

HYUNDAI HEAVY INDUSTRIES CO., LTD.
AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements

June 30, 2013

(Unaudited)

(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 Shareholders
Hyundai Heavy Industries Co., Ltd.:

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of Hyundai Heavy Industries Co., Ltd. and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position as of June 30, 2013, the condensed consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2013 and 2012, the condensed consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2013 and 2012 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 consolidated 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 consolidated interim financial statements based on our reviews. We did not review the financial statements of certain consolidated subsidiaries, whose financial statements reflect combined total assets of ₩29,767,598 million as of June 30, 2013 and combined sales of ₩15,142,047 million and ₩17,359,394 million for the six-month periods ended June 30, 2013 and 2012, respectively. Other auditors reviewed those financial statements and our report, insofar as it relates to the subsidiary, is based solely on the reports of other auditors.

We conducted our reviews in accordance with 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 and the reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated 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 consolidated interim financial statements may differ from those generally accepted and applied in other countries. Accordingly, this is for use by those knowledgeable about Korean review standards and their application in practice.

The consolidated statement of financial position of the Group as of December 31, 2012, and the related consolidated 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 11, 2013, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2012, presented for comparative purposes, is not different from that audited by us from which it had been derived in all material respects except for changes in accounting policies as described in note 3 to the interim condensed consolidated financial statement.

Seoul, Korea
August 13, 2013

This report is effective as of August 13, 2013, 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 consolidated 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. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Financial Position
As of June 30, 2013 and December 31, 2012
(Unaudited)

(In thousands of won)

	Note	2013	2012
Assets			
Cash and cash equivalents	38,39	₩ 1,908,662,678	1,107,690,153
Short-term financial assets	5,6,13,17,24,38,39,42	3,186,327,516	2,512,370,330
Trade and other receivables	6,7,8,17,29,38,39,42	8,570,040,201	6,798,105,217
Due from customers for contract work	7,29,38,39	5,840,840,434	4,967,727,757
Inventories	9,17	6,280,103,325	6,191,140,271
Derivative assets	24,38,39	52,494,870	444,343,127
Firm commitment assets	24	229,429,257	78,871,247
Prepaid income taxes		49,591,256	28,491,109
Other current assets	10	2,402,596,925	3,149,888,036
Total current assets		28,520,086,462	25,278,627,247
Investments in associates and joint ventures	11,12	821,472,911	851,041,163
Long-term financial assets	5,6,13,17,24,38,39	3,079,084,696	3,062,837,772
Long-term trade and other receivables	7,8,29,38,39,42	1,362,695,198	1,375,259,690
Investment property	14,30	424,699,323	322,681,120
Property, plant and equipment	15,17,30,42	15,605,451,734	15,556,464,149
Intangible assets	16,30	2,303,320,794	2,297,410,938
Derivative assets	24,38,39	25,923,726	171,213,578
Firm commitment assets	24	215,456,829	1,986,905
Deferred tax assets		86,702,511	71,525,459
Other non-current assets	10,40	264,891,730	284,127,873
Total non-current assets		24,189,699,452	23,994,548,647
Total assets		₩ 52,709,785,914	49,273,175,894

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Financial Position, Continued
As of June 30, 2013 and December 31, 2012
(Unaudited)

(In thousands of won)

	Note	2013	2012
Liabilities			
Short-term financial liabilities	17, 18, 21, 24, 38, 39, 40	₩ 9,098,624,690	8,998,435,509
Trade and other payables	19, 38, 39, 42, 43	7,948,755,259	5,788,038,173
Advances from customers		851,964,528	899,696,291
Due to customers for contract work	17, 29, 40	6,376,503,256	5,735,064,891
Derivative liabilities	24, 38, 39	295,765,570	43,582,929
Firm commitment liabilities	24	28,683,805	275,635,986
Income tax payable		272,086,093	387,210,785
Other current liabilities	20	34,122,222	46,322,358
Total current liabilities		24,906,505,423	22,173,986,922
Long-term financial liabilities	17, 18, 21, 24, 38, 39, 40, 42	6,601,891,557	6,301,794,319
Long-term trade and other payables	19, 38, 39, 42, 43	184,523,226	195,824,540
Liabilities for defined benefit plans	22	333,663,684	250,179,553
Long-term provisions	23	444,458,362	395,047,136
Derivative liabilities	24, 38, 39	230,666,732	26,913,284
Firm commitment liabilities	24	5,103,487	163,719,454
Deferred tax liabilities		858,376,965	978,566,475
Other non-current liabilities	20	45,262,984	45,793,016
Total non-current liabilities		8,703,946,997	8,357,837,777
Total liabilities		33,610,452,420	30,531,824,699
Equity			
Common stock	25	380,000,000	380,000,000
Capital surplus	25	1,109,309,014	1,109,309,014
Capital adjustments	26	(1,778,097,219)	(1,778,129,902)
Accumulated other comprehensive income	24, 27	1,190,808,951	1,071,626,631
Retained earnings	28	16,366,087,881	16,098,025,119
Equity attributable to owners of the Company		17,268,108,627	16,880,830,862
Non-controlling interests		1,831,224,867	1,860,520,333
Total equity		19,099,333,494	18,741,351,195
Total liabilities and equity		₩ 52,709,785,914	49,273,175,894

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Comprehensive Income
For the three-month and six-month periods ended June 30, 2013 and 2012
(Unaudited)

(In thousands of won)

	Note	2013		2012 (Restated)	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	24,29,30,42 ₩	13,091,013,823	26,233,897,914	13,700,403,164	27,638,733,819
Cost of sales	9,16,24,32,42	12,029,947,438	24,162,412,471	12,736,791,670	25,139,919,159
Gross profit		1,061,066,385	2,071,485,443	963,611,494	2,498,814,660
Selling, general and administrative expenses	16,31,32	772,096,150	1,404,800,812	601,436,078	1,150,883,443
Operating income	30	288,970,235	666,684,631	362,175,416	1,347,931,217
Finance income	24,33,38	382,805,776	911,029,979	288,438,286	680,223,563
Finance costs	24,33,38	(941,458,892)	(1,875,698,469)	(544,231,836)	(825,879,243)
Other non-operating income	24,34	423,848,398	859,117,147	195,278,448	174,700,340
Other non-operating expenses	16,24,34	(59,929,694)	(106,393,803)	(41,787,945)	(262,017,314)
Share of loss of equity accounted investees	11,12	(2,675,278)	(16,693,658)	(48,170,356)	(135,040,001)
Profit before income taxes		91,560,545	438,045,827	211,702,013	979,918,562
Income tax expense	35	24,714,926	51,483,444	75,304,056	318,238,961
Profit for the period	30 ₩	66,845,619	386,562,383	136,397,957	661,679,601
Other comprehensive income (loss)	27,38				
Items that are or may be reclassified subsequently to profit or loss:					
Change in fair value of available-for-sale financial assets	₩	(15,468,029)	51,960,984	(85,512,596)	79,341,619
Effective portion of changes in fair value of cash flow hedges		8,166,625	15,756,070	8,156,960	21,507,015
Exchange differences on translating foreign operations		46,428,907	98,811,251	2,850,062	(17,077,651)
Change in equity of equity method investments		(16,739,837)	(15,208,590)	(13,588,269)	(12,708,957)
Total items that are or may be reclassified subsequently to profit or loss		22,387,666	151,319,715	(88,093,843)	71,062,026
Items that will not be reclassified to profit or loss:					
Changes in retained earnings of equity method investments		(2,105,057)	(2,105,057)	-	-
Total items that will not be reclassified to profit or loss		(2,105,057)	(2,105,057)	-	-
Other comprehensive income for the period, net of income tax		20,282,609	149,214,658	(88,093,843)	71,062,026
Total comprehensive income for the period	₩	87,128,228	535,777,041	48,304,114	732,741,627

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Comprehensive Income, Continued
For the three-month and six-month periods ended June 30, 2013 and 2012
(Unaudited)

(In thousands of won, except earnings per share)

		2013		2012 (Restated)	
		Three-month period	Six-month period	Three-month period	Six-month period
	Note				
Profit(loss) attributable to:					
Owners of the Company		98,184,081	416,602,321	134,239,465	632,011,653
Non-controlling interests		(31,338,462)	(30,039,938)	2,158,492	29,667,948
		<u>₩ 66,845,619</u>	<u>386,562,383</u>	<u>136,397,957</u>	<u>661,679,601</u>
Total comprehensive income(loss) attributable to:					
Owners of the Company		101,600,569	533,713,756	57,572,083	711,776,559
Non-controlling interests		(14,472,341)	2,063,285	(9,267,969)	20,965,068
		<u>₩ 87,128,228</u>	<u>535,777,041</u>	<u>48,304,114</u>	<u>732,741,627</u>
Earnings per share					
Basic and diluted earnings per share (in won)	36	<u>₩ 1,778</u>	<u>7,544</u>	<u>2,431</u>	<u>11,444</u>

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Changes in Equity
For the six-month periods ended June 30, 2013 and 2012
(Unaudited)

<i>(In thousands of won)</i>	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non- controlling interests	Total equity
Balance at January 1, 2012	₩ 380,000,000	1,099,792,874	(1,797,036,283)	1,296,943,571	15,399,437,474	1,797,381,431	18,176,519,067
Total comprehensive income for the period							
Profit for the period (Restated)	-	-	-	-	632,011,653	29,667,948	661,679,601
Change in fair value of available-for-sale financial assets	-	-	-	87,714,589	-	(8,372,970)	79,341,619
Effective portion of changes in fair value of cash flow hedges	-	-	-	21,771,889	-	(264,874)	21,507,015
Exchange differences on translating foreign operations	-	-	-	(15,813,379)	-	(1,264,272)	(17,077,651)
Change in equity of equity method investments	-	-	-	(13,908,193)	-	1,199,236	(12,708,957)
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	(234,564,955)	(15,005,825)	(249,570,780)
Others	-	-	-	-	-	41,711,787	41,711,787
Balance at June 30, 2012 (Restated)	<u>₩ 380,000,000</u>	<u>1,099,792,874</u>	<u>(1,797,036,283)</u>	<u>1,376,708,477</u>	<u>15,796,884,172</u>	<u>1,845,052,461</u>	<u>18,701,401,701</u>
Balance at January 1, 2013	₩ 380,000,000	1,109,309,014	(1,778,129,902)	1,071,626,631	16,098,025,119	1,860,520,333	18,741,351,195
Total comprehensive income for the period							
Profit for the period (Restated)	-	-	-	-	416,602,321	(30,039,938)	386,562,383
Change in fair value of available-for-sale financial assets	-	-	-	45,567,353	-	6,393,631	51,960,984
Effective portion of changes in fair value of cash flow hedges	-	-	-	15,677,999	-	78,071	15,756,070
Exchange differences on translating foreign operations	-	-	-	72,976,774	-	25,834,477	98,811,251
Change in equity of equity method investments	-	-	-	(15,039,806)	-	(168,784)	(15,208,590)
Change in retained earnings of equity method investments	-	-	-	-	(2,070,885)	(34,172)	(2,105,057)
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	(146,468,674)	(9,465,912)	(155,934,586)
Others	-	-	32,683	-	-	(21,892,839)	(21,860,156)
Balance at June 30, 2013	<u>₩ 380,000,000</u>	<u>1,109,309,014</u>	<u>(1,778,097,219)</u>	<u>1,190,808,951</u>	<u>16,366,087,881</u>	<u>1,831,224,867</u>	<u>19,099,333,494</u>

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Cash Flows
For the six-month periods ended June 30, 2013 and 2012
(Unaudited)

<i>(In thousands of won)</i>	<i>Note</i>	2013	2012 (Restated)
Cash flows from operating activities			
Profit for the period	₩	386,562,383	661,679,601
Adjustments		1,948,040,198	(809,762,185)
Cash generated (used) from operations	37	2,334,602,581	(148,082,584)
Interest received		155,498,775	202,851,226
Interest paid		(227,199,200)	(250,365,013)
Dividends received		47,619,737	50,524,455
Income taxes paid		(410,884,934)	(620,885,260)
Net cash provided by (used in) operating activities		1,899,636,959	(765,957,176)
Cash flows from investing activities			
Proceeds from sale of short-term financial assets		267,675,745	190,522,030
Proceeds from collection of other receivables		6,214,000	182,160
Proceeds from sale of investments in associates and joint venture		4,337,424	-
Proceeds from sale of subsidiaries		59,367,372	25,188,503
Proceeds from sale of long-term financial assets		206,766,528	64,852,502
Proceeds from collection of long-term other receivables		35,759,288	57,977,888
Proceeds from sale of property, plant and equipment		42,057,159	22,872,208
Proceeds from sale of intangible assets		1,711,359	2,328,213
Proceeds from government grants		1,000,436	259,140
Acquisition of short-term financial assets		(272,595,390)	(255,600,707)
Acquisition of other receivables		(2,348,944)	(5,726,904)
Acquisition of investments in associates and joint venture		(18,027,961)	(200,905,320)
Acquisition of investments in subsidiaries, net of cash acquired		(1,013,489)	-
Acquisition of long-term financial assets		(229,869,722)	(21,623,553)
Acquisition of long-term other receivables		(33,719,822)	(70,046,317)
Acquisition of investment property		(4,740)	(75,785)
Acquisition of property, plant and equipment		(604,773,563)	(489,360,171)
Acquisition of intangible assets		(49,198,767)	(42,301,065)
Acquisition of other non-current assets		(4,875,557)	(11,439,832)
Net cash used in investing activities		(591,538,644)	(732,897,010)
Cash flows from financing activities			
Proceeds from short-term financial liabilities		13,282,981,282	14,230,358,655
Proceeds from long-term financial liabilities		1,558,362,186	1,586,185,547
Capital contribution from non-controlling interests		8,208,483	44,492,537
Repayment of short-term financial liabilities		(14,760,449,573)	(13,484,533,738)
Repayment of long-term financial liabilities		(452,175,767)	(4,303,212)
Dividends paid		(146,468,674)	(234,564,955)
Dividend and distribution to non-controlling interests		(9,617,912)	(15,455,825)
Net cash provided by (used in) financing activities		(519,159,975)	2,122,179,009
Effects of exchange rate changes on cash and cash equivalents		12,034,185	(2,126,499)
Net increase in cash and cash equivalents		800,972,525	621,198,324
Cash and cash equivalents at 1 January		1,107,690,153	1,609,979,453
Cash and cash equivalents at 30 June	₩	1,908,662,678	2,231,177,777

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2013
(Unaudited)

1. Reporting Entity

(1) Description of the controlling company

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 other products. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly ventures.

On August 1999, the Company was listed on the Korea Exchange. As of June 30, 2013, the Company's major stockholders consist of Mong-Joon Chung (10.15%) and Hyundai Mipo Dockyard Co., Ltd. (7.98%).

(2) Consolidated subsidiaries

Subsidiaries as of June 30, 2013 are summarized as follows:

Company	Main business	Percentage of ownership (%)	Location	Fiscal year end
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding	94.92	Korea	December
Hyundai Mipo Dockyard Co., Ltd.(*1,2)	Shipbuilding	45.96	Korea	December
Hyundai Oilbank Co., Ltd.	Manufacturing of petroleum products	91.13	Korea	December
Hyundai Heavy Material Service	Sale and manufacture of machinery equipment for shipbuilding	100.00	Korea	December
KOMAS Corporation	Shipping	100.00	Korea	December
Hyundai Energy & Resources Co., Ltd.(*1)	Services for crude oil and natural gas mining	90.00	Korea	December
Mipo Engineering Co., Ltd.(*1)	Other engineering services	100.00	Korea	December
Ulsan Hyundai Football Club Co., Ltd.	Football club	100.00	Korea	December
Hotel Hyundai Co., Ltd.	Hotel operation	100.00	Korea	December
HI Investment & Securities Co., Ltd.(*1)	Securities brokerage	83.24	Korea	December
HI Asset Management Co., Ltd.(*1)	Asset management	99.99	Korea	December
Hyundai Finance Corporation	Granting of credit	67.49	Korea	December
Hyundai Venture Investment Corporation(*1)	Granting of credit	68.38	Korea	December
Hyundai Futures Corporation(*1)	Entrust and brokerage of futures transactions	65.22	Korea	March
Hyundai Investment Fund 1 on Patent Technology(*1)	Other financial business	50.00	Korea	December
LS Leading Solution Private Security Investment Trust 22 (Equity)	Other financial business	100.00	Korea	December
LS Leading Solution Private Security Investment Trust 35 (Equity)	Other financial business	100.00	Korea	December
Eastspring Private Global Asset Allocation & Mining & Gold Fund of Funds Investment Trust A-1	Other financial business	100.00	Korea	December
HI Dynamic Asia Private Securities Investment Trust 1 (Stock)(*1)	Other financial business	100.00	Korea	December
Hyundai Ship Private Fund 1(*1)	Other financial business	100.00	Korea	December
HI Himsen Private Funds Investment Trust 1(*1)	Other financial business	75.00	Korea	December

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2013
(Unaudited)

1. Reporting Entity, Continued

(2) Consolidated subsidiaries, continued

Company	Main business	Percentage of ownership (%)	Location	Fiscal year end
HI Global Panorama Asset Allocation Securities Feeder Investment Trust No.1(*1)	Other financial business	58.14	Korea	December
Hyundai Oil Terminal Co., Ltd.(*1)	Oil storage business	70.00	Korea	December
Hyundai and Shell Base Oil Co., Ltd.(*1)	Manufacturing of base oil	60.00	Korea	December
Hyundai (Jiangsu) Construction Machinery Co., Ltd.(*1)	Sale and manufacture of machinery equipment for construction	60.00	China	December
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.(*1)	Sale and manufacture of machinery equipment for construction	60.00	China	December
HHI China Investment Co., Ltd.	Holding company	100.00	China	December
Hyundai Financial Leasing Co., Ltd.(*1)	Finance and operating leases	88.02	China	December
Hyundai Heavy Industries (China) Electric Co., Ltd.(*1)	Sale and manufacture of switchboards for electric distribution	100.00	China	December
Yantai Hyundai Moon Heavy Industries Co., Ltd.(*1)	Sale and manufacture of industrial boilers	55.00	China	December
Changzhou Hyundai Hydraulic Machinery Co., Ltd.(*1)	Sale and manufacture of hydraulic cylinders for construction equipment	100.00	China	December
Hyundai (Shandong) Heavy Industries Machinery. Co., Ltd.	Sale and manufacture of wheel loaders	100.00	China	December
Weihai Hyundai Wind Power Technology Co., Ltd.(*1)	Sale and manufacture of facilities for wind power generation	80.00	China	December
Hyundai Heavy Industries (Shanghai) R&D Co., Ltd.(*1)	Research and development of technology for construction machinery, engine and electric equipment	100.00	China	December
HYUNDAI OILBANK (SHANGHAI) CO., LTD.(*1)	Trade in petrochemical products	100.00	China	December
HDO Singapore Pte. Ltd.(*1)	Trade in crude oil and petrochemical products, chartering	100.00	Singapore	December
Hyundai Vinashin Shipyard (*1)	Ship repair	65.00	Vietnam	December
Hyundai Construction Equipment India PVT., Ltd.	Sale and manufacture of machinery equipment for construction	100.00	India	March
Hyundai Transformers and Engineering India Pvt. Ltd.	Sale and manufacture of transformers	100.00	India	March
Hyundai Construction Equipment Americas, Inc.	Sale of machinery equipment for construction	100.00	America	December

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2013
(Unaudited)

1. Reporting Entity, Continued

(2) Consolidated subsidiaries, continued

Company	Main business	Percentage of ownership (%)	Location	Fiscal year end
Hyundai Power Transformers USA, INC	Sale and manufacture of industrial electric equipment	100.00	America	December
Hyundai Ideal Electric Co.	Sale and manufacture of industrial electric equipment	100.00	America	December
PHECO Inc.	Design services for offshore facilities	100.00	America	December
HHI Battery CO., Ltd.	Manufacturing	100.00	Canada	December
Hyundai Heavy Industries Brasil - Real Estate Developments	Real estate development	100.00	Brazil	December
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Manufacture, trade and repair of heavy equipment	100.00	Brazil	December
Hyundai Heavy Industries Miraflores Power Plant Inc.	Manufacturing	100.00	Panama	December
Vladivostok Business Center	Hotel operation	100.00	Russia	December
Hyundai Khorol Agro Ltd.	Agriculture	94.26	Russia	December
Hyundai Mikhailovka Agro Ltd.	Agriculture	100.00	Russia	December
Hyundai Electrosystems Co., Ltd.	Manufacture of high-voltage circuit breakers	100.00	Russia	December
Hyundai Heavy Industries Europe N.V..	Sale of machinery equipment for construction	100.00	Belgium	December
Hyundai Heavy Industries Co. Bulgaria	Sale and manufacture of transformers	99.09	Bulgaria	December
Hyundai Technologies Center Hungary Kft.	Research and development of technology	100.00	Hungary	December
Hyundai Heavy Industries France SAS	Manufacturing	100.00	France	December
Jahnel-Kestermann Getriebewerke GmbH	Designing and manufacture of gearboxes	100.00	Germany	December
JaKe Service GmbH(*1)	Gearbox repair	100.00	Germany	December
HHI MAURITIUS LIMITED	Manufacturing	100.00	Mauritius	December
MS Dandy Ltd.(*1)	Ship rental service	100.00	Marchall Islands	December
Hyundai West Africa Limited	Manufacture of other transport equipment	100.00	Nigeria	December
Hyundai Arabia Company LLC.	Industrial plant construction	70.00	Saudi Arabia	December

(*1) The percentage of ownership includes indirect ownership.

(*2) Even though the Group does not have a majority ownership of Hyundai Mipo Dockyard Co., Ltd., the Group is considered to have control of Hyundai Mipo Dockyard Co., Ltd., considering that the rest of shareholders are minority shareholders and widely dispersed, and the Group exerted majority voting rights in the past stockholders' meetings.

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1. Reporting Entity, Continued

(3) Changes in scope of consolidation

- (i) Subsidiaries newly subject to consolidation during 2013 are as follows:

Company	Reason
HI Global Panorama Asset Allocation Securities Feeder Investment Trust No.1	Commencing control resulting from the newly acquisition

- (ii) Subsidiaries no longer subjected to consolidation during 2013 are as follows:

Company	Reason
HI Gold Ocean Kmarin No. 8 Ship Investment	Ceasing control upon disposal
HI Gold Ocean Kmarin No. 8 S.A	
HI Gold Ocean Ship Private Special Assets Investment Trust No.2 (Beneficiary Right)	
HI Gold Index Linked Private Securities Investment Trust 1	

(4) Condensed financial information of consolidated subsidiaries

- (i) Condensed financial information of significant consolidated subsidiaries as of and for the six-month period ended June 30, 2013 is summarized as follows:

(In millions of won)

Company	Assets	Liabilities	Equity	Sales	Profit (loss)
Hyundai Samho Heavy Industries Co., Ltd.	₩ 6,696,155	3,390,082	3,306,073	1,798,933	20,537
Hyundai Mipo Dockyard Co., Ltd.(*)	4,575,090	1,714,568	2,860,522	1,608,110	(74,838)
Hyundai Oilbank Co., Ltd.	8,989,805	6,034,968	2,954,837	9,716,904	66,332
Hyundai Heavy Material Service	307,361	99,962	207,399	375,791	3,298
KOMAS Corporation	149,709	1,863	147,846	220	12,117
HI Investment & Securities Co., Ltd.	4,379,062	3,818,158	560,904	244,901	(6,541)
Hyundai Finance Corporation	206,622	55,765	150,857	7,384	2,607
Hyundai Venture Investment Corporation	71,973	1,340	70,633	5,187	1,547
Hyundai Futures Corporation	142,961	96,424	46,537	15,028	232
LS Leading Solution Private Security Investment Trust 22 (Equity)	104,705	18	104,687	2,902	2,857
Hyundai Oil Terminal Co., Ltd.	79,104	4,308	74,796	1,500	49
Hyundai and Shell Base Oil Co., Ltd.	88,374	39,420	48,954	-	(594)
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	652,422	363,712	288,710	252,751	2,319
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	312,503	186,986	125,517	154,677	2,384
HHI China Investment Co., Ltd.	410,930	29,541	381,389	9,459	3,733
Hyundai Financial Leasing Co., Ltd.	826,038	548,384	277,654	54,605	8,374
Hyundai Heavy Industries (China) Electric Co., Ltd.	185,022	133,572	51,450	67,547	(354)
Yantai Hyundai Moon Heavy Industries Co., Ltd.	67,364	23,652	43,712	29,021	1,725
Hyundai (Shandong) Heavy Industries Machinery. Co., Ltd.	133,538	101,405	32,133	36,880	(9,712)

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1. Reporting Entity, Continued

(4) Condensed financial information of consolidated subsidiaries, continued

- (i) Condensed financial information of significant consolidated subsidiaries as of and for the six-month period ended June 30, 2013 is summarized as follows, continued:

(In millions of won)

Company	Assets	Liabilities	Equity	Sales	Profit (loss)
Weihai Hyundai Wind Power Technology Co., Ltd.	54,300	37,004	17,296	1,012	(1,408)
Hyundai Oilbank (Shanghai) Co., Ltd.	61,006	58,404	2,602	217,206	481
HDO Singapore Pte. Ltd.	581,063	572,313	8,750	2,170,307	540
Hyundai Vinashin Shipyard	342,312	176,001	166,311	83,991	(24,592)
Hyundai Construction Equipment India PVT., Ltd.	156,800	147,310	9,490	79,244	(13,452)
Hyundai Construction Equipment Americas, Inc.	348,369	308,929	39,440	254,167	3,223
Hyundai Power Transformers USA, INC	163,126	116,192	46,934	23,920	(13,411)
Hyundai Ideal Electric Co.	71,464	42,480	28,984	38,332	(1,107)
Hyundai Heavy Industries Brasil - Real Estate Developments	76,538	51,626	24,912	-	(1,104)
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	351,842	304,679	47,163	76,641	(14,274)
Hyundai Electrosystems Co., Ltd.	64,682	23,944	40,738	-	(1,531)
Hyundai Heavy Industries Europe N.V..	171,937	112,648	59,289	154,730	4,218
Hyundai Heavy Industries Co. Bulgaria	54,573	12,862	41,711	41,490	(1,655)

(*) In the six-month period ended June 30, 2013, cash and cash equivalents increased to ₩146,043 million (composed of operating activities ₩249,337 million, investing activities ₩(-)23,909 million, and financing activities ₩(-)79,385 million) and the non-controlling interests received dividends amounting to ₩15,594 million. Also the profit (loss) for the period attributable to non-controlling interest amounted to ₩(-)41,505 million (effective percentage of ownership 55.46%) and equity amounted to ₩1,586,435 million vested as of June 30, 2013.

In the six-month period ended June 30, 2012, cash and cash equivalents increased to ₩167,498 million (composed of operating activities ₩(-)126,653 million, investing activities ₩(-)1,664 million, and financing activities ₩(-)39,181 million) and the non-controlling interests received dividends amounting to ₩20,781 million. Also the profit for the period attributable to non-controlling interest amounted to ₩42,998 million (effective percentage of ownership 56.34%) and equity amounted to ₩1,822,805 million vested as of June 30, 2013.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited)

1. Reporting Entity, Continued

(4) Condensed financial information of consolidated subsidiaries, continued

- (ii) Condensed financial information of significant consolidated subsidiaries as of and for the year ended December 31, 2012 is summarized as follows:

(In millions of won)

Company	Assets	Liabilities	Equity	Sales	Profit (loss)
Hyundai Samho Heavy Industries Co., Ltd.	₩ 6,978,860	3,641,126	3,337,734	4,231,840	(13,358)
Hyundai Mipo Dockyard Co., Ltd.	5,032,466	1,838,036	3,194,430	4,003,285	111,289
Hyundai Oilbank Co., Ltd.	8,475,789	5,588,164	2,887,625	21,523,872	156,477
Hyundai Heavy Material Service	292,985	88,884	204,101	815,601	11,013
KOMAS Corporation	143,061	1,446	141,615	365	1,067
HI Investment & Securities Co., Ltd.	3,038,604	2,472,065	566,539	451,514	4,490
Hyundai Finance Corporation	193,301	43,221	150,080	16,805	3,599
Hyundai Venture Investment Corporation	72,415	991	71,424	8,260	2,794
Hyundai Futures Corporation	159,655	112,991	46,664	16,137	(1,102)
LS Leading Solution Private Security Investment Trust 22 (Equity)	105,199	14	105,185	3,227	3,132
HI Gold Ocean Kmarin No. 8 Ship Investment Company	72,940	-	72,940	8,036	1,515
Hyundai Oil Terminal Co., Ltd.	76,112	1,365	74,747	23	(120)
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	614,248	351,075	263,173	419,426	611
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	250,237	137,149	113,088	254,680	1,661
HHI China Investment Co., Ltd.	412,734	65,726	347,008	25,156	12,677
Hyundai Financial Leasing Co., Ltd.	954,285	701,511	252,774	126,457	49,617
Hyundai Heavy Industries (China) Electric Co., Ltd.	152,690	105,051	47,639	142,761	988
Yantai Hyundai Moon Heavy Industries Co., Ltd.	55,093	16,572	38,521	60,995	3,475
Hyundai (Shandong) Heavy Industries Machinery Co., Ltd.	94,116	71,370	22,746	39,109	(16,458)
Weihai Hyundai Wind Power Technology Co., Ltd.	52,193	34,936	17,257	481	(3,321)
HDO Singapore Pte. Ltd.	169,951	168,369	1,582	4,889,922	294
Hyundai Vinashin Shipyard	398,978	220,162	178,816	467,578	(19,858)
Hyundai Construction Equipment India PVT., Ltd.	158,584	146,234	12,350	174,708	(15,457)
Hyundai Construction Equipment Americas, Inc.	305,354	271,739	33,615	679,625	9,877
Hyundai Power Transformers USA, INC	149,221	119,253	29,968	14,538	(22,301)
Hyundai Ideal Electric Co.	75,772	47,694	28,078	99,383	1,979
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	194,522	133,467	61,055	159,006	(3,189)
HI Gold Ocean Kmarin No. 8 S.A.	66,815	69,287	(2,472)	34	(2,601)
Hyundai Electrosystems Co., Ltd.	80,471	37,923	42,548	-	(461)
Hyundai Heavy Industries Europe N.V..	134,506	82,586	51,920	290,290	8,659
Hyundai Heavy Industries Co. Bulgaria	64,855	24,076	40,779	54,061	(3,017)
Jahnel-Kestermann Getriebewerke GmbH	54,666	86,245	(31,579)	31,700	(35,092)

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2. Basis of Preparation

(1) Statement of compliance

The condensed consolidated 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 consolidated interim financial statements were prepared in accordance with K-IFRS No.1034, 'Interim Financial Reporting' as part of the period covered by the Group's K-IFRS annual 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 Group since the last annual consolidated financial statements as at and for the year ended December 31, 2012. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

(2) Use of estimates and judgments

The preparation of the condensed consolidated 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 consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2012.

3. Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2012. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending December 31, 2013.

(1) Changes in accounting policies

(i) Amendments to K-IFRS No.1001, 'Presentation of Financial Statements'

The Group has applied the amendments to K-IFRS No.1001, 'Presentation of Financial Statements' since January 1, 2013. The amendments require presenting in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

The Group applied the amendments to K-IFRS No.1001, 'Presentation of Financial Statements' from the annual period ended December 31, 2012. The Group's operating income is calculated as revenue less: (1) cost of sales, and (2) selling, general and administrative expenses, and is presented separately in the statement of comprehensive income. The comparative statements of comprehensive income for the three-month and six-month periods ended June 30, 2013 have been retrospectively adjusted accordingly.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
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3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, continued

(ii) K-IFRS No.1110, 'Consolidated Financial Statements'

The Group adopted K-IFRS No.1110, 'Consolidated Financial Statements' since January 1, 2013. As a result, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. K-IFRS No.1110 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if the Group controls the investee on the basis of *de facto* circumstances.

(iii) K-IFRS No.1111, 'Joint Arrangements'

The Group adopted K-IFRS No.1111, 'Joint Arrangements' since January 1, 2013. The standard classifies joint arrangements into two types - joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. The standard requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable to the particular assets, liabilities, revenues and expenses. The standard requires a joint venturer to recognize an investment and to account for that investment using the equity method.

(iv) K-IFRS No.1112, 'Disclosure of Interests in Other Entities'

The Group adopted K-IFRS No.1112, 'Disclosure of Interests in Other Entities' since January 1, 2013. The standard brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. The standard requires the disclosure of information about the nature, risks and financial effects of these interests.

(v) Amendments to K-IFRS No.1019, 'Employee Benefits'

The Group has applied the amendments to K-IFRS No.1019, 'Employee Benefits' since January 1, 2013. The standard requires recognition of actuarial gains and losses immediately in other comprehensive income and to calculate expected return on plan assets based on the rate used to discount the defined benefit obligation.

(vi) K-IFRS No.1113, 'Fair Value Measurement'

The Group adopted K-IFRS No.1113, 'Fair Value Measurement' since January 1, 2013. The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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3. Significant Accounting Policies, Continued

(2) Impact of changes in accounting policy

(i) K-IFRS No.1111, 'Joint Arrangements'

As a result of the adoption of K-IFRS No.1111, the Group has changed its accounting policy with respect to its interests in joint arrangements.

Under K-IFRS No.1111, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole reason for classification.

The Group has re-evaluated its involvement in its only joint arrangement and has reclassified the investment from jointly controlled entity to joint venture. Notwithstanding the reclassification, the investment continues to be recognized by applying the equity method and there has been no impact on the recognized assets, liabilities and comprehensive income of the Group.

(ii) Amendments to K-IFRS No.1019, 'Employee Benefits'

The amendments to K-IFRS No.1019 are applied retrospectively, and the Group restated its prior period financial statements accordingly. The following table summarizes the financial effects on the statement of comprehensive income for the three-month and six-month periods ended June 30, 2012 and 2013.

(In millions of won)

	2013		2012	
	Three-month period	Six-month period	Three-month period	Six-month period
Decrease in:				
Cost of sales	₩ 1,964	3,928	2,626	5,287
Selling, general and administrative expenses	272	544	465	896
	₩ 2,236	4,472	3,091	6,183

(iii) Amendments to K-IFRS No.1001, 'Presentation of Financial Statements'

The following table summarizes the financial effects on the statements of comprehensive income for the three-month and six-month periods ended June 30, 2012. The Group applied the changes of accounting policy retrospectively and restated its comparative financial statements.

(In millions of won)

	2012	
	Three-month period	Six-month period
Operating income before adoption of the amendment	₩ 358,577	1,327,848
Changes		
Reversal of provision for product warranty	2,370	3,927
Reversal of provision for construction warranty	1,424	4,407
Reversal of allowance for doubtful accounts	(3,287)	5,566
Operating income after adoption of the amendment	359,084	1,341,748
Impact of changes in accounting policy in employee benefits	3,091	6,183
Operating income	₩ 362,175	1,347,931

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3. Significant Accounting Policies, Continued

(3) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2013, and the Group has not early adopted them.

- (i) Amendments to K-IFRS No.1032, 'Financial Instruments: Presentation'
The amendments clarified the application guidance related to 'offsetting a financial asset and a financial liability'. The amendment is mandatorily effective for periods beginning on or after January 1, 2014 with earlier application permitted.

4. Risk Management

The Group's risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2012.

The Group's liability to equity ratio and net borrowing to equity ratio as of June 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won, except ratio)</i>		2013	2012
Total liabilities	₩	33,610,452	30,531,825
Total equity		19,099,333	18,741,351
Cash and deposits(*1)		2,315,549	1,509,644
Borrowings(*2)		14,643,727	14,826,526
Liability to equity ratio		175.98%	162.91%
Net borrowing to equity ratio(*3)		64.55%	71.06%

(*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, 2013 and December 31, 2012 are summarized as follows:

<i>(In millions of won)</i>		2013		2012	
		Current	Non-current	Current	Non-current
Financial instruments	₩	390,757	16,129	386,325	15,629
Held-for-trading investments		2,435,860	2,460	1,789,908	3,936
Financial assets at fair value through profit or loss		184,213	62,902	189,085	-
Available-for-sale financial assets		165,445	2,997,594	136,616	3,043,273
Others		10,053	-	10,436	-
	₩	<u>3,186,328</u>	<u>3,079,085</u>	<u>2,512,370</u>	<u>3,062,838</u>

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6. Restricted Financial Instruments and Others

Financial instruments and others, which are restricted in use, as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

	Description	Financial institutions	2013	2012	Restrictions
Short-term financial assets	Investors' deposits and others	Korea Securities Finance Corporation and others	₩ 114,305	112,765	Investors' deposits and others
Trade and other receivables			376,244	216,833	
Long-term financial assets	Deposits in won	Korea Exchange Bank and others	129	129	Guarantee deposits for checking accounts and others
			₩ <u>490,678</u>	<u>329,727</u>	

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

(1) Trade and other receivables as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

	2013		2012	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables	₩ 6,971,355	895,719	5,749,114	870,193
Allowance for doubtful accounts	(819,833)	(170,563)	(609,830)	(169,175)
	<u>6,151,522</u>	<u>725,156</u>	<u>5,139,284</u>	<u>701,018</u>
Loan receivables:				
Loan receivables	210,732	99,053	210,178	74,487
Allowance for doubtful accounts	(3,816)	(1,000)	(3,798)	(1,000)
	<u>206,916</u>	<u>98,053</u>	<u>206,380</u>	<u>73,487</u>
Other receivables:				
Other accounts receivable	1,486,429	295	838,042	243
Allowance for doubtful accounts	(214,215)	(261)	(158,080)	(243)
Accrued income	58,643	-	53,148	-
Allowance for doubtful accounts	(102)	-	(102)	-
Loans	12,865	237,421	7,430	239,370
Guarantee deposits	55,634	113,338	6,908	115,425
Deposits	376,244	-	216,833	-
Asset under finance lease	442,745	191,567	499,247	251,619
Allowance for doubtful accounts	(6,641)	(2,874)	(10,985)	(5,659)
	<u>2,211,602</u>	<u>539,486</u>	<u>1,452,441</u>	<u>600,755</u>
	₩ <u>8,570,040</u>	<u>1,362,695</u>	<u>6,798,105</u>	<u>1,375,260</u>

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

- (2) Due from customers for contract work as of June 30, 2013 and December 31, 2012 are summarized as follows:

<i>(In millions of won)</i>		2013	2012
Due from customers for contract work	₩	5,842,524	4,969,296
Allowance for doubtful accounts		(1,684)	(1,568)
	₩	<u>5,840,840</u>	<u>4,967,728</u>

- (3) The movement in the allowance for impairment in respect of loans and receivables for the six-month period ended June 30, 2013 and the year ended December 31, 2012 are as follows:

<i>(In millions of won)</i>		2013	2012
Beginning balance	₩	960,441	517,550
Impairment loss recognized		325,212	469,920
Reversal of impairment loss		(5,890)	(19,759)
Write-offs and others		(58,774)	(7,270)
Ending balance	₩	<u>1,220,989</u>	<u>960,441</u>

8. Finance Leases

- (1) Gross investment in leases and the present value of minimum lease payments receivable as of June 30, 2013 and December 31, 2012 are summarized as follows:

<i>(In millions of won)</i>		2013		2012	
		Minimum lease payments	Unguaranteed residual value	Minimum lease payments	Unguaranteed residual value
Less than one year	₩	442,745	-	499,247	-
Later than one year between five years		<u>191,567</u>	-	<u>251,619</u>	-
Total		<u>634,312</u>	-	<u>750,866</u>	-
Unearned finance income		-	-	-	-
Net investment in the lease	₩	634,312	-	750,866	-

- (2) There are no contingent rents incurred for the six-month periods ended June 30, 2013 and 2012.

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9. Inventories

Inventories as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

		2013			2012		
		Acquisition cost	Provision for inventory valuation	Carrying amount	Acquisition cost	Provision for inventory valuation	Carrying amount
Merchandise	₩	250,295	(16,639)	233,656	255,579	(16,910)	238,669
Finished goods		762,239	(23,762)	738,477	1,033,933	(45,197)	988,736
Work-in-progress		1,712,772	(97,437)	1,615,335	1,628,819	(86,972)	1,541,847
Raw materials		1,856,641	(13,317)	1,843,324	1,921,313	(12,985)	1,908,328
Supplies		58,080	(1,214)	56,866	49,377	(1,184)	48,193
Materials-in-transit		1,792,445	-	1,792,445	1,465,367	-	1,465,367
	₩	<u>6,432,472</u>	<u>(152,369)</u>	<u>6,280,103</u>	<u>6,354,388</u>	<u>(163,248)</u>	<u>6,191,140</u>

The reversal of write-down of inventories to net realizable value amounting to ₩10,879 million and nil, and the write-downs amounting to nil and ₩33,462 million are included in cost of sales for the six-month periods ended June 30, 2013 and 2012, respectively.

10. Other Assets

Other assets as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

		2013		2012	
		Current	Non-current	Current	Non-current
Advance payments	₩	1,928,984	-	2,283,548	-
Allowance for doubtful accounts		(66)	-	(294)	-
Prepaid expenses		471,685	94,788	479,585	103,387
Others		1,994	170,104	387,049	180,741
	₩	<u>2,402,597</u>	<u>264,892</u>	<u>3,149,888</u>	<u>284,128</u>

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11. Investments in Associates

(1) Investments in associates as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Fiscal year end	Business	2013		2012	
				Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
New Korea Country Club	Korea	December	Country club	40.00	₩ 33,525	40.00	₩ 33,305
Hyundai Merchant Marine Co., Ltd.	Korea	December	Shipping	21.98	182,225	21.98	219,645
Taebaek Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	35.00	5,918	35.00	4,772
Muju Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	45.00	4,876	45.00	4,879
Pyeongchang Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	35.00	842	35.00	859
Jinan Jangsu Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	32.00	99	32.00	99
Changjuk Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	43.00	7,423	43.00	5,838
Hyundai Corporation	Korea	December	Exporting	22.36	168,528	22.36	168,896
Daesung Win-Win Fund	Korea	December	Investment service in culture contents field	23.81	10,475	23.81	10,061
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	Korea	December	Venture capital	40.00	6,284	40.00	6,324
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	Korea	December	Venture capital	37.50	4,496	37.50	3,395
The Second Partners Win-Win Investment Fund	Korea	December	Collective investment	23.33	315	23.33	4,648
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	Korea	December	Collective investment	21.21	3,282	21.21	3,354
Qinhuangdao Shouqin Metal Materials Co., Ltd.	China	December	Thick plate-oriented comprehensive iron manufacturing	20.00	18,157	20.00	37,645
PT. HYUNDAI MACHINERY INDONESIA	Indonesia	December	Import and wholesale of machinery equipment for construction	20.83	-	20.83	69
Hyundai Primorye Ltd.	Russia	December	Farmland leasing service	49.99	5,058	49.99	4,963
Hyundai Green Industries Co., W.L.L.	Kuwait	December	Education	49.00	992	49.00	992
Tribridge Capital Management	Cayman	December	Asset management	23.93	6,431	23.93	6,478
Mahy E-Cell	Canada	December	Manufacture of electric vehicle batteries	40.00	15,373	40.00	10,806
				₩	474,299	₩	527,028

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11. Investments in Associates, Continued

- (2) The fair value of marketable securities of associates as of June 30, 2013 and December 31, 2012 is summarized as follows:

<i>(In millions of won)</i>		<u>2013</u>	<u>2012</u>
Hyundai Merchant Marine Co., Ltd.	₩	488,206	800,116
Hyundai Corporation		110,340	103,351

- (3) Condensed financial information of associates as of and for the six-month period ended June 30, 2013 and as of and for the year ended December 31, 2012 is summarized as follows:

<i>(In millions of won)</i>		<u>2013</u>				<u>2012</u>			
		<u>Assets</u>	<u>Liabilities</u>	<u>Sales</u>	<u>Profit (loss)</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Sales</u>	<u>Profit (loss)</u>
New Korea Country Club	₩	32,804	5,666	5,609	1,127	31,169	4,581	12,413	2,289
Hyundai Merchant Marine Co., Ltd.		8,964,481	8,063,608	3,716,198	(115,671)	8,968,466	7,887,136	8,046,895	(987,589)
Taebaek Wind Power Co., Ltd.		55,967	37,812	6,076	2,931	51,901	36,988	3,849	194
Muju Wind Power Co., Ltd.		10,836	-	-	(7)	10,843	-	-	(96)
Pyeongchang Wind Power Co., Ltd.		2,408	1	-	(48)	2,455	1	-	(53)
Jinan Jangsu Wind Power Co., Ltd.		309	-	-	(1)	310	-	-	-
Changjuk Wind Power Co., Ltd.		48,370	31,897	5,717	2,962	40,922	27,835	1,750	591
Hyundai Corporation		2,146,609	1,719,134	2,651,027	24,820	1,914,762	1,504,858	5,468,423	51,637
Daesung Win-Win Fund		44,158	164	2,059	1,737	42,423	165	1,678	241
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund		15,804	94	88	(100)	15,954	5	161	(722)
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund		12,175	185	107	(264)	9,056	2	196	(544)
The Second Partners Win-Win Investment Fund		1,511	160	130	(177)	20,076	156	7,169	3,006
KoFC-Partners Pioneer Champ 2011-1 Investment Fund		15,653	183	25	(343)	15,996	183	115	(615)
Qinhuangdao Shouqin Metal Materials Co., Ltd.		2,154,674	2,063,890	724,523	(115,228)	1,944,200	1,755,975	1,580,352	(238,667)
PT. HYUNDAI MACHINERY INDONESIA		27,847	27,934	22,478	(95)	32,011	31,681	50,295	(1,645)
Hyundai Primorye Ltd.		8,759	84	320	254	8,539	55	386	176
Hyundai Green Industries Co., W.L.L.		2,024	-	-	-	2,024	-	-	-
Tribridge Capital Management		1,012	219	-	(257)	1,141	205	142	(822)
Mahy E-Cell		32,165	677	-	(3,150)	32,190	5,175	-	(5,921)
	₩	<u>13,577,566</u>	<u>11,951,708</u>	<u>7,134,357</u>	<u>(201,510)</u>	<u>13,144,438</u>	<u>11,255,001</u>	<u>15,173,824</u>	<u>(1,178,540)</u>

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11. Investments in Associates, Continued

- (4) Changes in equity-method accounted investees for the six-month period ended June 30, 2013 and the year ended December 31, 2012 are summarized as follows:

(In millions of won)

Associates	2013					
	Beginning balance	Acquisition (disposal)	Share of profit of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
New Korea Country Club	₩ 33,305	-	420	-	(200)	33,525
Hyundai Merchant Marine Co., Ltd.	219,645	-	(20,883)	(16,537)	-	182,225
Taebaek Wind Power Co., Ltd.	4,772	-	1,146	-	-	5,918
Muju Wind Power Co., Ltd.	4,879	-	(3)	-	-	4,876
Pyeongchang Wind Power Co., Ltd.	859	-	(17)	-	-	842
Jinan Jangsu Wind Power Co., Ltd.	99	-	-	-	-	99
Changjuk Wind Power Co., Ltd.	5,838	-	1,585	-	-	7,423
Hyundai Corporation	168,896	-	4,130	(2,002)	(2,496)	168,528
Daesung Win-Win Fund	10,061	-	414	-	-	10,475
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	6,324	-	(40)	-	-	6,284
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	3,395	1,200	(99)	-	-	4,496
The Second Partners Win-Win Investment Fund	4,648	(4,338)	5	-	-	315
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	3,354	-	(72)	-	-	3,282
Qinhuangdao Shouqin Metal Materials Co., Ltd.	37,645	-	(20,007)	519	-	18,157
PT. HYUNDAI MACHINERY INDONESIA(*)	69	-	(87)	18	-	-
Hyundai Primorye Ltd.	4,963	-	127	(32)	-	5,058
Hyundai Green Industries Co., W.L.L.	992	-	-	-	-	992
Tribridge Capital Management	6,478	-	(62)	15	-	6,431
Mahy E-Cell	10,806	5,608	(1,260)	219	-	15,373
	₩ 527,028	2,470	(34,703)	(17,800)	(2,696)	474,299

(*) Application of equity method was discontinued as book value reduced to nil due to accumulated loss. The unrecognized changes in equity amounted to ₩18 million.

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11. Investments in Associates, Continued

(4) Changes in equity-method accounted investees for the six-month period ended June 30, 2013 and the year ended December 31, 2012 are summarized as follows, continued:

(In millions of won)

Associates	2012					
	Beginning balance	Acquisition (disposal)	Share of profit of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
New Korea Country Club	₩ 4,968	27,500	937	-	(100)	33,305
Hyundai Merchant Marine Co., Ltd.	407,320	29,280	(231,613)	14,658	-	219,645
Taebaek Wind Power Co., Ltd.	5,153	-	(381)	-	-	4,772
Muju Wind Power Co., Ltd.	4,922	-	(43)	-	-	4,879
Pyeongchang Wind Power Co., Ltd.	877	-	(18)	-	-	859
Jinan Jangsu Wind Power Co., Ltd.	100	-	(1)	-	-	99
Changjuk Wind Power Co., Ltd.	5,373	-	465	-	-	5,838
Hyundai Corporation	158,190	-	13,885	(683)	(2,496)	168,896
Daesung Win-Win Fund	10,004	-	57	-	-	10,061
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	5,056	1,600	(332)	-	-	6,324
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	2,399	1,200	(204)	-	-	3,395
The Second Partners Win-Win Investment Fund	5,885	(491)	773	-	(1,519)	4,648
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	1,385	2,100	(131)	-	-	3,354
Qinhuangdao Shouqin Metal Materials Co., Ltd.	98,412	-	(57,149)	(3,618)	-	37,645
PT. HYUNDAI MACHINERY INDONESIA	516	-	(418)	(29)	-	69
Hyundai Primorye Ltd.	5,235	764	74	(1,110)	-	4,963
Hyundai Green Industries Co., W.L.L.	-	992	-	-	-	992
Tribridge Capital Management	6,682	-	(182)	(22)	-	6,478
Mahy E-Cell	-	13,894	(2,369)	(719)	-	10,806
	₩ 722,477	76,839	(276,650)	8,477	(4,115)	527,028

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12. Investments in Joint Ventures

(1) Investments in joint ventures as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Fiscal year end	Business	2013		2012	
				Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
Wärtsilä-Hyundai Engine Company Ltd.	Korea	December	Manufacture, assemble and test of marine engines and parts	50.00	₩ 73,102	50.00	₩ 58,087
HyundaiCummins Engine Company	Korea	December	Manufacture of engines	50.00	21,507	50.00	12,522
KAM Corporation	Korea	December	Sale and manufacture of polysilicon	-	-	49.00	1,989
Hyundai-Avancis Co., Ltd.	Korea	December	Sale and manufacture of solar module	50.00	100,429	50.00	104,288
Hyundai Cosmo Petrochemical Co., Ltd.	Korea	December	Manufacturing of petrochemicals	50.00	151,246	50.00	146,294
Grand China Hyundai Shipping Co., Ltd.	Hong Kong	December	Acquisition, rental, lease and charter of bulk carriers	50.00	890	50.00	833
					₩ 347,174		₩ 324,013

(2) Condensed financial information of joint ventures as of and for the six-month period ended June 30, 2013 and as of and for the year ended December 31, 2012 is summarized as follows:

(In millions of won)

		2013				2012			
		Assets	Liabilities	Sales	Profit (loss)	Assets	Liabilities	Sales	Profit (loss)
Wärtsilä-Hyundai Engine Company Ltd.	₩	458,874	312,572	196,535	42,810	415,557	298,888	251,417	26,444
HyundaiCummins Engine Company		69,662	26,647	-	(4,362)	33,880	8,836	-	(759)
KAM Corporation		-	-	-	-	197,714	193,655	23,697	(227,275)
Hyundai-Avancis Co., Ltd.		207,223	4,380	-	(8,017)	229,811	19,249	-	(6,510)
Hyundai Cosmo Petrochemical Co., Ltd.		1,504,194	955,114	1,518,943	3,986	1,336,299	792,277	2,102,157	30,881
Grand China Hyundai Shipping Co., Ltd.		1,780	-	-	(7)	1,665	-	-	20
	₩	2,241,733	1,298,713	1,715,478	34,410	2,214,926	1,312,905	2,377,271	(177,199)

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12. Investments in Joint Ventures, Continued

- (3) Changes in equity method accounted joint ventures for the six-month period ended June 30, 2013 and the year ended December 31, 2012 are summarized as follows:

(In millions of won)

Company	2013					
	Beginning balance	Acquisition (disposal)	Share of profit of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
Wärtsilä-Hyundai Engine Company Ltd.	₩ 58,087	-	21,626	-	(6,611)	73,102
HyundaiCummins Engine Company	12,522	11,220	(2,181)	(54)	-	21,507
KAM Corporation(*)	1,989	-	(1,989)	-	-	-
Hyundai-Avancis Co., Ltd.	104,288	-	(3,859)	-	-	100,429
Hyundai Cosmo Petrochemical Co., Ltd.	146,294	-	4,416	536	-	151,246
Grand China Hyundai Shipping Co., Ltd.	833	-	(4)	61	-	890
	₩ 324,013	11,220	18,009	543	(6,611)	347,174

(*) The shares owned are retired at no cost with the purpose of capital reduction for coverage of loss for the six-month period ended June 30, 2013.

(In millions of won)

Company	2012					
	Beginning balance	Acquisition (disposal)	Share of profit of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
Wärtsilä-Hyundai Engine Company Ltd.	₩ 45,046	-	13,041	-	-	58,087
HyundaiCummins Engine Company	-	12,959	(380)	(57)	-	12,522
KAM Corporation	112,105	-	(111,645)	1,529	-	1,989
Hyundai-Avancis Co., Ltd.	67,799	40,000	(3,319)	(192)	-	104,288
Hyundai Cosmo Petrochemical Co., Ltd.	24,544	112,600	9,610	(460)	-	146,294
Grand China Hyundai Shipping Co., Ltd.	886	-	11	(64)	-	833
	₩ 250,380	165,559	(92,682)	756	-	324,013

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13. Available-for-sale Financial Assets

Available-for-sale financial assets as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

		2013		2012	
		Current	Non-current	Current	Non-current
Listed equity securities	₩	-	2,705,918	-	2,758,276
Unlisted equity securities		-	207,588	-	201,054
Beneficiary certificates		-	53,524	-	45,235
Debt securities		165,445	11,196	136,617	21,504
Investments in capital and others(*)		-	19,368	-	17,203
	₩	<u>165,445</u>	<u>2,997,594</u>	<u>136,617</u>	<u>3,043,272</u>

(*) As of June 30, 2013 and December 31, 2012, this includes a damage compensation joint fund, for which the use is restricted, in the amounts of ₩7,416 million and ₩7,654 million, respectively. The damage compensation joint fund is the amount the Group accumulates in Korea Exchange in order to compensate for the damages that occurs from the breach of selling agreements, pursuant to the Financial Investment Services and Capital Markets Act, Section 394 and others.

14. Investment Property

Changes in investment property for the six-month period ended June 30, 2013 and the year ended December 31, 2012 are as follows:

(In millions of won)

		2013		
		Land	Buildings	Total
Beginning balance	₩	243,224	79,457	322,681
Acquisition and other		15,155	90,009	105,164
Disposals		-	-	-
Depreciation		-	(3,301)	(3,301)
Effects of movements in exchange rates		-	155	155
Ending balance	₩	<u>258,379</u>	<u>166,320</u>	<u>424,699</u>
Acquisition cost		258,379	204,523	462,902
Accumulated depreciation		-	(33,032)	(33,032)
Accumulated impairment loss		-	(5,171)	(5,171)

(In millions of won)

		2012		
		Land	Buildings	Total
Beginning balance	₩	241,440	85,833	327,273
Acquisition and other		1,784	(2,122)	(338)
Disposals		-	-	-
Depreciation		-	(4,140)	(4,140)
Effects of movements in exchange rates		-	(114)	(114)
Ending balance	₩	<u>243,224</u>	<u>79,457</u>	<u>322,681</u>
Acquisition cost		243,224	116,090	359,314
Accumulated depreciation		-	(31,462)	(31,462)
Accumulated impairment loss		-	(5,171)	(5,171)

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15. Property, Plant and Equipment

- (1) Changes in property, plant and equipment for the six-month period ended June 30, 2013 and the year ended December 31, 2012 are as follows:

(In millions of won)

		2013						
		Machinery and Construction						Total
		Land	Buildings	Structures	equipment	in-progress	Others	
Beginning balance	₩	4,439,939	3,270,414	2,570,450	4,157,208	437,667	680,786	15,556,464
Acquisitions and other		18,928	90,020	117,862	117,892	(2,632)	151,663	493,733
Disposals		(30,660)	(8,628)	(4,386)	(1,541)	(51)	(1,688)	(46,954)
Depreciation		-	(53,977)	(46,645)	(216,916)	-	(119,804)	(437,342)
Effect of movements in exchange rates		879	12,690	9,061	9,571	2,918	4,432	39,551
Ending balance	₩	<u>4,429,086</u>	<u>3,310,519</u>	<u>2,646,342</u>	<u>4,066,214</u>	<u>437,902</u>	<u>715,389</u>	<u>15,605,452</u>
Acquisition cost		4,430,696	4,283,589	3,551,738	7,637,504	437,902	2,718,548	23,059,977
Government grants		(1,610)	(9,765)	(2,246)	(480)	-	(942)	(15,043)
Accumulated depreciation		-	(963,305)	(903,150)	(3,487,775)	-	(2,001,004)	(7,355,234)
Accumulated impairment		-	-	-	(83,035)	-	(1,213)	(84,248)

(In millions of won)

		2012						
		Machinery and Construction						Total
		Land	Buildings	Structures	equipment	in-progress	Others	
Beginning balance	₩	4,435,683	3,127,262	2,545,241	4,384,470	401,951	670,125	15,564,732
Acquisitions and other		32,367	274,829	127,073	355,815	47,408	252,769	1,090,261
Disposals		(25,918)	(11,477)	(2,114)	(5,916)	(3,846)	(4,190)	(53,461)
Depreciation		-	(102,843)	(90,506)	(480,737)	-	(232,690)	(906,776)
Impairment		-	-	-	(83,035)	-	(1,387)	(84,422)
Effect of movements in exchange rates		(2,193)	(17,357)	(9,244)	(13,389)	(7,846)	(3,841)	(53,870)
Ending balance	₩	<u>4,439,939</u>	<u>3,270,414</u>	<u>2,570,450</u>	<u>4,157,208</u>	<u>437,667</u>	<u>680,786</u>	<u>15,556,464</u>
Acquisition cost		4,441,439	4,186,060	3,430,973	7,524,248	437,667	2,593,779	22,614,166
Government grants		(1,500)	(8,969)	(2,092)	(503)	-	(1,057)	(14,121)
Accumulated depreciation		-	(906,677)	(858,431)	(3,283,502)	-	(1,910,549)	(6,959,159)
Accumulated impairment		-	-	-	(83,035)	-	(1,387)	(84,422)

- (2) Construction-in-progress is related to the development and construction of Ihwa Industrial Park, new construction of field work 2nd building, the manufacturing of a crude oil tank, the optimization of a hydrogen plant and the construction of Ulsan New Port oil storage facilities as of June 30, 2013.

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16. Intangible Assets

- (1) Changes in goodwill for the six-month period ended June 30, 2013 and the year ended December 31, 2012 are as follows:

<i>(In millions of won)</i>		2013	2012
Beginning balance	₩	1,417,369	1,428,566
Impairment		-	(11,197)
Ending balance	₩	<u>1,417,369</u>	<u>1,417,369</u>
Acquisition cost		1,515,408	1,515,408
Accumulated impairment		(98,039)	(98,039)

Goodwill has been recognized from the following transactions: 1) the acquisition of securities of Hyundai Oilbank Co., Ltd. by the Company, 2) the acquisition of all the assets and liabilities of Halla Heavy Industry Co., Ltd. by a subsidiary of the Company, Hyundai Samho Heavy Industry Co., Ltd., and 3) the acquisition of securities of HI Investment & Securities Co., Ltd. by a subsidiary of the Company, Hyundai Mipo Dockyard Co., Ltd.

- (2) Changes in development costs, networks and other intangible assets for the six-month period ended June 30, 2013 and the year ended December 31, 2012 are as follows:

(In millions of won)		2013						
		Development costs	Networks	Customer relationships	Brands	Know-how	Other intangible assets	Total
Beginning balance	₩	323,601	90,131	81,229	192,220	40,920	151,940	880,041
Acquisition and other		42,788	-	-	-	-	6,769	49,557
Disposals		-	-	-	-	-	(1,781)	(1,781)
Amortization		(29,165)	(2,563)	(6,168)	-	(1,506)	(3,076)	(42,478)
Impairment loss		-	-	-	-	-	(900)	(900)
Effect of movements in exchange rates		247	-	-	-	-	1,266	1,513
Ending balance(*)	₩	337,471	87,568	75,061	192,220	39,414	154,218	885,952
Acquisition cost		803,163	102,519	111,048	192,220	48,201	228,625	1,485,776
Accumulated amortization		(464,633)	(14,951)	(35,987)	-	(8,787)	(72,597)	(596,955)
Accumulated impairment		(1,059)	-	-	-	-	(1,810)	(2,869)

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16. Intangible Assets, Continued

- (2) Changes in development costs, networks and other intangible assets for the six-month period ended June 30, 2013 and the year ended December 31, 2012 are as follows, continued:

(In millions of won)

		2012						Total
		Development costs	Networks	Customer relationships	Brands	Know-how	Other intangible assets	
Beginning balance	₩	321,279	95,257	93,568	192,220	43,933	148,846	895,103
Acquisition and other		60,902	-	-	-	-	16,507	77,409
Disposals		-	-	-	-	-	(4,778)	(4,778)
Amortization		(57,400)	(5,126)	(12,339)	-	(3,013)	(6,548)	(84,426)
Impairment loss		(1,059)	-	-	-	-	(910)	(1,969)
Effect of movements in exchange rates		(121)	-	-	-	-	(1,177)	(1,298)
Ending balance(*)	₩	323,601	90,131	81,229	192,220	40,920	151,940	880,041
Acquisition cost		759,889	102,519	111,048	192,220	48,201	221,451	1,435,328
Accumulated amortization		(435,229)	(12,388)	(29,819)	-	(7,281)	(68,601)	(553,318)
Accumulated impairment		(1,059)	-	-	-	-	(910)	(1,969)

(*) The carrying amount of intangible assets with indefinite useful lives is ₩284,758 million and ₩283,143 million as of June 30, 2013 and December 31, 2012, respectively.

- (3) The Group recognized impairment losses of memberships amounting to ₩900 million for the six-month period ended June 30, 2013.
- (4) Research costs amounting to ₩11,568 million and ₩3,921 million, and ordinary development costs amounting to ₩72,006 million and ₩71,722 million are included in selling, general and administrative expenses for the six-month periods ended June 30, 2013 and 2012, respectively. Amortization of capitalized development costs of ₩29,165 million and ₩28,472 million are included in the manufacturing cost and selling, general and administrative expenses for the six-month periods ended June 30, 2013 and 2012, respectively.

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17. Pledged Assets

- (1) Assets pledged as collateral for the Group's borrowings as of June 30, 2013 are summarized as follows:

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

Asset	Carrying amount	Collateralized amount	Type of borrowings	Borrowings amount	Lender
Land and buildings	KRW 87,576	KRW 76,919	Long-term borrowings	KRW 40,032	KB Kookmin Bank
Land	KRW 115,773	KRW 1,440,000	Long-term borrowings	KRW 1,124,040	The Korea Development Bank and others
Buildings	KRW 99,474				
Machinery and structures	KRW 2,103,601				
Inventories and trade receivables	EUR 5,500	EUR 5,500	General purpose loans	EUR 3,000	BNP Paribas Fortis Bank, Belgium
Buildings	USD 485	USD 251	Secured loans	USD 251	Center Bank
Stock of MS Dandy Ltd.		USD 5,645	Long-term borrowings	USD 12,300	National Federation of Fisheries Cooperatives
	-				
	KRW 2,406,424	KRW 1,516,919		KRW 1,164,072	
	USD 485	USD 5,896		USD 12,551	
	EUR 5,500	EUR 5,500		EUR 3,000	

- (2) The Group received payment guarantees from financial institutions covering advance payments on ships as of June 30, 2013. Regarding this, the Group collateralized its ships under construction and construction materials (see note 40).
- (3) The Group collateralized ₩1,888,842 million of held for trading investments and ₩116,050 million of available-for-sale financial assets for loan transactions, warranty for derivative instruments and a settlement fund for stock clearing to Korea Exchange and others.

18. Short-term and Long-term Financial Liabilities

Short-term and long-term financial liabilities as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

		2013		2012	
		Current	Non-current	Current	Non-current
Borrowings	₩	8,117,907	3,639,501	8,374,755	3,758,724
Held for trading liabilities		373,620	2,944	102,399	-
Financial liability at fair value through profit or loss		93,910	272,886	38,283	-
Debentures		200,000	2,694,910	150,000	2,550,000
Discount on debentures		(242)	(8,349)	(23)	(6,930)
Deposit liabilities		289,102	-	317,788	-
Others		24,328	-	15,234	-
	₩	<u>9,098,625</u>	<u>6,601,892</u>	<u>8,998,436</u>	<u>6,301,794</u>

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19. Trade and Other Payables

Trade and other payables as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

		2013		2012	
		Current	Non-current	Current	Non-current
Trade payables	₩	4,663,421	-	3,915,917	-
Other accounts payable		2,331,482	1,520	1,276,411	4,648
Accrued expense		953,852	35,762	595,710	36,340
Deposits received		-	147,241	-	154,837
	₩	<u>7,948,755</u>	<u>184,523</u>	<u>5,788,038</u>	<u>195,825</u>

20. Other Liabilities

Other liabilities as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

		2013		2012	
		Current	Non-current	Current	Non-current
Unearned revenues	₩	27,956	-	35,754	-
Deferred revenues		-	39,695	-	40,441
Others		6,166	5,568	10,568	5,352
	₩	<u>34,122</u>	<u>45,263</u>	<u>46,322</u>	<u>45,793</u>

21. Borrowings and Debentures

(1) Short-term borrowings as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)		2013	2012
General loan	IBK Securities Co., Ltd and others	2.70~4.95	₩	102,000	150,000
Call money	KB Kookmin Bank and others	2.57~2.62		96,000	141,600
Commercial paper	Shinhan Bank and others	2.70~5.40		1,070,000	2,069,000
Repurchase agreements sales	Korea Securities Finance Corporation and others	2.50		1,659,627	1,398,416
Invoice Loan	Deutsche Bank and others	0.58~1.06		652,455	852,270
Import loan	Agricultural Bank of China and others	0.73~2.07		110,978	81,442
Usance L/C	Shinhan Bank and others	0.49~3.00		1,603,895	1,180,290
Transferred export receivables	Korea Exchange Bank and others	1.16~2.47		12,313	3,598
Pre-shipment credit	The Korea Development Bank and others	3.30~3.58		740,000	895,000
Other borrowings from KSFC	Korea Securities Finance Corporation	-		-	30,000
Borrowings from margin loans	Korea Securities Finance Corporation	3.02		6,955	28,998
Loan in foreign currency	Mizuho Corporate Bank and others	Libor(1M)+0.9 ~11.25		784,122	751,979
			₩	<u>6,838,345</u>	<u>7,582,593</u>

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21. Borrowings and Debentures, Continued

(2) Long-term borrowings as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)		2013	2012
General loan	Hana Bank and others	3.00~CD+2.00	₩	203,000	3,000
Commercial paper	Woori Investment & Securities Co., Ltd and others	3.01~3.76		2,000,000	2,240,000
General Loan in foreign currency	Hana Bank and others	2.03~2.23		279,377	46,057
National Housing Fund	KB Kookmin Bank	2.70		40,032	40,276
Energy rationalization	The Korea Development Bank	1.75		4,995	5,419
Environment improvement fund	The Korea Development Bank	2.84		2,574	2,686
General fund for equipment	The Korea Development Bank and others	4.64~4.69		1,159,040	1,200,000
Business loans(*)	Korea National Oil Corporation and others	0.75~3.75		14,440	13,610
Pre-shipment credit	Export-Import Bank of Korea	3.30~3.75		620,000	310,000
Loan in foreign currency	Standard Chartered Bank and others	Libor(1M)+1.1 ~6.8		595,605	689,838
Current portion				(1,279,562)	(792,162)
			₩	<u>3,639,501</u>	<u>3,758,724</u>

(*) The maturities of business loans (₩12,136 million and ₩11,307 million as of June 30, 2013 and December 31, 2012, respectively) from Korea National Oil Corporation are not readily determinable since the business loans are paid by installment in the event of successful commercial production by the Group's oil development business.

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21. Borrowings and Debentures, Continued

(3) Debentures as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

Description	Maturity	Annual interest rate (%)		2013	2012
113 th debenture	2015-02-17	3.96	₩	500,000	500,000
114 th -1 debenture	2015-07-24	3.23		300,000	300,000
114 th -2 debenture	2017-07-24	3.35		400,000	400,000
Foreign currency bond	2016-06-10	1.17		344,910	-
98 th debenture	2014-02-02	5.44		100,000	100,000
101 st debenture	2013-03-20	-		-	150,000
103 rd debenture	2014-07-03	6.80		100,000	100,000
105 th debenture	2015-06-28	5.75		200,000	200,000
106 th debenture	2014-04-14	4.36		100,000	100,000
108 th debenture	2015-01-25	3.98		150,000	150,000
109 th debenture	2015-03-27	4.08		100,000	100,000
110 th debenture	2017-07-20	3.52		300,000	300,000
111 th -1 debenture	2016-10-23	3.24		100,000	100,000
111 th -2 debenture	2019-10-23	3.52		100,000	100,000
1 st -1 subordinated bonds	2018-03-11	4.88		60,000	60,000
1 st -2 subordinated bonds	2019-09-11	5.18		40,000	40,000
			₩	2,894,910	2,700,000
Discount on debentures				(8,591)	(6,953)
Current portion				(200,000)	(150,000)
Discount on current portion				242	23
			₩	2,686,561	2,543,070

(4) Aggregate maturities (carrying value) of the Group's borrowings and debentures as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

Periods		2013		
		Borrowings	Debentures	Total
2013.07.01 ~ 2014.06.30	₩	8,117,907	200,000	8,317,907
2014.07.01 ~ 2018.06.30		3,143,385	2,494,910	5,638,295
2018.07.01 and thereafter		496,116	200,000	696,116
	₩	11,757,408	2,894,910	14,652,318

(In millions of won)

Periods		2012		
		Borrowings	Debentures	Total
2013.01.01 ~ 2013.12.31	₩	8,374,755	150,000	8,524,755
2014.01.01 ~ 2017.12.31		3,265,527	2,350,000	5,615,527
2018-01-01 and thereafter		493,197	200,000	693,197
	₩	12,133,479	2,700,000	14,833,479

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22. Employee Benefits

- (1) Recognized liabilities for defined benefit obligations as of June 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

		2013	2012
Present value of defined benefit obligations	₩	1,494,366	1,395,997
Fair value of plan assets		(1,160,702)	(1,145,817)
	₩	<u>333,664</u>	<u>250,180</u>

- (2) Plan assets as of June 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

		2013	2012
Retirement pension	₩	1,146,565	1,122,208
Deposit for severance benefit insurance		-	8,977
Transfer to National Pension Fund		14,137	14,632
	₩	<u>1,160,702</u>	<u>1,145,817</u>

- (3) Expenses recognized in profit or loss for the three-month and six-month periods ended June 30, 2013 and 2012 are as follows:

(In millions of won)

		2013		2012	
		Three-month period	Six-month period	Three-month period	Six-month period
Current service costs	₩	50,140	100,727	48,524	97,446
Interest on obligations		11,824	23,343	11,898	24,242
Expected return on plan assets		(10,056)	(20,250)	(11,641)	(22,242)
Contributions		80	175	93	114
	₩	<u>51,988</u>	<u>103,995</u>	<u>48,874</u>	<u>99,560</u>

- (4) Changes in the defined benefit obligations for the six-month period ended June 30, 2013 and the year ended December 31, 2012 are as follows:

(In millions of won)

		2013	2012
Beginning balance	₩	1,395,997	1,171,191
Current service costs		100,727	195,549
Interest on obligations		23,343	48,480
Past service costs		-	(3,680)
Benefits paid		(28,605)	(81,574)
Transfers from related parties		2,229	391
Actuarial losses in other comprehensive income		-	66,308
Effect of movements in exchange rates		675	(668)
Ending balance	₩	<u>1,494,366</u>	<u>1,395,997</u>

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22. Employee Benefits, Continued

- (5) Changes in the plan assets for the six-month period ended June 30, 2013 and the year ended December 31, 2012 are as follows:

(In millions of won)

		2013	2012
Beginning balance	₩	1,145,817	1,015,798
Benefits paid		(20,208)	(65,589)
Contributions paid into the plan		14,843	153,038
Expected return on plan assets		20,250	47,716
Actuarial gains in other comprehensive income		-	(5,146)
Ending balance	₩	<u>1,160,702</u>	<u>1,145,817</u>

23. Long-term Provisions

Changes in long-term provisions for the six-month period ended June 30, 2013 and the year ended December 31, 2012 are as follows:

(In millions of won)

		2013			
		Provision for construction warranty	Provision for product warranty	Other Provision	Total
Beginning balance	₩	233,870	124,252	36,925	395,047
Additions		19,903	75,379	13,011	108,293
Reversals		(5,653)	(13,599)	(137)	(19,389)
Utilization		(11,685)	(31,734)	(3,109)	(46,528)
Effect of movements in exchange rates		179	4,891	1,965	7,035
Ending balance	₩	<u>236,614</u>	<u>159,189</u>	<u>48,655</u>	<u>444,458</u>

(In millions of won)

		2012			
		Provision for construction warranty	Provision for product warranty	Other Provision	Total
Beginning balance	₩	99,968	157,151	52,820	309,939
Additions		163,934	67,328	384	231,646
Reversals		(8,115)	(4,744)	(2,813)	(15,672)
Utilization		(21,780)	(91,047)	(11,776)	(124,603)
Effect of movements in exchange rates		(137)	(4,436)	(1,690)	(6,263)
Ending balance	₩	<u>233,870</u>	<u>124,252</u>	<u>36,925</u>	<u>395,047</u>

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24. Derivative Financial Instruments

The Group has entered into derivative instrument contracts with various banks, including Korea Exchange Bank, to hedge the risk related to changes in foreign exchange rates, crude oil prices and others. Derivatives are measured at fair value by using the forward exchange rate presented by contract counterparty and others.

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

Hedge accounting	Type	Description
Cash flow hedge	Foreign currency forward	Hedges the variability in cash flows attributable to foreign currency exposure in respect of forecasted sales and purchases
	Foreign currency futures	Hedges currency exchange rate fluctuation risk on foreign currency reserves
	Interest rate swap	Hedges cash flow risk on interest rate fluctuation
Fair value hedge	Foreign currency forward	(i) Hedges the risk of changes in the fair value of firm commitments (ii) Hedges the risk of changes in foreign currency exchange rate for payables in foreign currency

- (2) Gain and loss on valuation and transaction of derivatives for the six-month period ended June 30, 2013 are as follows:

- (i) Terms of derivative contracts

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

Description	Type	Currency		Contract amount	Number of contracts	Weighted average exchange rate	Average maturities
		Sell	Buy				
Cash flow hedge	Foreign currency forward	EUR	KRW	30,228	405	1,462.79	2014-01-06
		USD	KRW	1,254,008		1,123.36	2013-11-16
		USD	EUR	224,302		1.31	2014-05-25
		USD	GBP	1,992		1.58	2013-07-30
		USD	JPY	96,020		0.01	2014-10-16
		USD	NOK	57,861		0.17	2014-08-07
		KRW	EUR	7,457		1,582.66	2013-12-23
		KRW	USD	1,684,124		1,128.36	2014-05-05
	Interest rate swap	KRW	KRW	75,000	1	-	2020-11-20
Fair value hedge	Foreign currency forward	EUR	KRW	15,776	2,405	1,448.35	2014-03-28
		USD	KRW	15,122,140		1,130.35	2014-08-07
For trading	Foreign currency forward	KRW	USD	433,841	57	1,145.61	2013-07-08
		USD	CNY	100,000		0.15	2013-11-08
		USD	KRW	198,852		1,128.72	2013-10-25
	Foreign currency futures	USD	KRW	10,440	1,971	1,136.90	2013-07-15
		USD	USD	9,392		-	2013-07-15
	Interest rate futures	KRW	KRW	203,390	1,927	-	2013-09-17
	Index futures	KRW	KRW	23,786	1,390	-	2013-09-12
		USD	USD	8,149		-	2013-07-31

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24. Derivative Financial Instruments, Continued

- (2) Gain and loss on valuation and transaction of derivatives for the six-month period ended June 30, 2013 are as follows, continued:

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

Description	Type	Currency		Contract amount	Number of contracts	Weighted average exchange rate	Average maturities
		Sell	Buy				
Interest rate swap		KRW	KRW	30,000	2	-	2016-02-01
		USD	USD	30,000		-	2015-06-15
Stock warrants		KRW	KRW	6,600	3	-	2018-02-18
Product forward		USD	USD	5,174	4	4.67	2014-02-01
Index number option		KRW	KRW	237,539	13	-	2016-02-25
Index swap		KRW	KRW	16,536	3	-	2016-02-21
Product futures		USD	USD	1,499,926	15	-	2013-08-26
Foreign currency forward		EUR	KRW	46,004	2,867	1,457.84	2014-02-02
		USD	KRW	16,575,000		1,129.80	2014-07-15
		USD	CNY	100,000		0.15	2013-11-08
		USD	EUR	224,302		1.31	2014-05-25
		USD	GBP	1,992		1.58	2013-07-30
		USD	JPY	96,020		0.01	2014-10-16
		USD	NOK	57,861		0.17	2014-08-07
		KRW	EUR	7,457		1,582.66	2013-12-23
		KRW	USD	2,117,965		1,131.85	2014-03-05
		USD	KRW	10,440	1,971	1,136.90	2013-07-15
Foreign currency futures		USD	USD	9,392		-	2013-07-15
Interest rate futures		KRW	KRW	203,390	1,927	-	2013-09-17
Index futures		KRW	KRW	23,786	1,390	-	2013-09-12
		USD	USD	8,149		-	2013-07-31
Interest rate swap		KRW	KRW	105,000	3	-	2019-07-07
		USD	USD	30,000		-	2015-06-15
Stock warrants		KRW	KRW	6,600	3	-	2018-02-18
Product forward		USD	USD	5,174	4	-	2014-02-01
Index option		KRW	KRW	237,539	13	-	2016-02-25
Index swap		KRW	KRW	16,536	3	-	2016-02-21
Product futures		USD	USD	1,499,926	15	-	2013-08-26

(*) Terms of settlement: Netting the settlement or collecting total

(**) The contract amount is denominated in the selling currency

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24. Derivative Financial Instruments, Continued

(2) Gain and loss on valuation and transaction of derivatives for the six-month period ended June 30, 2013 are as follows, continued

(ii) Gain and loss on valuation and transaction of derivatives

(In millions of won)

Description	Type	Increase (decrease) to sales	Increase (decrease) to cost of sales	Increase to finance income	Increase to finance costs	Increase to other non- operating income	Increase to other non- operating expenses	Accumulated other comprehensive loss	Firm commitment		Derivatives		Financial assets or liabilities at fair value through profit or loss	
									Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow	Foreign currency forward	₩ 3,138	(12,477)	439	-	-	-	(6,731)	-	-	48,877	58,302	-	-
hedge	Interest rate swap	-	-	-	-	-	-	(4,781)	-	-	5,047	5,034	-	-
Fair value	Foreign currency forward													
hedge		(11,941)	-	13,830	910,100	792,107	4,934	-	444,886	33,787	24,495	463,097	-	-
For trading	Foreign currency forward	6,774	14,516	42,796	34,068	-	-	-	-	-	-	-	4,607	7,234
	Foreign currency futures	4,077	4,581	86	80	-	-	-	-	-	-	-	-	256
	Interest rate futures	6,695	7,862	-	-	-	-	-	-	-	-	-	-	-
	Index futures	20,214	16,834	-	-	-	-	-	-	-	-	-	269	-
	Interest rate swap	350	563	5,242	817	-	-	-	-	-	-	-	102	465
	Stock warrants	-	-	-	-	-	-	-	-	-	-	-	2,288	-
	Product forward	-	-	3,334	3,006	-	-	-	-	-	-	-	24	1,384
	Index number option	12,054	14,806	-	-	-	-	-	-	-	-	-	1,962	2,479
	Index swap	715	857	-	-	-	-	-	-	-	-	-	730	3,913
	Commodity futures	317	44	-	-	-	-	-	-	-	-	-	190	-
		₩ 42,393	47,586	65,727	948,071	792,107	4,934	(11,512)	444,886	33,787	78,419	526,433	10,172	15,731

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24. Derivative Financial Instruments, Continued

As of June 30, 2013, the Group applies cash flow hedge accounting, out of which the Group accounted for the effective portion of the hedge amounting to ₩(-)6,915 million, after netting off deferred tax adjustment of ₩2,786 million and non-controlling interest portion of ₩(-)1,811 million, as gain (loss) 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 89 months, and the amount among gain (loss) on valuation of derivatives that is expected to be realized as an addition to transaction gain or deduction from transaction loss within 12 months from June 30, 2013 is ₩(-)15,234 million.

25. Capital and Capital Surplus

- (1) The Group is authorized to issue 160,000,000 shares of capital stock (par value ₩5,000), and as of June 30, 2013 and December 31, 2012, 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, 2013.

- (2) Capital surplus

Capital surplus is comprised of paid-in capital in excess of par value, capital surplus related to acquisition or disposal of interests in subsidiaries and investments in associates, and other capital surplus of the Company. Other capital surplus of the Company is derived from various sources including gains arising from previous business combination, and gains on disposal of treasury stocks and others. Capital surplus is only available for the reduction of accumulated deficit or transfer to capital stock.

There have been no changes in the capital surplus for the six-month period ended June 30, 2013.

26. Treasury Stock

- (1) Treasury stock of the Company as of June 30, 2013 and December 31, 2012 is summarized as follows:

(In millions of won, except share data)

	2013			2012		
	Number of shares	Acquisition cost	Fair value	Number of shares	Acquisition cost	Fair value
Treasury stock	14,711,560	₩ 1,400,455	2,699,571	14,711,560	₩ 1,400,455	3,560,198

- (2) As of June 30, 2013, 6,063,000 of the Company's shares valued at ₩236,721 million at acquisition cost and ₩1,112,561 million at fair value are owned by Hyundai Mipo Dockyard Co., Ltd., a subsidiary of the Group. The Group recorded its portion as treasury stock in capital adjustments, in the amount of ₩105,436 million.

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27. Accumulated Other Comprehensive Income

- (1) Accumulated other comprehensive income as of June 30, 2013 and December 31, 2012 is summarized as follows:

(In millions of won)

		2013	2012
Change in fair value of available-for-sale financial assets	₩	1,096,004	1,050,437
Effective portion of changes in fair value of cash flow hedges		(6,915)	(22,593)
Exchange differences on translating foreign operations		78,427	5,451
Change in equity of equity method investments		23,293	38,332
	₩	<u>1,190,809</u>	<u>1,071,627</u>

- (2) Other comprehensive income (loss) for the three-month and six-month periods ended June 30, 2013 and 2012 is as follows:

(In millions of won)

		2013					
		Other comprehensive income		Owners of the Company		Non-controlling interests	
		Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period
Change in fair value of available-for-sale financial assets	₩	(15,468)	51,961	(19,395)	45,567	3,927	6,394
Effective portion of changes in fair value of cash flow hedges		8,167	15,756	8,142	15,678	25	78
Exchange differences on translating foreign operations		46,429	98,811	33,263	72,977	13,166	25,834
Change in equity of equity method investments		(16,740)	(15,208)	(16,523)	(15,040)	(217)	(168)
Change in retained earnings of equity method investments		(2,105)	(2,105)	(2,071)	(2,071)	(34)	(34)
	₩	<u>20,283</u>	<u>149,215</u>	<u>3,416</u>	<u>117,111</u>	<u>16,867</u>	<u>32,104</u>

(In millions of won)

		2012					
		Other comprehensive income		Owners of the Company		Non-controlling interests	
		Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period
Change in fair value of available-for-sale financial assets	₩	(85,513)	79,342	(67,239)	87,715	(18,274)	(8,373)
Effective portion of changes in fair value of cash flow hedges		8,157	21,507	8,485	21,772	(328)	(265)
Exchange differences on translating foreign operations		2,850	(17,078)	(4,374)	(15,814)	7,224	(1,264)
Change in equity of equity method investments		(13,588)	(12,709)	(13,539)	(13,908)	(49)	1,199
	₩	<u>(88,094)</u>	<u>71,062</u>	<u>(76,667)</u>	<u>79,765</u>	<u>(11,427)</u>	<u>(8,703)</u>

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28. Retained Earnings

Retained earnings as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

		2013	2012
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		570,000	510,000
Others		11,758,089	10,901,453
		<u>12,493,636</u>	<u>11,577,000</u>
Unappropriated retained earnings		<u>1,852,038</u>	<u>2,500,611</u>
	₩	<u><u>16,366,088</u></u>	<u><u>16,098,025</u></u>

29. Outstanding Contracts

(1) Sales for the three-month and six-month periods ended June 30, 2013 and 2012 are as follows:

(In millions of won)

		2013	2012		
		Three-month	Six-month	Three-month	Six-month
		period	period	period	period
Construction contracts	₩	5,914,327	11,311,927	5,835,411	11,634,955
Goods sold		6,948,323	14,418,668	7,577,356	15,438,141
Services		51,035	172,348	135,996	249,056
Financial service					
Interest income		47,752	91,417	50,988	103,334
Dividend income		320	4,299	265	4,602
Commission income		35,786	67,100	41,107	78,493
Gain on valuation of financial instruments		24,928	36,415	195	7,605
Gain on disposal of financial instruments		60,147	118,386	51,406	113,573
Other operating income		8,396	13,338	7,679	8,975
	₩	<u><u>13,091,014</u></u>	<u><u>26,233,898</u></u>	<u><u>13,700,403</u></u>	<u><u>27,638,734</u></u>

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29. Outstanding Contracts, Continued

(2) Changes in outstanding contracts for the six-month period ended June 30, 2013 are as follows:

<i>(In millions of won)</i>		Shipbuilding	Others	Total
Beginning balance(*)	₩	27,056,331	18,143,115	45,199,446
Increase during the period		10,760,822	20,959,233	31,720,055
Recognized as revenue		(8,628,929)	(17,604,969)	(26,233,898)
Ending balance	₩	<u>29,188,224</u>	<u>21,497,379</u>	<u>50,685,603</u>

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

As of June 30, 2013, the Group has provided a certain amount of financial institution guarantee deposits or letters of guarantee from various financial institutions to the customers, in connection with construction contracts.

(3) Accumulated profit and loss of construction and others connected with construction in progress as of June 30, 2013 are as follows:

		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	₩	10,975,901	10,457,707	518,194	1,462,523	4,482,298	4,362,364
Others		<u>20,462,790</u>	<u>18,138,363</u>	<u>2,324,427</u>	<u>431,048</u>	<u>1,358,542</u>	<u>2,014,139</u>
	₩	<u>31,438,691</u>	<u>28,596,070</u>	<u>2,842,621</u>	<u>1,893,571</u>	<u>5,840,840</u>	<u>6,376,503</u>

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30. Operating Segments

The Group has 10 reportable segments, as described below, which are its strategic business units. The policies of strategic business units are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2012.

- (i) Shipbuilding: Manufacturing and sale of VVLCs, containerships, P/C ships, LNG carriers, and warships.
- (ii) Offshore and Engineering: Manufacturing and installation of offshore facilities and floating units.
- (iii) Industrial Plant and Engineering: Manufacturing and installation of thermal power plants, co-generating power plants, and processing equipment.
- (iv) Engine and Machinery: Manufacturing and sale of engines for ships, diesel power plants, industrial and marine pumps, hydraulic machinery, and industrial robots.
- (v) Electro Electric Systems: Manufacturing and sale of transformers, low and medium voltage circuit breakers, switchgears, and power electronics and control systems.
- (vi) Construction Equipment: Manufacturing and sale of construction equipment and wheel loaders.
- (vii) Green Energy: Services related to solar power systems, wind turbine systems, and new and renewable energy systems.
- (viii) Financial Services: Financing services.
- (ix) Oil Refining: Oil refining business.
- (x) Others: Hotel operation, football club and others.

Information about these reportable segments is as follows:

- (1) The financial performance of each reportable segment for the six-month periods ended June 30, 2013 and 2012 is as follows:

(In millions of won)

(In millions of won)

	2013					
	Sales	Inter-segment revenue	Operating income	Profit (loss)	Depreciation	
Shipbuilding	₩ 8,784,598	(155,669)	160,383	296,055		160,796
Offshore and Engineering	2,293,211	(4)	212,959	224,421		26,382
Industrial Plant and Engineering	521,204	(29,603)	33,792	54,453		4,744
Engine and Machinery	1,066,586	(301,963)	81,102	79,028		47,841
Electro Electric Systems	1,483,274	(126,384)	(2,123)	43,125		25,565
Construction Equipment	2,674,992	(686,232)	154,226	154,779		22,463
Green Energy	142,669	(2,440)	(20,281)	(25,856)		11,849
Financial Services	340,705	(9,751)	18,083	10,949		3,311
Oil Refining	12,105,917	(1,973,869)	255,707	66,808		108,444
Others	498,567	(391,910)	(199,716)	(422,951)		32,758
Consolidation adjustments(*)	(3,677,825)	3,677,825	(27,447)	(94,249)		(3,510)
	₩ 26,233,898	-	666,685	386,562		440,643

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30. Operating Segments, Continued

- (1) The financial performance of each reportable segment for the six-month periods ended June 30, 2013 and 2012 is as follows, continued:

(In millions of won)

		2012				
		Sales	Inter-segment revenue	Operating income	Profit (loss)	Depreciation
Shipbuilding	₩	9,402,594	(335,968)	1,011,161	986,804	157,164
Offshore and Engineering		2,071,930	(860)	127,995	131,248	24,827
Industrial Plant and Engineering		659,600	(64,855)	34,578	33,223	4,376
Engine and Machinery		1,292,089	(492,809)	185,822	196,460	49,961
Electro Electric Systems		1,525,569	(128,411)	(56,692)	(61,919)	24,836
Construction Equipment		2,982,901	(778,485)	186,557	157,630	20,132
Green Energy		159,791	(3,107)	(23,714)	(22,614)	14,570
Financial Services		330,149	(13,566)	55,022	37,767	3,903
Oil Refining		13,390,438	(2,465,833)	(17,913)	(108,163)	135,876
Others		539,472	(431,905)	(141,007)	(408,766)	30,381
Consolidation adjustments(*)		(4,715,799)	4,715,799	(13,878)	(279,990)	(3,425)
	₩	<u>27,638,734</u>	<u>-</u>	<u>1,347,931</u>	<u>661,680</u>	<u>462,601</u>

(*) Consolidation adjustments are made by eliminating inter-segment transactions and unrealized profits and losses, and valuations of joint venture and investments in associates using the equity method.

- (2) The assets and liabilities of each segment as of June 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

		2013		2012	
		Total assets	Total liabilities	Total assets	Total liabilities
Shipbuilding	₩	19,798,502	9,490,407	20,027,070	9,764,623
Offshore and Engineering		2,679,801	1,456,071	2,333,748	1,139,261
Industrial Plant and Engineering		1,089,809	1,603,920	877,196	1,171,589
Engine and Machinery		1,963,144	999,170	2,004,336	1,036,652
Electro Electric Systems		2,336,856	920,408	2,200,608	751,720
Construction Equipment		3,621,059	1,828,569	2,958,870	1,371,095
Green Energy		823,423	94,687	942,310	76,861
Financial Services		5,868,804	4,535,151	4,813,893	3,404,659
Oil Refining		9,799,354	6,709,413	8,769,280	5,773,833
Others		15,294,881	7,538,283	15,248,161	7,709,078
Consolidation adjustments(*)		(10,565,847)	(1,565,627)	(10,902,296)	(1,667,546)
	₩	<u>52,709,786</u>	<u>33,610,452</u>	<u>49,273,176</u>	<u>30,531,825</u>

(*) Consolidation adjustments are made by eliminating inter-segment transactions and unrealized profits and losses, and valuations of joint venture and investments in associates using the equity method.

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30. Operating Segments, Continued

(3) Geographical information by subsidiary location is as follows:

(i) Sales for the six-month periods ended June 30, 2013 and 2012

(In millions of won)

	2013		2012	
	Total sales	Inter-segment revenue	Total sales	Inter-segment revenue
Korea	₩ 26,121,231	(3,030,348)	28,180,294	(3,596,221)
North America	316,418	(1,298)	443,127	(79,864)
Asia	3,171,341	(623,710)	3,491,089	(1,033,127)
Europe	225,482	(22,469)	207,331	(6,587)
Others	77,251	-	32,692	-
Consolidation adjustments(*)	(3,677,825)	3,677,825	(4,715,799)	4,715,799
	₩ 26,233,898	-	27,638,734	-

(*) Consolidation adjustments are made by eliminating inter-segment transactions and unrealized profits and losses.

(ii) Non-current assets as of June 30, 2013 and December 31, 2012

(In millions of won)

	2013	2012
Korea	₩ 15,892,527	15,772,994
North America	145,350	139,196
Asia	464,096	445,163
Europe	125,258	111,162
Others	136,780	73,696
	16,764,011	16,542,211
Consolidation adjustments(*1)	1,569,461	1,634,345
Total(*2)	₩ 18,333,472	18,176,556

(*1) Consolidation adjustments are made by eliminating inter-segment transactions and unrealized profits and losses.

(*2) Represents the sum of investment property, property, plant and equipment and intangible assets.

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31. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three-month and six-month periods ended June 30, 2013 and 2012 are as follows:

(In millions of won)

		2013		2012	
		Three-month period	Six-month period	Three-month period	Six-month period
Salaries	₩	160,918	328,045	155,575	323,101
Post-employment benefit costs		10,750	21,824	9,805	21,452
Employee welfare		35,716	72,199	33,189	74,981
Depreciation		23,217	45,676	23,177	46,154
Bad debt expenses		202,835	306,821	64,049	69,304
Ordinary development costs		40,327	72,006	36,144	71,722
Advertising		24,079	34,286	25,235	46,266
Printing		837	1,713	939	1,700
Warranty expenses		44,216	82,884	21,290	46,477
Insurance		4,320	8,448	5,442	8,509
Supplies		3,572	7,698	5,336	8,845
Utilities		2,973	5,607	3,768	6,136
Repairs		1,701	3,533	3,335	4,435
Travel		8,392	14,807	10,045	17,659
Research		6,219	11,568	2,157	3,921
Training		3,296	5,250	6,236	7,590
Service contract expenses		18,578	37,667	19,758	39,726
Transportation		65,642	128,395	66,547	132,532
Rent		14,523	27,008	11,435	22,957
Data processing		6,765	11,286	7,183	10,873
Entertainment		3,729	7,310	3,815	7,890
Taxes and dues		9,328	18,089	7,773	16,215
Service charges		24,727	52,777	22,909	51,307
Automobile maintenance		3,199	6,352	3,902	6,627
Sales commissions		23,858	40,817	20,878	40,955
Others		28,379	52,735	31,514	63,549
	₩	<u>772,096</u>	<u>1,404,801</u>	<u>601,436</u>	<u>1,150,883</u>

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32. Nature of Expenses

The classification of expenses by nature for the three-month and six-month periods ended June 30, 2013 and 2012 is as follows:

(In millions of won)

	2013		2012	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	₩ (21,118)	(38,683)	349,295	(150,590)
Purchase of inventories	9,331,336	17,832,633	9,691,943	19,645,051
Depreciation	221,219	440,643	231,312	462,601
Amortization	21,149	42,478	20,884	41,878
Labor cost	798,353	1,590,538	802,084	1,607,003
Other expenses	2,451,105	5,699,604	2,242,710	4,684,860
	<u>₩ 12,802,044</u>	<u>25,567,213</u>	<u>13,338,228</u>	<u>26,290,803</u>

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

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33. Finance Income and Finance Costs

Finance income and finance costs for the three-month and six-month periods ended June 30, 2013 and 2012 are as follows:

(In millions of won)

		2013		2012	
		Three-month period	Six-month period	Three-month period	Six-month period
Finance income:					
Interest income	₩	35,323	67,500	44,359	92,266
Gain on valuation of financial instruments at fair value through profit or loss		2,849	3,667	-	1,502
Gain on disposal of financial instruments at fair value through profit or loss		18,359	43,227	35,749	51,839
Gain on disposal of available-for-sale financial assets		37	37	-	-
Dividend income		1,022	34,733	25	43,582
Gain on foreign currency translation		111,704	358,747	32,453	57,275
Gain on foreign currency transactions		206,408	383,495	132,754	291,318
Gain on valuation of derivatives		3,803	6,017	-	25,204
Gain on derivatives transactions		3,275	13,581	42,747	116,887
Others		26	26	351	351
	₩	<u>382,806</u>	<u>911,030</u>	<u>288,438</u>	<u>680,224</u>
Finance costs:					
Interest expense	₩	80,378	162,334	105,373	208,802
Loss on valuation of financial instruments at fair value through profit or loss		6,111	11,494	10,664	8,540
Loss on disposal of financial instruments at fair value through profit or loss		14,125	26,421	24,033	53,190
Loss on disposal of available-for-sale financial assets		6	13	4	20
Impairment loss on available-for-sale financial assets		59,955	110,368	1,004	1,491
Loss on foreign currency translation		110,131	230,172	-	66,374
Loss on foreign currency transactions		243,016	424,453	196,724	373,190
Loss on valuation of derivatives		334,809	764,685	184,502	87,628
Loss on derivatives transactions		92,928	145,758	21,928	26,644
	₩	<u>941,459</u>	<u>1,875,698</u>	<u>544,232</u>	<u>825,879</u>

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

Other non-operating income and other non-operating expenses for the three-month and six-month periods ended June 30, 2013 and 2012 are as follows:

(In millions of won)

	2013		2012	
	Three-month period	Six-month period	Three-month period	Six-month period
Other non-operating income:				
Gain on disposal of property, plant and equipment	₩ 2,076	4,527	878	1,949
Gain on disposal of intangible assets	-	118	161	614
Gain on valuation of firm commitments	386,434	792,107	156,878	101,048
Reversal of allowance for other doubtful accounts	-	-	-	310
Others	35,338	62,365	37,361	70,779
	<u>₩ 423,848</u>	<u>859,117</u>	<u>195,278</u>	<u>174,700</u>
Other non-operating expenses:				
Service charges	₩ 4,367	7,522	1,840	3,924
Loss on disposal of property, plant and equipment	2,611	9,424	9,228	11,263
Loss on disposal of intangible assets	3	188	36	66
Impairment loss on intangible assets	400	900	626	12,173
Loss on valuation of firm commitments	868	4,934	-	107,237
Other bad debt expenses	-	-	146	162
Donation	5,797	16,890	19,068	105,806
Others	45,884	66,536	10,844	21,386
	<u>₩ 59,930</u>	<u>106,394</u>	<u>41,788</u>	<u>262,017</u>

35. Income Tax Expense

The component of income tax expense for the six-month periods ended June 30, 2013 and 2012 are as follows:

(In millions of won)

	2013	2012
Current tax expense	₩ 280,349	385,892
Adjustment for prior periods	(75,909)	(10,066)
Origination and reversal of temporary differences	(129,818)	(17,609)
Income tax recognized in other comprehensive income	(23,139)	(39,978)
Total income tax expense	<u>₩ 51,483</u>	<u>318,239</u>
Effective tax rate	<u>11.75%</u>	<u>32.48%</u>

The change in the effective tax rate for the six-month periods ended June 30, 2013 and 2012 is due to the increase of tax refund and tax effect changes on the Group's interest in profit or loss of subsidiaries.

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36. Earnings per Share

- (1) Basic earnings per share for the three-month and six-month periods ended June 30, 2013 and 2012 are as follows:

	2013		2012	
	Three-month period	Six-month period	Three-month period	Six-month period
Profit attributable to owners of the Company (In millions of won)	₩ 98,184	416,602	134,239	632,012
Weighted average number of ordinary shares outstanding (In thousands of shares)	55,225	55,225	55,225	55,225
Earnings per share (In won)	₩ 1,778	7,544	2,431	11,444

- (2) The weighted average number of ordinary shares for the three-month and six-month periods ended June 30, 2013 is as follows:

(In a share)	Number of shares outstanding	Weighted average	Weighted average number of shares outstanding
Beginning balance	55,225,440	Six-month: 181/181 Three-month: 91/91	55,225,440

- (3) Since there are no dilutive potential common shares for the three-month and six-month periods ended June 30, 2013 and 2012, diluted earnings per share have not been calculated.

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37. Cash Flows from Operations

Cash generated from operations for six-month periods ended June 30, 2013 and 2012 are summarized as follows:

<i>(In millions of won)</i>		2013	2012
Profit for the period	₩	386,562	661,680
Adjustments for:			
Post-employment benefit costs		103,820	99,446
Depreciation		440,643	462,601
Amortization		42,478	41,878
Bad debt expenses		306,821	74,872
Compensation expenses associated with stock options		(1,863)	(893)
Finance income		(470,701)	(219,829)
Finance costs		1,323,424	372,854
Other non-operating income		(815,076)	(114,727)
Other non-operating expenses		23,868	135,226
Share of profit of equity accounted investees		16,694	135,040
Income tax expense		51,483	318,239
Finance income (sales)		(145,932)	(124,708)
Finance costs (cost of sales)		94,346	60,671
Changes in assets and liabilities:			
Short-term financial assets		(880,161)	(19,590)
Trade receivables		(738,677)	(576,882)
Other receivables		(470,386)	(467,998)
Due from customers for contract work		(905,976)	596,465
Inventories		(39,569)	(150,590)
Derivatives		581,059	(100,180)
Firm commitments		17,915	108,705
Other current assets		683,829	(282,242)
Long-term other receivables		238	(223)
Long-term trade receivables		(64,431)	7,223
Long-term financial assets		(36)	-
Other non-current assets		(2,407)	19,253
Short-term financial liabilities		242,595	(22,234)
Trade payables		624,242	(202,092)
Other payables		1,352,186	753,378
Advances from customers		(45,184)	47,065
Due to customers for contract work		641,100	(1,716,442)
Other current liabilities		(13,459)	(1,197)
Long-term other payables		(24,563)	(17,732)
Benefits paid		(28,605)	(20,611)
Succession of benefits		2,229	79
Plan assets		5,365	11,512
Long-term provisions		42,376	(16,197)
Other non-current liabilities		(1,644)	97
		<u>2,334,603</u>	<u>(148,083)</u>

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

(1) Categories of financial instruments as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

(In millions of won)		2013									
		Cash and cash equivalents	Held for trading investments	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Held for trading liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative liabilities
Cash and cash equivalents	₩	1,908,663	-	-	-	-	-	-	-	-	-
Short-term financial assets		-	2,435,860	184,213	165,445	400,810	-	-	-	-	-
Trade and other receivables		-	-	-	-	8,570,040	-	-	-	-	-
Due from customers for contract work		-	-	-	-	5,840,840	-	-	-	-	-
Derivative assets (current)		-	-	-	-	-	52,495	-	-	-	-
Long-term financial assets		-	2,460	62,902	2,997,594	16,129	-	-	-	-	-
Long-term trade and other receivables		-	-	-	-	1,362,695	-	-	-	-	-
Derivative assets (non-current)		-	-	-	-	-	25,924	-	-	-	-
Short-term financial liabilities		-	-	-	-	-	-	373,620	93,910	8,631,095	-
Trade and other payables		-	-	-	-	-	-	-	-	7,948,755	-
Derivative liabilities (current)		-	-	-	-	-	-	-	-	-	295,766
Long-term financial liabilities		-	-	-	-	-	-	2,944	272,886	6,326,062	-
Long-term trade and other liabilities		-	-	-	-	-	-	-	-	184,523	-
Derivative liabilities (non-current)		-	-	-	-	-	-	-	-	-	230,667
	₩	1,908,663	2,438,320	247,115	3,163,039	16,190,514	78,419	376,564	366,796	23,090,435	526,433

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

(1) Categories of financial instruments as of June 30, 2013 and December 31, 2012 are summarized as follows, continued

(In millions of won)

(In millions of won)		2012									
		Cash and cash equivalents	Held for trading investments	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Held for trading liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative liabilities
Cash and cash equivalents	₩	1,107,690	-	-	-	-	-	-	-	-	-
Short-term financial assets		-	1,789,908	189,085	136,616	396,761	-	-	-	-	-
Trade and other receivables		-	-	-	-	6,798,105	-	-	-	-	-
Due from customers for contract work		-	-	-	-	4,967,728	-	-	-	-	-
Derivative assets (current)		-	-	-	-	-	444,343	-	-	-	-
Long-term financial assets		-	3,936	-	3,043,273	15,629	-	-	-	-	-
Long-term trade and other receivables		-	-	-	-	1,375,260	-	-	-	-	-
Derivative assets (non-current)		-	-	-	-	-	171,214	-	-	-	-
Short-term financial liabilities		-	-	-	-	-	-	102,399	38,283	8,857,754	-
Trade and other payables		-	-	-	-	-	-	-	-	5,788,038	-
Derivative liabilities (current)		-	-	-	-	-	-	-	-	-	43,583
Long-term financial liabilities		-	-	-	-	-	-	-	-	6,301,794	-
Long-term trade and other liabilities		-	-	-	-	-	-	-	-	195,825	-
Derivative liabilities (non-current)		-	-	-	-	-	-	-	-	-	26,913
	₩	1,107,690	1,793,844	189,085	3,179,889	13,553,483	615,557	102,399	38,283	21,143,411	70,496

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

(2) Financial instruments income and costs by categories for the three-month and six-month periods ended June 30, 2013 and 2012 are as follows:

	2013									
	Net income		Other comprehensive income		Interest income and interest expense(*)		Fee income and fee 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	Three-month period	Six-month period
Cash and cash equivalents	₩ 14,701	48,369	-	-	12,613	24,424	-	-	-	-
Held for trading investments	14,450	52,835	-	-	19,611	37,072	-	-	-	-
Financial assets at fair value through profit or loss	12,800	16,616	-	-	-	-	-	-	-	-
Available-for-sale financial assets	(52,438)	(63,763)	(15,468)	51,961	1,956	3,750	341	682	(59,954)	(111,128)
Loans and receivables	35,328	255,881	-	-	48,896	93,672	1,876	3,810	(208,602)	(319,322)
Held for trading liabilities	(3,222)	(13,628)	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	(9,850)	(12,667)	-	-	-	-	-	-	-	-
Financial liabilities measured at amortized cost	(345,642)	(652,170)	-	-	(123,399)	(252,154)	-	-	-	-
Derivatives	(419,055)	(890,845)	8,167	15,756	-	-	-	-	-	-

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

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

	2012									
	Net income		Other comprehensive income		Interest income and interest expense(*)		Fee income and fee 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	Three-month period	Six-month period
Cash and cash equivalents	₩ 14,378	19,320	-	-	12,145	25,969	(6)	(28)	-	-
Held for trading investments	20,691	36,014	-	-	14,589	32,124	-	(15)	-	-
Financial assets at fair value through profit or loss	1,173	2,647	-	-	-	-	-	-	-	-
Available-for-sale financial assets	1,776	51,544	(85,513)	79,342	2,099	3,703	345	676	(1,004)	(1,491)
Loans and receivables	90,269	26,493	-	-	66,513	133,804	13,294	18,971	(57,617)	(62,583)
Held for trading liabilities	6,597	(3,869)	-	-	(2,416)	(2,421)	-	-	-	-
Financial liabilities measured at amortized cost	(241,703)	(283,004)	-	-	(130,648)	(262,442)	-	-	-	-
Derivatives	(164,578)	26,649	8,157	21,507	-	-	-	-	-	-

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

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39. Risk of Financial Instruments

(1) Currency risk

The Group's exposure to foreign currency risk based on notional amounts as of June 30, 2013 and December 31, 2012 is as follows:

(In millions of won)

(In millions of won)		2013					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	469,267	983	-	322	48,533	519,105
Loans and receivables		10,049,004	231,089	89,472	28,966	467,669	10,866,200
Trade and other payables		(3,050,059)	(104,289)	(1,446)	(4,889)	(125,885)	(3,286,568)
Borrowings		(2,846,975)	(220,654)	-	(74,844)	(7,149)	(3,149,622)
Gross statement of financial position exposure		4,621,237	(92,871)	88,026	(50,445)	383,168	4,949,115
Derivative contracts		(435,262)	(3,791)	(5)	(10,396)	(1,456)	(450,910)
Net exposure	₩	4,185,975	(96,662)	88,021	(60,841)	381,712	4,498,205

(In millions of won)

(In millions of won)		2012					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	206,515	411	-	264	10,737	217,927
Loans and receivables		8,854,766	172,271	39,507	15,551	378,918	9,461,013
Trade and other payables		(2,699,895)	(147,175)	(239)	(7,448)	(87,982)	(2,942,739)
Borrowings		(2,056,207)	(178,370)	-	(81,956)	(21,928)	(2,338,461)
Gross statement of financial position exposure		4,305,179	(152,863)	39,268	(73,589)	279,745	4,397,740
Derivative contracts		558,826	(889)	-	-	141	558,078
Net exposure	₩	4,864,005	(153,752)	39,268	(73,589)	279,886	4,955,818

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39. Risk of Financial Instruments, Continued

(2) Fair values

(i) Fair values versus carrying amounts

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

(In millions of won)

	2013		2012	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Assets carried at fair value:				
Held for trading investments	₩ 2,438,320	2,438,320	1,793,844	1,793,844
Financial assets at fair value through profit or loss	247,115	247,115	189,085	189,085
Available-for-sale financial assets(*)	3,163,039	3,163,039	3,179,889	3,179,889
Derivative assets	78,419	78,419	615,557	615,557
	<u>₩ 5,926,893</u>	<u>5,926,893</u>	<u>5,778,375</u>	<u>5,778,375</u>
Cash and cash equivalents	₩ 1,908,663	1,908,663	1,107,690	1,107,690
Assets carried at amortized cost:				
Loans and receivables	₩ 16,190,514	16,190,514	13,553,483	13,553,483
Liabilities carried at fair value:				
Held for trading liabilities	₩ 376,564	376,564	102,399	102,399
Financial liabilities at fair value through profit or loss	366,796	366,796	38,283	38,283
Derivative liabilities	526,433	526,433	70,496	70,496
	<u>₩ 1,269,793</u>	<u>1,269,793</u>	<u>211,178</u>	<u>211,178</u>
Liabilities carried at amortized cost:				
Bank loans	₩ 11,757,408	11,757,408	12,133,479	12,133,479
Bond issues	2,886,319	2,886,319	2,693,047	2,693,047
Trade and other payables	8,133,278	8,133,278	5,983,863	5,983,863
Deposit liabilities	289,102	289,102	317,788	317,788
Others	24,328	24,328	15,234	15,234
	<u>₩ 23,090,435</u>	<u>23,090,435</u>	<u>21,143,411</u>	<u>21,143,411</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, 2013 and December 31, 2012 are ₩148,448 million and ₩141,400 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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39. Risk of Financial Instruments, Continued

(2) Fair values, continued

The financial instruments carried at fair value, by fair value hierarchy as of June 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

		Level 1	Level 2	Level 3	Total
2013:					
Held for trading investments	₩	490,589	1,894,778	52,953	2,438,320
Financial assets at fair value through profit or loss		-	132,130	114,985	247,115
Available-for-sale financial assets		2,720,384	197,885	96,322	3,014,591
Derivative assets		-	78,419	-	78,419
Held for trading liabilities		341,672	28,499	6,393	376,564
Financial liabilities at fair value through profit or loss		-	-	366,796	366,796
Derivative liabilities		-	526,433	-	526,433
2012:					
Held for trading investments		241,462	1,490,036	62,346	1,793,844
Financial assets at fair value through profit or loss		-	140,931	48,154	189,085
Available-for-sale financial assets		2,764,082	181,579	92,828	3,038,489
Derivative assets		-	615,557	-	615,557
Held for trading liabilities		53,229	49,170	-	102,399
Financial liabilities at fair value through profit or loss		-	-	38,283	38,283
Derivative liabilities		-	70,496	-	70,496

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 Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 are comprised primarily of 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 fairly 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.

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39. Risk of Financial Instruments, Continued

(2) Fair values, continued

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

(3) Transfers of financial assets

Transferred financial assets that are not derecognized in their entirety as of June 30, 2013 are as follows:

(In millions of won)

		Loans and receivables	
		Trade Receivables	Long-term other receivables
Carrying amount of assets	₩	30,241	43,856
Carrying amount of associated liabilities		28,449	40,686
For those liabilities that have recourse only to the transferred assets:			
Fair value of assets		30,241	43,856
Fair value of associated liabilities		28,449	40,686
Net position	₩	<u>1,792</u>	<u>3,170</u>

40. Commitments and Contingencies

- (1) As of June 30, 2013, the Group has entered into bank overdraft agreements with Korea Exchange Bank and others amounting to ₩612,000 million, USD 20,000 thousand, EUR 9,000 thousand, CNY 379,999 thousand and INR 700,000 thousand and general loan agreements amounting to ₩850,000 million, USD 921,668 thousand, EUR 71,200 thousand, CNY 7,285,431 thousand, JPY 3,500,000 thousand and BRL 68,745 thousand.
- (2) As of June 30, 2013, the Group has entered into credit facilities agreements such as letters of credit with various banks for the Group's exports and imports totaling ₩30,000 million, USD 10,337,549 thousand and INR 1,850,000 thousand.
- (3) As of June 30, 2013, the Group has entered into credit facilities agreements such as pre-shipment credit and network loan with various banks amounting to ₩5,141,034 million, USD 169,026 thousand and CNY 3,032,000 thousand.
- (4) In order to secure bank loans and construction contract performance guarantees, the Group has provided seven blank notes and two checks as of June 30, 2012.

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40. Commitments and Contingencies, Continued

- (5) As of June 30, 2013, the Group is contingently liable for loan guarantees of its foreign subsidiaries amounting to USD 1,295,222 thousand, EUR 96,250 thousand, CNY 7,101,288 thousand, INR 1,300,000 thousand and BRL 109,956 thousand and purchase loans of customers amounting to CNY 651,037 thousand of solidarity with local dealers. The Group has provided performance guarantees in relation to Jazan Refinery and Terminal Project Package 2 (contract amount: USD 286,240 thousand) which is being built by Hyundai Arabia Company LLC., one of the Group's subsidiaries. The Group also provided performance guarantees in relation to Moho Nord Tension Leg Platform Project (contract amount: USD 692,943 thousand) and Moho Nord Floating Production Unit Project (contract amount: USD 1,227,386 thousand) which are being built by HHI France SAS and HHI Mauritius Ltd., one of the Group's subsidiaries. The Group has also provided certain performance guarantees for bareboat charter amounting to USD 373,189 thousand to ship owners on behalf of Hyundai Merchant Marine Co., Ltd. Furthermore, the Group 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 and guarantees on environment preservation amounting to USD 750 thousand.
- (6) In connection with the Group's contract performance guarantees, the Group has been provided with maximum guarantees amounting to ₩6,019,806 million and USD 32,633,109 thousand and ₩3,879,380 million and USD 38,503,338 thousand by various banking facilities, of which regarding ships advance from customers as of June 30, 2013 and December 31, 2012, respectively. The Group has also been provided with maximum guarantees amounting to USD 25,748,298 thousand and USD 32,252,319 thousand by various banking facilities as of June 30, 2013 and December 31, 2012, respectively. Regarding this, the Group collateralizes its ships under construction and construction materials.
- (7) As of June 30, 2013, the Group entered into a conditional commercial paper purchase guarantee contract guaranteed by Hyundai Engineering & Construction Co., Ltd. and other companies amounting to ₩540,000 million. In relation to the project financing loan of the Andong Ok-dong apartment construction project, the Group also entered into another guarantee contract, which guarantees the Group is able to borrow up to ₩17,500 million collateralized by unsold apartment units of Naro Development Company, the borrower, should Naro Development fail to repay the loan. In addition, in regards to the loan for the Chungju Bongbang-dong apartment construction project, the Group entered into a guarantee contract with Hi Chungju Prugio No.2, the borrower, which guarantees the Group is able to borrow up to ₩12,500 million collateralized by the priority beneficiary right. In relation to the project financing loan of the Incheon Songdo apartment complex project, the Group also entered into another guarantee contract, which guarantees the Group is able to borrow up to ₩42,700 million collateralized by unsold apartment units of Astro Development Co., Ltd., the borrower, should Astro Development fail to repay the loan. In relation to the loan of the Seoul Munjeong-dong efficiency apartment construction project, the Group also entered into another guarantee contract, which guarantees the Group is able to borrow up to ₩50,000 million collateralized by unsold apartment units of DWPFV Co., Ltd., the borrower, should DWPFV fail to repay the loan.
- (8) The Group entered into a consortium agreement on a resource development project with various organizations including Korea National Oil Corporation, and recorded ₩155,330 million and ₩150,454 million as other non-current assets as of June 30, 2013 and December 31, 2012, respectively. The Group will exercise right to demand the share sale to Korea Mineral Resources Corporation about Ambatovy nickel mine (amounting to ₩92,225 million and ₩89,051 million as of June 30, 2013 and December 31, 2012, respectively) on August 23, 2013 and the date of sale completion is December 30, 2013. The Group also obtained borrowings from the Export-Import Bank, Korea National Oil Corporation and Korea Mineral Resources Corporation (see Note 21).

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40. Commitments and Contingencies, Continued

- (9) As of June 30, 2013, in relation to the project financing loan of the Seoul Yeoksam-dong Diodeca Building construction project, the Group entered into a purchase contract with Yeonwoo, the borrower, where the Group is committed to financing obligations up to ~~₩~~30,000 million collateralized by the prior beneficiary right, should the borrower fail to repay the loan. In addition, in regards to the project financing loan for the Goyang Samsung Knowledge Industry Center, the Group entered into another purchase contract with Miraesamsung 1st Private Company, the borrower, where the Group is committed to financing obligations up to ~~₩~~13,000 million collateralized by the prior beneficiary right, should the borrower fails to repay the loan.
- (10) HI Gold Ocean Ship Private Special Asset Trust No.11 entered into a currency interest swap contract for ship building and chartering with Korea Exchange Bank. When HI Gold Ocean Ship Private Special Asset Trust No.11 pays settlement amount for contract termination, HI Gold Ocean Ship Private Special Asset Trust No.11 is able to get a loan from Korea Exchange Bank. Additionally, the Group entered into a guarantee contract, which ensures it is able to borrow up to ~~₩~~40,000 million if the above loan is made.
- (11) The Group entered into a stock purchase agreement with Busan Bank, which is an investment trust company of Hyundai Ship Private Fund 2, on December 28, 2012. The Group, pursuant to the agreement, sold stocks of HI Gold Ocean Kmarin No. 8 Ship Investment Company (7,788,229 shares of common stock) in January 2013. In connection with this transaction, the Group made a beneficiary contract with Hanwha Life Insurance Co., Ltd. on December 27, 2012, retaining the right of first refusal to purchase a beneficiary certificate of Hyundai Ship Private Fund 2, within an exercise period and amount of contracted price for sale. The Group also entered into a guarantee contract to ensure its ability to pay the difference between the contracted price for sale and the actual price, should Hanwha Life Insurance Co., Ltd. sell this beneficiary certificate to a third parties for a price less than the contracted price.
- (12) HI GOLD OCEAN KMARIN NO.12 SHIP INVESTMENT COMPANY entered into a currency interest swap contract for ship building and chartering with Hana Bank. When HI GOLD OCEAN KMARIN NO.12 SHIP INVESTMENT COMPANY does not fulfill a swap contract, the Group entered into a guarantee contract, which ensures it is able to borrow up to USD 20,400 million, about incurred loss.
- (13) The Group entered into convertible loan agreements with ship owners in Liberia. As of June 30, 2013, the loan receivable balance is USD 119,100 thousand.

41. Litigations

- (1) The Group repurchased the 13 million shares of Prudential Investment & Securities ("PIS", formerly Hyundai Investment Trust & Securities Co., Ltd.) from Canadian Imperial Bank of Commerce ("CIBC"). The Group requested SK Hynix Inc. ("SHI", formerly Hynix Semiconductor Inc.) and Hyundai Securities Co., Ltd. ("HSC") to honor their written promissory note, which was rejected by SHI and HSC. Accordingly, the Group filed a ~~₩~~50,300 million lawsuit for incidental repurchase expenses against SHI and HSC on December 30, 2004. On October 22, 2009, the Group 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, SHI and other companies filed an appeal to the court, and the court ruled partially in favor of the plaintiff on November 10, 2011. The Group returned ~~₩~~2,600 million on November 14, 2011 and filed an appeal to the Supreme Court on November 25, 2011, which is currently pending as of June 30, 2013.

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41. Litigations, 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 Group. 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 Group's appeal to the National Tax Tribunal was dismissed, but was partially successful. On April 27, 2009, the Group filed administrative litigation. However, the Group lost the first trial on January 5, 2011 and appealed on January 25, 2011. In relation to the intermediate appeal, the Group partially won the litigation on February 15, 2013 for the settlement of the claim amounting to ₩52,700 million. However, the Group and the National Tax Service did not accept the Court's decision and filed appeals on February 27, 2013 and February 28, 2013, respectively.
- (3) In connection with orders for submarine pipeline and equipment installation construction from PTT Public Group Limited. ("PTT") on June 25, 2011, the Group engaged a subcontractor ("Britoil") that owned a tugboat. While the tugboat was moving a barge, for reasons unknown, an existing gas pipeline owned by PTT, was damaged resulting in a gas leak. At the request of the PTT, the Group worked on recovery and repair, which was completed around October 2011, and billed PTT for the cost of repairs. PTT in turn asked for compensations for damages related to the gas leak and loss of gas. The Group and PTT were unable to reach an agreement regarding the cause of accident, amount of damages, contractual limitations of liability, and distribution of insurance proceeds. On June 22, 2012, PTT filed a lawsuit in Thai court claiming damages amounting to USD 143 million against the Group, Britoil and PTT's insurer ("Dhipaya") as a co-defendants. The Group vigorously defended itself against that claim and filed a lawsuit requesting the cost of repairs against PTT on March 28, 2013 and requesting insurance against Dhipaya on February 11, 2013. The impact on the Group's financial statements, if any, cannot be reliably estimated.
- (4) On January 16, 2009, the Group entered into a longtime contract purchasing polysilicon with Woongjin Polysilicon Co.,Ltd. ("WPC"), and paid USD 91 million in advance. WPC interrupted facilities operation without any notice, and creditor of WPC declared the default on October 17, 2012. The Group gave notice of the cancellation of a contract to WPC on January 25, 2013, and requested prepaid payment to Seoul guarantee insurance company ("SGI") that guaranteed refund the repaid payment on February 7, 2013, but SGI did not accepted request for payment. The Group filed a lawsuit in Seoul Central District Court claiming guarantee insurance amounting to USD 91 million against SGI on April 5, 2013. The Group received that amount of money for provisional payment and the case is currently pending.
- (5) In February 2001, the Ministry of National Defense filed a lawsuit against the five domestic oil refinery companies, including the Group, for alleged collusive bidding for the supply of oil products to the Korean military, with total claim amount of ₩167,000 million. The five domestic oil refinery companies paid ₩130,992 million on December 30, 2009 in compliance with the decision of Seoul High Court, and appealed to the Supreme Court in January 2010. The Supreme Court of Korea annulled the original judgment.
- (6) The Fair Trade Commission imposed fines on two LPG importers and four domestic oil refinery companies including the Group for alleged collusive price-fixing on LPG prices from January 1, 2003 to December 31, 2008. A fine of ₩26,314 million was imposed on the Group, which it paid on June 29, 2010. However, the Group appealed to the Fair Trade Commission decision to Seoul High Court in May 2010. After losing the second trial, the Group appealed to the Supreme Court, where the case is currently pending.

Additionally, 117,611 private cab drivers and others jointly filed a lawsuit against four domestic oil refinery companies including the Group and two LPG importers claiming damages of ₩10,501 million based on the Fair Trade Commission's decision. The case is currently pending. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

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41. Litigations, Continued

- (7) Hankook Shell Oil Co., Ltd. filed litigation in Seoul Central District Court in February 2012 against the Group, amounting to ₩14,800 million, for damages for contamination cleanup costs due to fuel spills at the Group's refinery on the site of the Hankook Shell Oil Co., Ltd.. The case is currently pending. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.
- (8) In February 2007, the Fair Trade Commission imposed a fine amounting to ₩9,311 million on the four domestic oil refinery companies, including the Group, for alleged collusive price-fixing. The Group paid the fine on July 16, 2007. With regard to the imposition, the Group filed an official appeal to the Fair Trade Commission in May 2007, but the Commission announced the rejection of the appeal in July 2007. The Group lost the second trial and the case is currently pending in the Supreme Court. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.
- (9) The Fair Trade Commission concluded on September 16, 2011, that the employees of four refineries, including the Group's retail sales staff, were engaged in arrangement on the restrictions of admission of gas stations, which was conducted in a task force meeting held in March 2000. The Fair Trade Commission ordered the Group to pay fines amounting to ₩75,400 million, and brought criminal charges against the Group. The Group paid the fine and appealed the case. The appeal is pending in the Seoul High Court. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.
- (10) Korea National Oil Corporation ("KNOC") imposed a fine amounting to ₩9,656 million in regards to the refund of the excessive tax on oil imports. The Group filed litigation seeking the revocation of the administrative fine order to by KNOC. The case is now pending in Suwon District Court. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.
- (11) The Defense Acquisition Program Administration ("DAPA") offset to payment of oil amounting to ₩9,300 million on the Group, for alleged collusive bidding for the supply of military fuel. With regard to the redemption, the Group filed a lawsuit against DAPA for non-payment of oil amounting to ₩9,300 million in December 2012. The case is currently pending in the Seoul Central District Court. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.
- (12) In addition to the cases mentioned above, the Group is currently a defendant in 56 lawsuits involving claims totaling ₩155,500 million. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

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42. Related Parties

- (1) Significant transactions for the six-month periods ended June 30, 2013 and 2012, and outstanding balances as of June 30, 2013 and December 31, 2012 between the Company and associates or joint venture are as follows:

(In millions of won)

		Sales and other		Purchases and other		Receivables and other		Payables and other	
		2013	2012	2013	2012	2013	2012	2013	2012
Wärtsilä-Hyundai Engine Company Ltd.(*)	₩	7,442	1,363	43,115	-	54,527	62,902	-	26,002
KAM Corporation(*)		-	-	-	-	-	66,278	-	-
Hyundai Corporation(*)		558,578	526,163	5,022	12,397	324,749	328,905	32,908	16,696
Hyundai Cosmo Petrochemical Co., Ltd.(*)		34,041	131,842	-	-	-	34,451	2,880	-
Others(*)		4,494	17,477	11	-	615	1,458	11,040	10,446
	₩	604,555	676,845	48,148	12,397	379,891	493,994	46,828	53,144

(*) Including associates and joint ventures' subsidiaries.

- (2) Significant transactions for the six-month periods ended June 30, 2013 and 2012, and outstanding balances as of June 30, 2013 and December 31, 2012 between subsidiaries and associates or joint venture are as follows:

(In millions of won)

(In millions of won)

Selling company	Purchasing company	Sales and other		Receivables and other	
		2013	2012	2013	2012
Transactions between subsidiaries and associates(*):					
Hyundai Samho Heavy Industries Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	₩ -	43,383	-	-
	Wärtsilä-Hyundai Engine Company Ltd.	141	43	32,424	24,877
Hyundai Mipo Dockyard Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	-	22,375	-	-
Hyundai Oilbank Co., Ltd.	Hyundai Corporation.	344,819	374,139	119,433	10,291
	Hyundai Cosmo Petrochemical Co., Ltd.	836,320	958,512	167,886	173,919
Hyundai Merchant Marine Co., Ltd.	Hyundai Oilbank Co., Ltd.	30,731	36,376	-	4,390
Hyundai Corporation	Hyundai Construction Equipment Americas, Inc.	-	47,366	-	-
Hyundai Cosmo Petrochemical Co., Ltd.	Hyundai Oilbank Co., Ltd.	515,460	583,499	101,648	125,361
	Hyundai Oilbank (Shanghai) Co., Ltd.	126,509	-	24,133	-
		₩ 1,853,980	2,065,693	445,524	338,838

(*) Including associates and joint ventures' subsidiaries.

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42. Related Parties, Continued

(3) Details of guarantees between the Group and associates or joint venture as of June 30, 2013 are as follows:

(In thousands of foreign currency)

Guarantee provider	Guarantee recipient	Provider	Type of guarantees	Currency	Guaranteed amount
Hyundai Heavy Industries Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	Standard Chartered Bank and others	Performance	USD	373,189
Hyundai Oilbank Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.	Mizuho Corporate Bank	Payment	USD	30,000
				USD	403,189

(4) Compensation for key management of the Group for the six-month periods ended June 30, 2013 and 2012 is ₩11,039 million and ₩10,056 million, respectively. Key management is defined as directors and internal auditors who have important roles and responsibilities involving the planning, operation and control of the Group.

43. Share-based Payment

In accordance with 2009 and 2010 wage bargaining agreements, the Group contributed a portion of its investments in Hyundai Mipo Dockyard Co., Ltd. common stock into a trust securities account in order to support the employee stock ownership plan. The trust of securities as of the reporting date is as follows:

(In millions of won)

	Shares	Number of shares	Exercise price	Periods	Financial institution	Note
First	Common stock of Hyundai Mipo Dockyard Co., Ltd.	148,766	₩ 76,759	2009.11 ~ 2013.08	Korea Exchange Bank	Withdrawal is limited during the period.
Second		171,244	81,486	2010.11 ~ 2014.08		(Retiring employees are eligible to withdraw)

The above trust securities transaction is classified as a cash-settled share-based payment arrangements, which compensates employee service with cash or other assets based on the value of the Group's stocks and other equity instruments. It is applied to employees, who unconditionally become entitled to stock appreciation rights as soon as it is granted. Accordingly, the amount that is covered under the wage bargaining agreements is recognized as salary expense, and additional costs arising from stock appreciation right are recognized as compensation expenses associated with stock options.

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43. Share-based Payment, Continued

(In millions of won, except share data)

		First trust securities		Second trust securities		Total	
		Number of stocks	Accrued expenses	Number of stocks	Accrued expenses	Number of stocks	Accrued expenses
Beginning balance	₩	149,543	19,200	172,125	24,004	321,668	43,204
Issuance		-	-	-	-	-	-
Expiration of options due to exercising the rights and others		(777)	(96)	(881)	(117)	(1,658)	(213)
Compensation expenses associated with stock option(*)		-	(320)	-	(1,543)	-	(1,863)
Ending balance	₩	<u>148,766</u>	<u>18,784</u>	<u>171,244</u>	<u>22,344</u>	<u>320,010</u>	<u>41,128</u>

(*) Compensation expenses are adjusted by considering stock price volatility and other factors in based on the Black Scholes option pricing model. Significant assumptions used in the Black Scholes option pricing model are as follows:

(In won)

		Fair value of stocks	Exercise price	Expected volatility in stock price	Expected dividend	Expected exercise period	Risk free rate
First trust securities	₩	126,267	76,759	11,46%	-	0.12 years	2.89%
Second trust securities		130,485	81,486	35,57%	-	1.12 years	2.89%