russia	Hotel operation	100.00	-	100.00	-

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10. Investments in Subsidiaries, Continued

(In millions of won, except percentage of ownership)

Company	Location	Particulars	2012		2011	
			Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
Hyundai Khorol Agro Ltd.	Russia	Agriculture	80.79	6,475	80.79	6,475
Hyundai Mikhailovka Agro	Russia	Agriculture	100.00	8,216	100.00	1,460
Hyundai Electrosystems Co., Ltd.	Russia	Manufacture of high-voltage circuit breakers	100.00	21,965	100.00	10,791
Hyundai Heavy Industries Europe N.V.	Belgium	Sale of machinery equipment for construction	100.00	10,322	100.00	10,322
Hyundai Heavy Industries Co. BULGARIA	Bulgaria	Sale and manufacture of transformers	99.09	46,768	99.09	46,768
Hyundai Technologies Center Hungary Kft	Hungary	Research and development of technology	100.00	26	100.00	26
Hyundai Heavy Industries France SAS	France	Manufacturing	100.00	52	100.00	52
Jahnel-Kestermann Getriebewerke GmbH	Germany	Designing and manufacture of gearboxes	100.00	62,506	100.00	62,506
HHI MAURITIUS LIMITED	Mauritius	Manufacturing	100.00	-	100.00	-
				<u>₩ 6,040,027</u>		<u>₩ 5,979,154</u>

(*) PCA BGF World Gold Fund A Class changed its name to Eastspring Private Global Asset allocation & Mining & Gold Fund of Funds Investment Trust A-1 in 2012.

The change in investments in subsidiaries for the six-month period ended June 30, 2012 is due to the newly acquisition, capital increase and capital reduction. Dividends received from investments in subsidiaries are ₩ 42,919 million and ₩ 49,510 million for the six-month periods ended June 30, 2012 and 2011, respectively.

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11. Investments in Associates

Investments in associates as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Particulars	2012		2011	
			Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
New Korea Country Club	Korea	Country club	40.00	₩ 31,545	20.00	₩ 4,045
Hyundai Merchant Marine Co., Ltd.	Korea	Shipping	16.35	360,634	16.35	360,634
Wärtsilä-Hyundai Engine Company Ltd.	Korea	Manufacture, assemble and test of marine engines and parts	50.00	40,496	50.00	40,496
KAM Corporation	Korea	Sale and manufacture of polysilicon	49.00	117,668	49.00	117,668
Taebaek Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	35.00	5,299	35.00	5,299
Muju Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	45.00	5,130	45.00	5,130
Pyeongchang Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	35.00	893	35.00	893
Jinan Jangsu Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	32.00	128	32.00	128
Changjuk Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	43.00	5,448	43.00	5,448
Hyundai Corporation	Korea	Exporting	22.36	105,134	22.36	105,134
Hyundai-Avancis Co., Ltd.	Korea	Sale and manufacture of solar module	50.00	110,000	50.00	70,000
TV Chosun-Daesung Win-Win Fund	Korea	Investment service in culture contents field	16.67	7,000	16.67	7,000
Qinhuangdao Shouqin Metal Materials Co., Ltd.	China	Thick plate-oriented comprehensive iron manufacturing	20.00	128,358	20.00	128,358
Grand China Hyundai Shipping Co., Ltd.	Hong Kong	Acquiring, renting, leasing and chartering of bulk carrier	50.00	1,045	50.00	1,045
PT. Hyundai Machinery Indonesia	Indonesia	Import and wholesale of machinery equipment for construction	20.83	155	20.83	155
Hyundai Primorye Ltd.	Russia	Farmland leasing service	49.99	5,574	49.99	5,574
Hyundai Green Industries Co., W.L.L.	Kuwait	Education	49.00	992	-	-
				₩ 925,499		₩ 857,007

The change in investments in associates for the six-month period ended June 30, 2012 is due to the newly acquisition, capital increase and capital reduction. Dividends received from investments in associates are ₩ 568 million and ₩ 12,320 million for the six-month periods ended June 30, 2012 and 2011, respectively.

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12. Available-for-sale Financial Assets

Available-for-sale financial assets as of June 30, 2012 and December 31, 2011 are summarized as follows:

<i>(In millions of won)</i>		<u>2012</u>	<u>2011</u>
Listed equity securities(*)	₩	1,803,692	1,670,170
Unlisted equity securities		99,024	98,516
Beneficiary certificates		1,762	1,832
Investments in capital		5,193	5,193
	₩	<u>1,909,671</u>	<u>1,775,711</u>

(*) On July 17, 2012, the Company sold 3,203,420 shares (acquisition cost amounting to ₩ 218,764 million and carrying amount amounting to ₩ 744,795 million) of the Hyundai Motor Co., Ltd. of listed equity securities for ₩ 704,752 million. In respect to the transaction, the Company recognized gain on disposal of available-for-sale financial assets amounting to ₩ 481,404 million, net of incidental expenses amounting to ₩ 4,584 million.

13. Investment Property

Changes in investment property for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

<i>(In millions of won)</i>		<u>2012</u>		
		<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Beginning of period	₩	200,976	146,181	347,157
Acquisition and other		(1,231)	(3,527)	(4,758)
Disposals		-	-	-
End of period		199,745	142,654	342,399
Depreciation		-	(1,830)	(1,830)
Accumulated depreciation		-	(33,650)	(33,650)
	₩	<u>199,745</u>	<u>109,004</u>	<u>308,749</u>
<i>(In millions of won)</i>		<u>2011</u>		
		<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Beginning of period	₩	199,745	187,064	386,809
Acquisition and other		1,231	(40,883)	(39,652)
Disposals		-	-	-
End of period		200,976	146,181	347,157
Depreciation		-	(3,747)	(3,747)
Accumulated depreciation		-	(32,205)	(32,205)
	₩	<u>200,976</u>	<u>113,976</u>	<u>314,952</u>

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14. Property, Plant and Equipment

- (1) Changes in property, plant and equipment for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

(In millions of won)

		2012					
		Land	Buildings	Structures	Machinery and equipment	Others	Total
Beginning of period	₩	2,857,135	2,407,065	1,496,788	3,513,422	1,901,536	12,175,946
Acquisition and other		7,620	38,984	29,075	70,951	129,664	276,294
Disposals		(4,992)	(6,028)	(977)	(9,398)	(43,740)	(65,135)
End of period		2,859,763	2,440,021	1,524,886	3,574,975	1,987,460	12,387,105
Depreciation		-	(30,843)	(18,706)	(108,397)	(69,899)	(227,845)
Accumulated depreciation		-	(559,018)	(301,365)	(2,071,874)	(1,281,643)	(4,213,900)
	₩	<u>2,859,763</u>	<u>1,881,003</u>	<u>1,223,521</u>	<u>1,503,101</u>	<u>705,817</u>	<u>8,173,205</u>

(In millions of won)

		2011					
		Land	Buildings	Structures	Machinery and equipment	Others	Total
Beginning of period	₩	2,657,882	2,298,460	1,482,422	3,313,662	1,727,751	11,480,177
Acquisition and other		206,698	108,709	14,366	220,490	249,201	799,464
Disposals		(7,445)	(104)	-	(20,730)	(75,416)	(103,695)
End of period		2,857,135	2,407,065	1,496,788	3,513,422	1,901,536	12,175,946
Depreciation		-	(60,116)	(36,704)	(212,381)	(134,644)	(443,845)
Accumulated depreciation		-	(528,457)	(282,855)	(1,972,349)	(1,255,200)	(4,038,861)
	₩	<u>2,857,135</u>	<u>1,878,608</u>	<u>1,213,933</u>	<u>1,541,073</u>	<u>646,336</u>	<u>8,137,085</u>

- (2) There is no impairment recorded for CGUs (production facilities) as of June 30, 2012 and December 31, 2011.
- (3) Construction-in-progress is related to development of construction of Ihwa Industrial Park, construction of research center of electricity and electronics and others as of June 30, 2012.

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15. Intangible Assets

- (1) Changes in development costs for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

<i>(In millions of won)</i>		<u>2012</u>	<u>2011</u>
Beginning balance	₩	311,526	289,987
Capitalized		33,519	75,278
Amortization		(27,123)	(53,739)
Ending balance	₩	<u>317,922</u>	<u>311,526</u>

- (2) Other intangible assets include usable and profitable donation assets to Maritime Affairs and Port Office and intangible assets with indefinite useful lives. Changes in other intangible assets for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

<i>(In millions of won)</i>		<u>2012</u>	<u>2011</u>
Beginning balance	₩	58,829	66,392
Capitalized		4,960	3,748
Disposals		-	(9,271)
Amortization		(1,110)	(2,040)
Ending balance(*)	₩	<u>62,679</u>	<u>58,829</u>

(*) The carrying amount of intangible assets with indefinite useful lives are ₩ 46,156 million and ₩ 44,812 million as of June 30, 2012 and December 31, 2011, respectively.

- (3) Research costs amounting to ₩ 2,808 million and ₩ 5,789 million, and ordinary development costs amounting to ₩ 67,886 million and ₩ 57,929 million are included in selling, general and administrative expenses for the six-month periods ended June 30, 2012 and 2011, respectively. Amortized development costs of ₩ 27,123 million and ₩ 27,144 million are included in the manufacturing cost for the six-month periods ended June 30, 2012 and 2011, respectively.

16. Short-term and Long-term Financial Liabilities

Short-term and long-term financial liabilities as of June 30, 2012 and December 31, 2011 are summarized as follows:

<i>(In millions of won)</i>		<u>2012</u>		<u>2011</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Borrowings	₩	4,683,724	361,793	3,601,032	61,766
Financial liabilities at fair value through profit or loss		900	5,823	14,779	5,286
Debentures		-	500,000	300,000	-
Discount on debentures		-	(1,678)	(125)	-
	₩	<u>4,684,624</u>	<u>865,938</u>	<u>3,915,686</u>	<u>67,052</u>

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17. Trade and Other Payables

Trade and other payables as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

	2012		2011	
	Current	Non-current	Current	Non-current
Trade payables	₩ 2,047,130	-	1,751,388	-
Other accounts payable	274,000	-	362,410	-
Accrued expenses	610,982	-	336,473	-
Deposits received	-	12,142	-	14,650
	₩ 2,932,112	12,142	2,450,271	14,650

18. Borrowings and Debentures

(1) Short-term borrowings as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)		
			2012	2011
Invoice loan	Deutsche Bank and others	1.13~2.73	₩ 931,302	114,242
General loan	The Bank of Tokyo			
	-Mitsubishi UFJ, Ltd.	3.66	100,000	-
Commercial paper	Shinhan Bank and others	3.54~4.09	2,400,000	2,500,000
Usance L/C	Shinhan Bank and others	0.75~5.32	642,290	540,452
Transferred export receivables	Korea Exchange Bank and others	1.42~4.74	10,132	-
Network loan	Export-Import Bank of Korea	-	-	96,338
Pre-shipment credit	Export-Import Bank of Korea	4.40, 4.52	550,000	350,000
			₩ 4,633,724	3,601,032

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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18. Borrowings and Debentures, Continued

(2) Long-term borrowings as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)		2012	2011
Business loans(*)	Korea National Oil Corporation(*)	1.00~3.75	₩	12,180	12,174
General loan in foreign currency	Export-Import Bank of Korea	2.22		49,613	49,592
Pre-shipment credit	Export-Import Bank of Korea	4.55		50,000	-
Commercial paper	SK Securities Co., Ltd. Current portion	3.59~3.76		300,000	-
				(50,000)	-
			₩	<u>361,793</u>	<u>61,766</u>

(*) The maturities of business loans from Korea National Oil Corporation as of June 30, 2012 are not readily determinable since the business loans are paid by installment in the event of successful commercial production by the Company's oil development business.

(3) Debentures as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

Description	Maturity	Annual interest rate (%)		2012	2011
112 th debenture	2012.04.13	-	₩	-	300,000
113 th debenture	2015.02.17	3.96		500,000	-
			₩	<u>500,000</u>	<u>300,000</u>

On July 24, 2012, the Company issued debentures amounting to ₩ 700,000 million.

(4) Aggregate maturities of the Company's borrowings and debentures as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

Periods		2012		
		Borrowings	Debentures	Total
2012.07.01 ~ 2013.06.30	₩	4,683,724	-	4,683,724
2013.07.01 ~ 2017.06.30		349,613	500,000	849,613
2017.07.01 and thereafter		12,180	-	12,180
	₩	<u>5,045,517</u>	<u>500,000</u>	<u>5,545,517</u>

(In millions of won)

Periods		2011		
		Borrowings	Debentures	Total
2012.01.01 ~ 2012.12.31	₩	3,601,032	300,000	3,901,032
2013.01.01 ~ 2016.12.31		49,592	-	49,592
2017.01.01 and thereafter		12,174	-	12,174
	₩	<u>3,662,798</u>	<u>300,000</u>	<u>3,962,798</u>

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19. Employee Benefits

(1) Recognized liabilities for defined benefit obligations as of June 30, 2012 and December 31, 2011 are as follows:

<i>(In millions of won)</i>	<u>2012</u>	<u>2011</u>
Present value of defined benefit obligations	₩ 904,419	836,804
Fair value of plan assets	(751,383)	(746,062)
	<u>₩ 153,036</u>	<u>90,742</u>

(2) Plan assets as of June 30, 2012 and December 31, 2011 are as follows:

<i>(In millions of won)</i>	<u>2012</u>	<u>2011</u>
Retirement pension	₩ 738,239	732,783
Deposit for severance benefit insurance	3	3
Transfer to National Pension Fund	13,141	13,276
	<u>₩ 751,383</u>	<u>746,062</u>

(3) Expenses recognized in profit or loss for the three and six-month periods ended June 30, 2012 and 2011 are as follows:

<i>(In millions of won)</i>	<u>2012</u>		<u>2011</u>	
	<u>Three-month period</u>	<u>Six-month period</u>	<u>Three-month period</u>	<u>Six-month period</u>
Current service costs	₩ 31,098	62,196	32,543	65,086
Interest on obligations	8,865	17,731	9,750	19,500
Expected return on plan assets	(6,256)	(12,513)	(4,739)	(9,477)
	<u>₩ 33,707</u>	<u>67,414</u>	<u>37,554</u>	<u>75,109</u>

(4) Changes in the defined benefit obligations for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

<i>(In millions of won)</i>	<u>2012</u>	<u>2011</u>
Beginning balance	₩ 836,804	768,243
Current service costs	62,196	112,668
Interest on obligations	17,731	39,001
Benefits paid	(12,352)	(161,589)
Transfers from related parties	40	481
Actuarial losses in other comprehensive income	-	78,000
Ending balance	<u>₩ 904,419</u>	<u>836,804</u>

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19. Employee Benefits, Continued

- (5) Changes in the plan assets for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

<i>(In millions of won)</i>		2012	2011
Beginning balance	₩	746,062	699,903
Benefits paid		(7,192)	(101,251)
Contributions paid into the plan		-	115,031
Expected return on plan assets		12,513	28,568
Actuarial gains in other comprehensive income		-	3,811
Ending balance	₩	751,383	746,062

20. Long-term Provisions

Changes in long-term provisions for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

<i>(In millions of won)</i>		2012			2011		
		Provision for construction warranty	Provision for product warranty	Total	Provision for construction warranty	Provision for product warranty	Total
Beginning balance	₩	56,860	73,025	129,885	46,683	62,820	109,503
Additional amount		7,714	21,377	29,091	24,683	55,029	79,712
Reversal amount		(3,609)	(3,252)	(6,861)	(5,043)	(6,516)	(11,559)
Amounts utilized		(5,627)	(32,285)	(37,912)	(9,463)	(38,308)	(47,771)
Ending balance	₩	55,338	58,865	114,203	56,860	73,025	129,885

21. Derivative Financial Instruments

The Company has entered into derivative instrument contracts related to foreign currency forward with 29 banks, including Korea Exchange Bank, to hedge the changes in foreign exchange rate. Derivatives are measured at fair value by using forward exchange rate presented by contract counterparty.

- (1) The description of derivative instrument and hedge accounting is as follows:

Hedge accounting	Type	Description
Cash flow hedge	Foreign exchange forward contracts	Hedge of the variability in cash flows attributable to foreign currency exposure in respect of forecast sales and purchases
Fair value hedge	Foreign exchange forward contracts	Hedge of the risk of changes in the fair value of firm commitments

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21. Derivative Financial Instruments, Continued

(2) Gain and loss on valuation and transaction of derivatives for the six-month period ended June 30, 2012 are as follows:

(In millions of won and in thousands of foreign currency)

	Description			Total
	Cash flow hedge	Fair value hedge	For trading	
Contract amount	USD 1,229,607	USD 9,998,901	USD 241,087	USD 11,469,595
	EUR 26,745	EUR 12,441	-	EUR 39,186
	KRW 1,416,869	-	KRW 3,288	KRW 1,420,157
Increase (decrease) to sales	(123,389)	(26,516)	- ₩	(149,905)
Increase (decrease) to cost of sales	(368)	-	-	(368)
Increase to finance income	-	96,991	4,948	101,939
Increase to finance costs	645	88,550	4,898	94,093
Increase to other non-operating income	-	77,610	-	77,610
Increase to other non-operating expenses	-	64,707	-	64,707
Accumulated other comprehensive income	18,718	-	-	18,718
Firm commitment assets	-	442,280	-	442,280
Firm commitment liabilities	-	96,211	-	96,211
Derivative assets	67,080	56,371	-	123,451
Derivative liabilities	273,070	41,521	-	314,591
Financial assets at fair value through profit or loss	-	-	5,168	5,168
Financial liabilities at fair value through profit or loss	-	-	6,723	6,723

As of June 30, 2012, the Company applies cash flow hedge accounting, out of which the Company accounted for the effective portion of the hedge amounting to ₩ 14,188 million, net of tax of ₩ 4,530 million, as gain on valuation of derivatives in accumulated other comprehensive income.

The expected period of exposure to cash flow risk, where cash flow hedge accounting is applied, is approximately within 26 months, and the amount among gain (loss) on valuation of derivatives that is expected to be realized as addition to transaction gain or deduction from transaction loss within 12 months from June 30, 2012 is ₩ 4,334 million.

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22. Capital and Capital Surplus

- (1) The Company is authorized to issue 160,000,000 shares of capital stock (par value ₩ 5,000), and as of June 30, 2012 and December 31, 2011, the number of issued common shares is 76,000,000.

There have been no changes in the capital stock for the six-month period ended June 30, 2012.

- (2) Capital surplus is composed of paid-in capital in excess of par value and other capital surplus.

There have been no changes in the capital surplus for the six-month period ended June 30, 2012.

23. Treasury Stock

Treasury stock as of June 30, 2012 and December 31, 2011 is summarized as follows:

<i>(In millions of won)</i>	2012			2011		
	Number of shares	Acquisition cost	Fair value	Number of shares	Acquisition cost	Fair value
Treasury stock	14,711,560	₩ 1,400,455	3,788,227	14,711,560	₩ 1,400,455	3,780,871

24. Accumulated Other Comprehensive Income

- (1) Accumulated other comprehensive income as of June 30, 2012 and December 31, 2011 is summarized as follows:

<i>(In millions of won)</i>		2012	2011
Gain and loss on valuation of available-for-sale financial assets	₩	965,237	862,951
Gain and loss on valuation of derivatives		14,188	(10,304)
	₩	979,425	852,647

- (2) Other comprehensive income for the three and six-month periods ended June 30, 2012 and 2011 is as follows:

<i>(In millions of won)</i>	2012		2011	
	Three-month period	Six-month period	Three-month period	Six-month period
Gain and loss on valuation of available-for-sale financial assets	₩ (13,911)	134,942	257,271	476,045
Gain and loss on valuation of derivatives	15,634	32,311	(16,933)	(2,287)
Tax effect	(417)	(40,475)	(52,797)	(104,487)
	₩ 1,306	126,778	187,541	369,271

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25. Retained Earnings

Retained earnings as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

	<u>2012</u>	<u>2011</u>
Legal reserves:		
Legal appropriated retained earnings	₩ 190,000	190,000
Reserve for corporate development	30,000	30,000
Asset revaluation surplus	1,800,414	1,800,414
	<u>2,020,414</u>	<u>2,020,414</u>
Voluntary reserves:		
Reserve for business rationalization	87,277	87,277
Reserve for facilities	78,270	78,270
Reserve for research and human development	510,000	470,000
Others	10,901,453	8,768,344
	<u>11,577,000</u>	<u>9,403,891</u>
Unappropriated retained earnings	<u>622,948</u>	<u>2,418,263</u>
	<u>₩ 14,220,362</u>	<u>13,842,568</u>

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26. Outstanding Contracts

(1) Sales for the three and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

		2012		2011	
		Three-month period	Six-month period	Three-month period	Six-month period
Construction contracts	₩	3,899,891	7,398,022	4,468,593	9,190,477
Goods sold		2,275,144	4,645,831	1,537,691	3,069,460
Services		43,811	98,342	49,068	101,668
	₩	<u>6,218,846</u>	<u>12,142,195</u>	<u>6,055,352</u>	<u>12,361,605</u>

(2) Changes in outstanding contracts for the six-month period ended June 30, 2012 are as follows:

(In millions of won)

		Shipbuilding	Others	Total
Beginning of period(*)	₩	19,147,717	19,344,702	38,492,419
Increase during the period		3,574,200	6,187,983	9,762,183
Recognized as revenue		(4,692,490)	(7,449,705)	(12,142,195)
End of period	₩	<u>18,029,427</u>	<u>18,082,980</u>	<u>36,112,407</u>

(*) The beginning balance includes impact from changes in exchange rate.

As of June 30, 2012, in connection with construction contracts, the Company has provided a certain amount of financial institution guarantee deposits or letters of guarantees from various financial institutions to the customers.

(3) Accumulated profit and loss of construction and others connected with construction in progress as of June 30, 2012 are as follows:

(In millions of won)

		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit and loss of construction	Billed receivables on construction contracts	Unbilled receivables on construction contracts	Due to customers for contract work
Shipbuilding	₩	5,203,527	4,729,264	474,263	312,738	1,478,010	3,685,040
Others		18,402,920	15,731,720	2,671,200	442,988	651,475	1,039,332
	₩	<u>23,606,447</u>	<u>20,460,984</u>	<u>3,145,463</u>	<u>755,726</u>	<u>2,129,485</u>	<u>4,724,372</u>

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27. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	2012		2011	
	Three-month period	Six-month period	Three-month period	Six-month period
Salaries	₩ 77,156	159,179	76,476	155,362
Post-employment benefit costs	4,938	10,017	5,430	10,922
Employee welfare	19,368	43,047	16,504	37,588
Depreciation	9,085	18,029	8,609	17,312
Bad debt expenses	34,235	38,351	29,781	51,040
Ordinary development costs	34,254	67,886	30,218	57,929
Advertising	22,447	38,501	16,498	33,134
Printing	415	946	786	1,293
Compensation	227	274	44	67
Warranty expenses	16,674	31,142	23,671	35,100
Insurance	1,156	1,701	743	1,484
Supplies	2,528	4,237	1,705	3,556
Utilities	699	1,793	836	2,386
Repairs	2,041	3,152	921	1,700
Travel	6,421	11,673	6,187	11,859
Research	1,456	2,808	2,807	5,789
Training	2,796	4,842	1,716	3,640
Transportation	48,056	88,997	35,843	71,009
Rent	2,875	5,887	2,598	5,084
Data processing	4,966	6,520	5,490	6,195
Entertainment	594	1,189	565	1,250
Taxes and dues	390	864	384	831
Service charges	17,057	36,538	23,871	46,096
Automobile maintenance	1,857	3,857	1,991	3,955
Communications	1,568	3,186	1,409	2,723
Sales commissions	15,595	31,839	13,958	30,139
Others	6,496	12,711	7,443	13,497
	₩ <u>335,350</u>	<u>629,166</u>	<u>316,484</u>	<u>610,940</u>

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28. Nature of Expenses

The classification of expenses by nature for the three and six-month periods ended June 30, 2012 and 2011 is as follows:

(In millions of won)

	2012		2011	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	₩ (200,852)	(360,648)	(501,314)	(477,506)
Purchase of inventories	4,126,133	7,905,697	3,964,520	7,764,844
Depreciation	114,549	229,675	109,292	218,502
Amortization	14,074	28,233	14,032	28,164
Labor cost	529,644	1,051,610	527,471	1,033,970
Other expenses	1,255,618	2,442,153	1,264,326	2,124,820
	₩ 5,839,166	11,296,720	5,378,327	10,692,794

Total expenses consist of cost of sales and selling, general and administrative expenses.

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29. Finance Income and Finance Costs

Finance income and finance costs for the three and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	2012		2011	
	Three-month period	Six-month period	Three-month period	Six-month period
Finance income:				
Interest income	₩ 24,209	48,517	60,166	91,263
Gain on valuation of financial instruments at fair value through profit or loss	-	484	7,382	37,314
Gain on disposal of financial instruments at fair value through profit or loss	224	4,464	27,291	35,531
Gain on disposal of available-for-sale financial assets	-	-	1,471	1,471
Dividend income	489	57,966	82	73,463
Gain on foreign currency translation	11,038	25,589	14,479	45,009
Gain on foreign currency transactions	63,060	129,005	70,224	120,337
Gain on valuation of derivatives	-	18,524	240,641	477,233
Gain on derivatives transactions	30,809	78,466	150,975	208,568
	₩ <u>129,829</u>	<u>363,015</u>	<u>572,711</u>	<u>1,090,189</u>
Finance costs:				
Interest expense	₩ 46,731	91,826	31,936	63,880
Loss on valuation of financial instruments at fair value through profit or loss	3,002	874	1,295	24,946
Loss on disposal of financial instruments at fair value through profit or loss	1,328	4,025	26,091	51,487
Loss on disposal of available-for-sale financial assets	4	20	205	220
Impairment loss on available-for-sale financial assets	1,004	1,491	1,046	6,236
Loss on foreign currency translation	-	39,995	-	82,099
Loss on foreign currency transactions	70,329	159,690	133,850	218,382
Loss on valuation of derivatives	132,933	65,650	-	2,400
Loss on derivatives transactions	19,434	23,545	4,673	8,965
	₩ <u>274,765</u>	<u>387,116</u>	<u>199,096</u>	<u>458,615</u>

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30. Other Non-operating Income and Other Non-operating Expenses

Other non-operating income and other non-operating expenses for the three and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	2012		2011	
	Three-month period	Six-month period	Three-month period	Six-month period
Other non-operating income:				
Gain on disposal of property, plant and equipment	₩ 602	794	544	675
Reversal of provision for product warranty	1,756	3,252	855	4,476
Reversal of provision for construction warranty	1,089	3,609	1,390	2,306
Gain on valuation of firm commitments	115,128	77,610	1,474	7,239
Reversal of allowance for doubtful accounts	-	4,330	3,468	5,671
Miscellaneous income	27,878	46,297	27,772	129,973
	₩ <u>146,453</u>	<u>135,892</u>	<u>35,503</u>	<u>150,340</u>
Other non-operating expenses:				
Service charges	₩ 1,859	3,522	1,636	3,193
Loss on disposal of property, plant and equipment	6,927	7,113	151	946
Loss on valuation of firm commitments	-	64,707	351,400	589,522
Donation	9,341	68,598	14,505	16,630
Miscellaneous expenses	8,334	16,032	9,902	15,039
	₩ <u>26,461</u>	<u>159,972</u>	<u>377,594</u>	<u>625,330</u>

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31. Income Tax Expense

The component of income tax expense for the six-month periods ended June 30, 2012 and 2011 is as follows:

<i>(In millions of won)</i>		<u>2012</u>	<u>2011</u>
Current tax expense	₩	224,501	429,654
Adjustment for prior periods		(9,606)	(50,084)
Origination and reversal of temporary differences		(75)	108,548
Income tax recognized in other comprehensive income		(40,475)	(104,487)
Total income tax expense	₩	<u>174,345</u>	<u>383,631</u>
Effective tax rate		<u>21.87%</u>	<u>21.02%</u>

The change in the effective tax rate for the six-month periods ended June 30, 2012 and 2011 is due to the decrease of tax credit.

32. Earnings per Share

- (1) Basic earnings per share for the three and six-month periods ended June 30, 2012 and 2011 are as follows:

		<u>2012</u>		<u>2011</u>	
		<u>Three-month period</u>	<u>Six-month period</u>	<u>Three-month period</u>	<u>Six-month period</u>
Net income <i>(In millions of won)</i>	₩	277,420	622,948	538,739	1,441,764
Weighted average number of ordinary shares outstanding <i>(In thousands of shares)</i>		<u>61,288</u>	<u>61,288</u>	<u>61,288</u>	<u>61,288</u>
Earnings per share <i>(In won)</i>	₩	<u>4,526</u>	<u>10,164</u>	<u>8,790</u>	<u>23,524</u>

- (2) Weighted average number of ordinary shares for the three and six-month periods ended June 30, 2012 is as follows:

(In a share)

	<u>Number of shares outstanding</u>	<u>Weighted average</u>	<u>Weighted average number of shares outstanding</u>
Beginning balance	61,288,440	Six-month: 182/182 Three-month: 91/91	61,288,440

- (3) Since there are no dilutive potential common shares for the six-month periods ended June 30, 2012 and 2011, diluted earnings per share have not been calculated.

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33. Categories of Financial Instruments and Income and Costs by Categories

(1) Categories of financial instruments as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

		2012							
		Cash and cash equivalents	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortised cost	Derivative liabilities
Cash and cash equivalents	₩	1,087,430	-	-	-	-	-	-	-
Short-term financial assets		-	5,004	-	31,297	-	-	-	-
Trade and other receivables		-	-	-	3,673,582	-	-	-	-
Due from customers for contract work		-	-	-	2,129,485	-	-	-	-
Derivative assets (current)		-	-	-	-	98,554	-	-	-
Long-term financial assets		-	164	1,909,671	33	-	-	-	-
Long-term trade and other receivables		-	-	-	429,956	-	-	-	-
Derivative assets (non-current)		-	-	-	-	24,897	-	-	-
Short-term financial liabilities		-	-	-	-	-	900	4,683,724	-
Trade and other payables		-	-	-	-	-	-	2,932,112	-
Derivative liabilities (current)		-	-	-	-	-	-	-	123,562
Long-term financial liabilities		-	-	-	-	-	5,823	860,115	-
Long-term trade and other liabilities		-	-	-	-	-	-	12,142	-
Derivative liabilities (non-current)		-	-	-	-	-	-	-	191,029
	₩	1,087,430	5,168	1,909,671	6,264,353	123,451	6,723	8,488,093	314,591

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33. Categories of Financial Instruments and Income and Costs by Categories, Continued

(In millions of won)

		2011							
		Cash and cash equivalents	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortised cost	Derivative liabilities
Cash and cash equivalents	₩	608,306	-	-	-	-	-	-	-
Short-term financial assets		-	8,512	-	12,059	-	-	-	-
Trade and other receivables		-	-	-	3,247,270	-	-	-	-
Due from customers for contract work		-	-	-	2,567,104	-	-	-	-
Derivative assets (current)		-	-	-	-	127,646	-	-	-
Long-term financial assets		-	10,184	1,775,711	33	-	-	-	-
Long-term trade and other receivables		-	-	-	509,610	-	-	-	-
Derivative assets (non-current)		-	-	-	-	46,467	-	-	-
Short-term financial liabilities		-	-	-	-	-	14,779	3,900,907	-
Trade and other payables		-	-	-	-	-	-	2,450,271	-
Derivative liabilities (current)		-	-	-	-	-	-	-	230,145
Long-term financial liabilities		-	-	-	-	-	5,286	61,766	-
Long-term trade and other liabilities		-	-	-	-	-	-	14,650	-
Derivative liabilities (non-current)		-	-	-	-	-	-	-	192,144
	₩	608,306	18,696	1,775,711	6,336,076	174,113	20,065	6,427,594	422,289

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33. Categories of Financial Instruments and Income and Costs by Categories, Continued

(2) Financial instruments income and costs by categories for the three and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	2012							
	Net income		Other comprehensive income		Interest income and interest expense(*)		Impairment loss	
	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period
Cash and cash equivalents	₩ 6,625	9,015	-	-	6,185	11,951	-	-
Financial assets at fair value								
through profit or loss	(1,582)	2,615	-	-	-	-	-	-
Available-for-sale financial assets	(987)	12,968	(10,545)	102,286	-	-	(1,004)	(1,491)
Loans and receivables	10,880	(34,654)	-	-	18,022	36,565	(34,235)	(34,021)
Financial liabilities at fair value								
through profit or loss	7,109	(2,473)	-	-	-	-	-	-
Financial liabilities measured at amortized cost	(79,233)	(95,706)	-	-	(46,732)	(91,827)	-	-
Derivatives	(122,453)	6,626	11,851	24,492	-	-	-	-

(*) Interest income and interest expense includes interest income and interest expense arising from effective interest rate amortization.

(In millions of won)

	2011							
	Net income		Other comprehensive income		Interest income and interest expense(*)		Impairment loss	
	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period
Cash and cash equivalents	₩ 655	(3,307)	-	-	6,358	10,880	-	-
Financial assets at fair value								
through profit or loss	13,242	15,342	-	-	-	-	-	-
Available-for-sale financial assets	(62,126)	6,761	200,671	371,315	113	113	(1,046)	(6,236)
Loans and receivables	(43,574)	(142,581)	-	-	53,695	80,270	(26,314)	(45,370)
Financial liabilities at fair value								
through profit or loss	(4,373)	(18,062)	-	-	-	-	-	-
Financial liabilities measured at amortized cost	1,926	300	-	-	(31,936)	(63,880)	-	-
Derivatives	379,722	665,922	(13,130)	(2,044)	-	-	-	-

(*) Interest income and interest expense includes interest income and interest expense arising from effective interest rate amortization.

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34. Risk of Financial Instruments

(1) Currency risk

The Company's exposure to foreign currency risk based on notional amounts as of June 30, 2012 and December 31, 2011 is as follows:

(In millions of won)

		2012					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	212,148	18,201	-	552	15,615	246,516
Loans and receivables		4,654,845	244,378	80,593	6,590	317,619	5,304,025
Trade and other payables		(980,991)	(116,451)	(1,038)	(10,414)	(100,348)	(1,209,242)
Borrowings		(1,378,274)	(148,340)	-	(100,529)	(8,978)	(1,636,121)
Gross statement of financial position exposure		2,507,728	(2,212)	79,555	(103,801)	223,908	2,705,178
Forward exchange contracts		(198,628)	6,186	-	-	(254)	(192,696)
Net exposure	₩	2,309,100	3,974	79,555	(103,801)	223,654	2,512,482

(In millions of won)

		2011					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	312,735	268	5	346	25,136	338,490
Loans and receivables		4,691,568	275,301	94,531	5,411	316,681	5,383,492
Trade and other payables		(867,246)	(98,366)	(1,066)	(27,735)	(114,583)	(1,108,996)
Borrowings		(518,141)	(112,636)	-	(72,180)	(13,503)	(716,460)
Gross statement of financial position exposure		3,618,916	64,567	93,470	(94,158)	213,731	3,896,526
Forward exchange contracts		(254,037)	5,901	-	-	(1,409)	(249,545)
Net exposure	₩	3,364,879	70,468	93,470	(94,158)	212,322	3,646,981

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34. Risk of Financial Instruments, Continued

(2) Fair values

(i) Fair values versus carrying amounts

The fair values and the carrying amounts of financial assets and liabilities as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value:				
Financial assets at fair value through profit or loss	₩ 5,168	5,168	18,696	18,696
Available-for-sale financial assets(*)	1,909,671	1,909,671	1,775,711	1,775,711
Derivative assets	123,451	123,451	174,113	174,113
	<u>₩ 2,038,290</u>	<u>2,038,290</u>	<u>1,968,520</u>	<u>1,968,520</u>
Cash and cash equivalents	₩ 1,087,430	1,087,430	608,306	608,306
Assets carried at amortized cost:				
Loans and receivables	₩ 6,264,353	6,264,353	6,336,076	6,336,076
Liabilities carried at fair value:				
Financial liabilities at fair value through profit or loss	₩ 6,723	6,723	20,065	20,065
Derivative liabilities	314,591	314,591	422,289	422,289
	<u>₩ 321,314</u>	<u>321,314</u>	<u>442,354</u>	<u>442,354</u>
Liabilities carried at amortized cost:				
Unsecured bank loans	₩ 5,045,517	5,045,517	3,662,798	3,662,798
Unsecured bond issues	498,322	498,322	299,875	299,875
Trade and other payables	2,944,254	2,944,254	2,464,921	2,464,921
	<u>₩ 8,488,093</u>	<u>8,488,093</u>	<u>6,427,594</u>	<u>6,427,594</u>

(*) The amounts of available-for-sale financial assets that were recorded at their acquisition cost because the fair values cannot be estimated reliably as of June 30, 2012 and December 31, 2011 are ₩ 87,810 million and ₩ 87,303 million, respectively.

(ii) 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).

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34. Risk of Financial Instruments, Continued

(2) Fair values, continued

The financial instruments carried at fair value, by fair value hierarchy as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2012:				
Financial assets at fair value through profit or loss	₩ -	5,168	-	5,168
Available-for-sale financial assets	1,803,692	-	18,169	1,821,861
Derivative assets	-	123,451	-	123,451
Financial liabilities at fair value through profit or loss	-	6,723	-	6,723
Derivative liabilities	-	314,591	-	314,591
2011:				
Financial assets at fair value through profit or loss	-	18,696	-	18,696
Available-for-sale financial assets	1,670,170	-	18,238	1,688,408
Derivative assets	-	174,113	-	174,113
Financial liabilities at fair value through profit or loss	-	20,065	-	20,065
Derivative liabilities	-	422,289	-	422,289

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of reporting period, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Unlisted equity securities, investment in capital and others invested in companies newly established or having no comparative company are excluded from the fair value valuation because their fair value cannot be measured reliably.

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34. Risk of Financial Instruments, Continued

- (2) Fair values, continued
(iii) Transfers of financial assets

Transferred financial assets that are not derecognized in their entirety as of June 30, 2012 are as follows:

(In millions of won)

		<u>Loans and receivables</u>
		<u>Trade receivables</u>
Carrying amount of assets	₩	10,132
Carrying amount of associated liabilities		10,132
For those liabilities that have recourse only to the transferred assets:		
Fair value of assets		10,132
Fair value of associated liabilities		10,132
Net position	₩	<u>-</u>

35. Commitments and Contingencies

- (1) As of June 30, 2012, the Company has entered into bank overdraft agreements with eight banks amounting to ₩ 238,000 million and general loan agreements with seven banks amounting to ₩ 390,000 million and USD 43,000 thousand.
- (2) As of June 30, 2012, the Company has entered into credit facilities agreements such as letters of credit with various banks for the Company's exports and imports totaling ₩ 360,000 million and USD 3,257,337 thousand.
- (3) As of June 30, 2012, the Company has entered into credit facilities agreements such as pre-shipment credit with various banks totaling ₩ 2,780,000 million.
- (4) In order to secure bank loans and construction contract performance guarantees, the Company has provided seven blank notes and one check as of June 30, 2012.
- (5) As of June 30, 2012, the Company is contingently liable for loan guarantees of its foreign subsidiaries amounting to USD 747,292 thousand. The Company has provided certain performance guarantees for bareboat charter amounting to USD 417,875 thousand to ship owners on behalf of Hyundai Merchant Marine Co., Ltd. Furthermore, the Company has provided performance guarantees for the mining business in relation to overseas resource developments amounting to USD 61,925 thousand and guarantees on debt obligations for the business participant, Sherritt International Corporation, amounting to USD 24,058 thousand. The Company has also entered into joint shipbuilding contracts with Hyundai Samho Heavy Industries Co., Ltd., one of the Company's subsidiaries, for the construction of three ships at a contract amount of USD 177,810 thousand.
- (6) In connection with the Company's contract performance guarantees, the Company has been provided with guarantees amounting to ₩ 1,767,951 million and USD 10,372,792 thousand (maximum guarantees amounting to ₩ 3,809,046 million and USD 24,137,512 thousand, respectively) by various banking facilities, of which regarding ships advance from customers, the Company has also been provided with maximum guarantees amounting to USD 18,226,745 thousand by various banking facilities. Regarding this, the Company collateralizes its ships under construction and construction materials.

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35. Commitments and Contingencies, Continued

- (7) The Company entered into a consortium agreement on a resource development project with various organizations including Korea National Oil Corporation, and recorded ₩ 146,518 million and ₩ 135,078 million as other non-current assets as of June 30, 2012 and December 31, 2011, respectively. The Company also obtained borrowings from the Export-Import Bank of Korea and Korea National Oil Corporation (see note 18).

36. Litigation

- (1) Hynix Semiconductor Inc. ("HSI") sold 13 million shares of Hyundai Investment Trust & Securities Co., Ltd. ("HITS") for USD 13.46 per share to Canadian Imperial Bank of Commerce ("CIBC") on June 4, 1997. In relation to this transaction, the Company made a share option agreement with CIBC under which the Company was obligated to buy back the 13 million shares of HITS for USD 16.96 per share, if CIBC exercised its option. Based on this agreement, the Company was provided a written promissory note from HSI and Hyundai Securities Co., Ltd. ("HSC") on July 1, 1997 to compensate the Company for losses incurred in connection with the transaction with CIBC under certain circumstances. Based on the above agreement, on July 20, 2000, the Company repurchased the 13 million shares from CIBC for USD 220,480 thousand. The Company required HSI and HSC to honor their written promissory note, which was rejected by HSI and HSC. Accordingly, the Company filed a lawsuit against HSI and HSC on July 28, 2000 and deposited the stocks repurchased from CIBC in Suwon District Court. On January 25, 2002, the Company partially won the litigation for the settlement of claim amounting to ₩ 171,800 million of principal and accrued interest thereon and recovered ₩ 220,933 million. Pursuant to the resolution of the board of directors on January 27, 2002, the Company filed an appeal claiming the whole amount of the principal and accrued interest. Also, the Company has filed a lawsuit for the advance payments and reimbursable expenses from those companies that were not covered in the litigation above. In relation to the intermediate appeal for a partial settlement of the claim, the Company partially won the litigation at Seoul High Court on June 14, 2006 for the settlement of the claim amounting to ₩ 192,900 million of principal and accrued interest. However, the Company did not accept the Court's decision and filed an appeal with the Supreme Court of Korea. The Supreme Court of Korea annulled the original judgment on March 26, 2009. On August 21, 2009, the Company won its claim amounting to ₩ 241,200 million of principal, excluding ₩ 4,300 million and accrued interest thereon, and recovered ₩ 86,200 million. On September 10, 2009, the Company filed an appeal to the Supreme Court claiming the principal amount of ₩ 4,300 million, and the Supreme Court of Korea annulled the original judgment on February 9, 2012. On July 13, 2012, the Company won its rest claim amounting to ₩ 4,300 million and recovered 8,900 million from HSI, therefore the litigation was terminated. In addition, on October 22, 2009, the Company won its claim for incidental expenses amounting to ₩ 50,300 million of principal and accrued interest thereon and recovered ₩ 73,700 million. However, on November 11, 2009, HSI and other companies filed an appeal to the court, and the court partially in favor of the plaintiff on November 10, 2011. The Company returned ₩ 2,600 million on November 14, 2011, and the Company filed an appeal to the Supreme Court on November 25, 2011, which is currently pending as of June 30, 2012.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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36. Litigation, Continued

- (2) The National Tax Service imposed additional income tax amounting to ₩ 107,600 million on March 27, 2006, which has been settled by the Company. The assessment resulted from the participation in the capital increase of Hyundai Space and Aircraft Co., Ltd. when Korea was experiencing a foreign currency exchange crisis in the late 1990s. The National Tax Service ruled this capital increase to be unfair financial support for the insolvent affiliate. The Company's appeal to the National Tax Tribunal was dismissed, but was partially successful. On April 27, 2009, the Company filed administrative litigation. However, the Company lost the first trial on January 5, 2011 and appealed on January 25, 2011. The litigation is currently pending as of June 30, 2012.
- (3) In connection with orders for submarine pipeline and equipment installation construction from PTT Public Company Limited. ("PTT") on June 25, 2011, the Company hired subcontractor ("Britoil") that owned tugboat and while it was moving the barge, unknown as a cause the existing gas tube owned by PTT, was damaged and the accident caused a gas leak. At the request of the PTT, the Company worked on recovery, repair, and completed around October 2011 and for the cost of repairs the Company billed PTT. PTT ask for compensations of damages such as a gas leak or replacement gas purchases. But accident cause, damages amount, contractual limitation of liability, and insurance distribution of disagreement occurred in. The sides did not reach an amicable agreement in this regard. PTT has filed a lawsuit in Thai court to claim damages amounting to USD 143 million against the Company, Britoil and PTT's insurer ("Dhipaya") as a co-defendant on June 22, 2012. The Company intends to vigorously defend itself and filed counterclaim. The litigation is in its early stages, so the prospect of litigation currently cannot be predicted.

In addition to the case mentioned above, the Company has been involved in 30 claims (litigation values: ₩ 115,600 million) and proceedings as defendant. Currently, the prospect of such litigation cannot be predicted.

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37. Related Parties

(1) The Company is the ultimate controlling party and its subsidiaries as of June 30, 2012 are as follows:

Company	Particulars
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding
Hyundai Mipo Dockyard Co., Ltd.	Shipbuilding
Hyundai Oilbank Co., Ltd.	Manufacturing of petroleum products
Hyundai Heavy Material Service	Sale and manufacture of machinery equipment for shipbuilding
KOMAS Corporation	Shipping
Hyundai Energy & Resources Co., Ltd.	Services for crude oil and natural gas mining
Mipo Engineering Co., Ltd.	Other engineering services
Ulsan Hyundai Football Club Co., Ltd.	Football club
Hotel Hyundai Co., Ltd.	Hotel operation
HI Investment & Securities Co., Ltd.	Securities brokerage
HI Asset Management Co., Ltd.	Asset management
Hyundai Finance Corporation	Granting of credit
Hyundai Venture Investment Corporation	Granting of credit
Hyundai Futures Corporation	Entrust and brokerage of futures transactions
Hyundai Investment Fund 1 on Patent Technology	Other financial business
LS Leading Solution Private Security Investment Trust 22 (Equity)	Other financial business
LS Leading Solution Private Security Investment Trust 35 (Equity)	Other financial business
Eastspring Private Global Asset allocation & Mining & Gold Fund of Funds Investment Trust A-1	Other financial business
HI Gold Ocean Ship Private Special Assets Investment Trust No.2 (Beneficiary Right)	Other financial business
HI Dynamic Asia Private Securities Investment Trust 1 (Stock)	Other financial business
Hyundai ship Private Fund 1	Other financial business
HI Gold Index Linked Private Securities Investment Trust 1	Other financial business
HI GOLD OCEAN KMARIN NO.8 SHIP INVESTMENT COMPANY	Ship investment
Hyundai Oil Terminal Co., Ltd.	Oil storage business
Hyundai and Shell Base Oil Co., Ltd.	Manufacturing of base oil
Hyundai Jiangsu Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
HHI China Investment Co., Ltd.	Holding company
Hyundai Financial Leasing Co., Ltd.	Financial and operating leases
Hyundai Heavy Industries (China) Electric Co., Ltd.	Sale and manufacture of switchboards for electric distribution
Yantai Hyundai Moon Heavy Industries Co., Ltd.	Sale and manufacture of industrial boilers
Changzhou Hyundai Hydraulic Machinery Co., Ltd.	Sale and manufacture of hydraulic cylinders for construction equipment
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	Sale and manufacture of wheel loaders

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37. Related Parties, Continued

Company	Particulars
Weihai Hyundai Wind Power Technology Co., Ltd.	Sale and manufacture of facilities for wind power generation
Hyundai Heavy Industries (Shanghai) R&D Co., Ltd.	Research and development of technology for construction machinery, engine and electric equipment
HDO Singapore Pte. Ltd.	Trade crude oil and petrochemical products, chartering
Hyundai Vinashin Shipyard	Ship repair
Hyundai Construction Equipment India Private Ltd.	Sale and manufacture of machinery equipment for construction
Hyundai Transformers And Engineering India PVT, Ltd.	Sale and manufacture of transformers
Hyundai Construction Equipment Americas, Inc.	Sale of machinery equipment for construction
Hyundai Power Transformers USA, Inc.	Sale and manufacture of industrial electric equipment
Hyundai Ideal Electric Co.	Sale and manufacture of industrial electric equipment
PHECO Inc.	Design services for offshore facilities
HHI Battery Co., Ltd.	Manufacturing
Hyundai Heavy Industries Brasil - Real Estate Developments	Real estate development
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Manufacture, trade and repair of heavy equipment
HI GOLD OCEAN KMARIN NO.8 S.A	Chartering
Vladivostok Business Center	Hotel operation
Hyundai Khorol Agro Ltd.	Agriculture
Hyundai Mikhailovka Agro	Agriculture
Hyundai Electrosystems Co., Ltd.	Manufacture of high-voltage circuit breakers
Hyundai Heavy Industries Europe N.V.	Sale of machinery equipment for construction
Hyundai Heavy Industries Co. BULGARIA	Sale and manufacture of transformers
Hyundai Technologies Center Hungary Kft	Research and development of technology
Hyundai Heavy Industries France SAS	Manufacturing
Jahnel-Kestermann Getriebewerke GmbH	Designing and manufacture of gearboxes
JaKe Service GmbH	Gearbox repair
HHI MAURITIUS LIMITED	Manufacturing
MS Dandy Ltd.	Ship rental service

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37. Related Parties, Continued

- (2) Significant transactions for the six-month periods ended June 30, 2012 and 2011, and outstanding balances as of June 30, 2012 and December 31, 2011 with related parties are as follows:

(In millions of won)

	Sales and other		Purchases and other		Receivables and other		Payables and other		
	2012	2011	2012	2011	2012	2011	2012	2011	
Subsidiaries:									
Hyundai Samho Heavy Industries Co., Ltd.	₩ 341,447	332,385	2,704	125	191,397	221,956	170,462	174,696	
Hyundai Mipo Dockyard Co., Ltd.	234,059	230,182	6,816	7,652	135,194	123,247	95,947	92,097	
Hyundai Oilbank Co., Ltd.	37,072	11,243	1,313	751	7,306	12,446	10,460	5,472	
Hyundai Heavy Material Service	4,077	5,113	323,669	446,532	1,908	2,226	98,548	83,813	
Hotel Hyundai Co., Ltd.	67	31	19,640	14,916	16	5	3,003	2,926	
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	44,021	116,345	182	334	32,890	23,331	-	49	
Hyundai Jiangsu Construction Machinery Co., Ltd.	55,353	359,517	616	366	55,997	79,114	-	115	
Hyundai Heavy Industries (China) Electric Co., Ltd.	2,712	4,415	24,213	8,405	2,318	1,517	4,457	4,025	
Yantai Hyundai Moon Heavy Industries Co., Ltd.	98	9	7,066	53,848	43,704	38,001	-	-	
Hyundai Heavy Industries Europe N.V.	157,153	112,585	2,121	1,200	64,880	38,284	1,022	585	
Hyundai Construction Equipment Americas, Inc.	371,180	177,398	1,262	757	211,126	78,750	-	553	
Hyundai Ideal Electric Co.	28,907	8,693	531	384	18,160	12,743	88	162	
Hyundai Construction Equipment India Private Ltd.	56,039	52,259	1,246	312	66,128	56,763	430	336	
Others	11,608	13,352	36,400	22,405	16,851	18,096	7,202	5,442	
	<u>1,343,793</u>	<u>1,423,527</u>	<u>427,779</u>	<u>557,987</u>	<u>847,875</u>	<u>706,479</u>	<u>391,619</u>	<u>370,271</u>	
Associates(*):									
Hyundai Corporation	526,163	601,275	12,397	661	285,729	234,908	52,900	59,448	
KAM Corporation	-	2	-	44,340	64,278	64,278	-	-	
Wärtsilä-Hyundai Engine Company Ltd.	1,363	1,114	-	-	53,026	29,764	8,638	-	
Others	17,477	489	-	9	1,712	17,533	10,342	9,845	
	<u>545,003</u>	<u>602,880</u>	<u>12,397</u>	<u>45,010</u>	<u>404,745</u>	<u>346,483</u>	<u>71,880</u>	<u>69,293</u>	
Associates of subsidiaries:									
Hyundai Cosmo Petrochemical Co., Ltd.	131,842	2,599	-	-	17,076	4,747	-	-	
	<u>₩ 2,020,638</u>	<u>2,029,006</u>	<u>440,176</u>	<u>602,997</u>	<u>1,269,696</u>	<u>1,057,709</u>	<u>463,499</u>	<u>439,564</u>	

(*) Associates include their subsidiaries.

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37. Related Parties, Continued

(3) Details of guarantees which the Company had provided for related companies as of June 30, 2012 are as follows:

(In thousands of foreign currency)

Guarantee recipient	Provider	Type of guarantees	Currency	Guaranteed Amount
Subsidiaries:				
Hyundai Financial Leasing Co., Ltd.	Sumitomo Bank Ltd. and others	Payment	CNY	1,500,000
Hyundai Heavy Industries Europe N.V.	Korea Exchange Bank and others	Payment	EUR	36,000
		Performance	EUR	250
Hyundai Construction Equipment Americas, Inc.	Hana Bank and others	Payment	USD	109,600
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	SCB Woori Bank	Payment	USD	27,900
		Payment	CNY	65,000
Hyundai Construction Equipment India Private Ltd.	HSBC SCB and others	Payment	USD	10,000
		Payment	INR	1,900,000
Jahnel-Kestermann Getriebewerke GmbH	Shinhan Bank and others	Payment	EUR	45,500
			USD	113,500
Hyundai Power Transformers USA, Inc.	Woori Bank and others	Payment	USD	20,000
		Performance	USD	30,000
Hyundai Heavy Industries Co. Bulgaria	BNP Paribas S.A. Sofia and others	Payment	USD	30,000
Weihai Hyundai Wind Power Technology Co., Ltd.	Export-Import Bank of Korea	Payment	USD	25,000
Hyundai Electrosystems Co., Ltd.	Citibank	Payment	USD	30,000
			USD	366,000
			EUR	81,750
			CNY	1,565,000
			INR	1,900,000
Associates:				
Hyundai Merchant Marine Co., Ltd.	H&K Shipping S.A and others	Performance	USD	417,875
			USD	783,875
			EUR	81,750
			CNY	1,565,000
			INR	1,900,000

(4) Compensation for key management of the Company for the six-month periods ended June 30, 2012 and 2011 is ₩ 1,064 million and ₩ 1,436 million, respectively. Key management is defined as directors and internal auditors who have important rights and responsibilities involving the planning, operation and control of the Company.