

HYUNDAI HEAVY INDUSTRIES CO., LTD.

Condensed Separate 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 separate interim financial statements of Hyundai Heavy Industries Co., Ltd. (the "Company"), which comprise the condensed separate statement of financial position as of June 30, 2013, the condensed separate statements of comprehensive income for the three-month and six-month periods ended June 30, 2013 and 2012, the condensed separate 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 separate interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No.1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

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

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

Conclusion

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

Other matters

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

The separate statement of financial position of the Company as of December 31, 2012, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us and our report thereon, dated March 11, 2013, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company 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 separate financial statements.

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 separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

(In thousands of won)

	Note	2013	2012
Assets			
Cash and cash equivalents	35,36	₩ 895,426,429	522,916,854
Short-term financial assets	5,22,35,36	131,500,797	140,025,992
Trade and other receivables	7,27,35,36,39	3,714,017,185	3,415,103,505
Due from customers for contract work	7,27,35,36	4,701,285,700	3,571,761,440
Inventories	8	2,817,462,357	2,886,179,999
Derivative assets	22,35,36	42,462,625	352,707,880
Firm commitment assets	22	164,516,123	68,950,598
Other current assets	9	1,958,480,963	2,302,962,000
Total current assets		<u>14,425,152,179</u>	<u>13,260,608,268</u>
Investments in subsidiaries, associates and joint ventures	10,11,12	6,925,962,097	6,848,089,108
Long-term financial assets	5,6,13,35,36	1,132,473,165	1,113,004,649
Long-term trade and other receivables	7,27,35,36,39	362,549,674	317,859,592
Investment property	14	430,515,535	313,069,349
Property, plant and equipment	15	7,988,231,375	8,145,864,317
Intangible assets	16	386,918,515	373,753,496
Derivative assets	22,35,36	25,398,141	113,495,722
Firm commitment assets	22	144,021,776	1,682,828
Other non-current assets	37	155,329,945	150,454,388
Total non-current assets		<u>17,551,400,223</u>	<u>17,377,273,449</u>
Total assets		₩ <u>31,976,552,402</u>	<u>30,637,881,717</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.

Condensed Separate Interim Statements of Financial Position, Continued

As of June 30, 2013 and December 31, 2012

(Unaudited)

<i>(In thousands of won)</i>	<i>Note</i>	2013	2012
Liabilities			
Short-term financial liabilities	17, 19, 22, 35, 36, 37 ₩	3,651,124,497	4,282,108,440
Trade and other payables	18, 35, 36, 39	3,001,819,124	2,299,628,573
Advances from customers		790,210,952	908,391,816
Due to customers for contract work	27, 37	4,768,261,683	4,202,825,488
Derivative liabilities	22, 35, 36	223,143,239	43,042,776
Firm commitment liabilities	22	26,554,942	217,691,944
Income tax payable		198,638,156	335,701,418
Total current liabilities		<u>12,659,752,593</u>	<u>12,289,390,455</u>
Long-term financial liabilities	17, 19, 35, 36, 37	2,833,545,376	2,260,223,050
Long-term trade and other payables	18, 35, 36, 39	11,952,090	12,234,593
Liabilities for defined benefit plans	20	236,503,820	172,672,817
Long-term provisions	21	281,561,939	252,506,544
Derivative liabilities	22, 35, 36	154,451,398	20,668,394
Firm commitment liabilities	22	4,577,902	113,376,015
Deferred tax liabilities		252,355,940	326,874,346
Total non-current liabilities		<u>3,774,948,465</u>	<u>3,158,555,759</u>
Total liabilities		<u>16,434,701,058</u>	<u>15,447,946,214</u>
Stockholders' equity			
Common stock of ₩ 5,000 par value	23	380,000,000	380,000,000
Authorized - 160,000,000 shares			
Issued and outstanding - 76,000,000 shares			
in 2013 and 2012			
Capital surplus	23	1,044,516,633	1,044,516,633
Capital adjustments	24	(1,400,454,947)	(1,400,454,947)
Accumulated other comprehensive income	22, 25	530,035,983	498,603,452
Retained earnings	26	14,987,753,675	14,667,270,365
Total stockholders' equity		<u>15,541,851,344</u>	<u>15,189,935,503</u>
Total liabilities and stockholders' equity	₩	<u>31,976,552,402</u>	<u>30,637,881,717</u>

See accompanying notes to the condensed separate interim financial statements.

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

		2013		2012	
				(Restated)	
	Note	Three-month period	Six-month period	Three-month period	Six-month period
Sales	22,27,39	₩ 6,450,469,831	12,271,702,095	6,218,845,921	12,142,194,711
Cost of sales	8,16,22,29,39	5,673,104,756	10,959,187,918	5,502,159,820	10,664,207,908
Gross profit		777,365,075	1,312,514,177	716,686,101	1,477,986,803
Selling, general and administrative expenses	16,28,29,35	484,548,737	833,367,712	332,089,848	617,179,283
Operating income		292,816,338	479,146,465	384,596,253	860,807,520
Finance income	22,30,35	223,401,838	541,458,702	129,828,627	363,015,057
Finance costs	22,30,35	(507,680,753)	(1,017,255,686)	(274,765,413)	(387,116,155)
Other non-operating income	22,31	289,852,925	585,553,615	143,607,688	124,700,391
Other non-operating expenses	22,31	(55,674,874)	(75,594,835)	(26,460,677)	(159,971,905)
Profit before income taxes		242,715,474	513,308,261	356,806,478	801,434,908
Income tax expense	32	56,010,143	39,603,851	77,816,957	175,347,273
Profit for the period		₩ 186,705,331	473,704,410	278,989,521	626,087,635
Other comprehensive income	25,35				
Items that are or may be reclassified subsequently to profit or loss:					
Change in fair value of available-for-sale financial assets		20,175	15,090,089	(10,544,259)	102,286,401
Effective portion of changes in fair value of cash flow hedges		7,889,262	16,342,442	11,850,361	24,491,539
Total items that are or may be reclassified subsequently to profit or loss		7,909,437	31,432,531	1,306,102	126,777,940
Other comprehensive income for the period, net of income tax		7,909,437	31,432,531	1,306,102	126,777,940
Total comprehensive income for the period		₩ 194,614,768	505,136,941	280,295,623	752,865,575
Earnings per share	33				
Basic and diluted earnings per share (in won)		₩ 3,046	7,729	4,552	10,216

See accompanying notes to the condensed separate interim financial statements.

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

	Common stock	Capital surplus	Capital adjustments	Gain and loss on valuation of available-for- sale financial assets	Gain and loss on valuation of derivatives	Retained earnings	Total stockholders' equity
<i>(In thousands of won)</i>							
Balance at January 1, 2012	₩ 380,000,000	1,044,516,633	(1,400,454,947)	862,950,681	(10,303,920)	13,842,568,242	14,719,276,689
Total comprehensive income for the period							
Profit for the period (Restated)	-	-	-	-	-	626,087,635	626,087,635
Change in fair value of available-for-sale financial assets	-	-	-	102,286,401	-	-	102,286,401
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	24,491,539	-	24,491,539
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	-	(245,153,760)	(245,153,760)
Balance at June 30, 2012 (Restated)	<u>₩ 380,000,000</u>	<u>1,044,516,633</u>	<u>(1,400,454,947)</u>	<u>965,237,082</u>	<u>14,187,619</u>	<u>14,223,502,117</u>	<u>15,226,988,504</u>
Balance at January 1, 2013	₩ 380,000,000	1,044,516,633	(1,400,454,947)	520,048,369	(21,444,917)	14,667,270,365	15,189,935,503
Total comprehensive income for the period							
Profit for the period (Restated)	-	-	-	-	-	473,704,410	473,704,410
Change in fair value of available-for-sale financial assets	-	-	-	15,090,089	-	-	15,090,089
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	16,342,442	-	16,342,442
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	-	(153,221,100)	(153,221,100)
Balance at June 30, 2013	<u>₩ 380,000,000</u>	<u>1,044,516,633</u>	<u>(1,400,454,947)</u>	<u>535,138,458</u>	<u>(5,102,475)</u>	<u>14,987,753,675</u>	<u>15,541,851,344</u>

See accompanying notes to the condensed separate interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Condensed Separate Interim Statements of Cash Flows
For the six-month periods ended June 30, 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	₩	473,704,410	626,087,635
Adjustments		892,277,954	(652,740,172)
Cash generated (used) from operations	34	1,365,982,364	(26,652,537)
Interest received		28,766,442	57,645,898
Interest paid		(95,372,410)	(86,046,591)
Dividends received		37,415,697	57,966,430
Income taxes paid		(355,433,310)	(381,857,297)
Net cash provided by (used in) operating activities		<u>981,358,783</u>	<u>(378,944,097)</u>
Cash flows from investing activities			
Proceeds from sale of short-term financial assets		-	16,229,010
Proceeds from collection of other receivables		4,300,000	-
Proceeds from sale of investments in subsidiaries, associates and joint venture		3,095,053	51,665,836
Proceeds from sale of long-term financial assets		464,597	218,913
Proceeds from collection of long-term other receivables		2,555,978	989,722
Proceeds from sale of property, plant and equipment		14,856,522	5,624,694
Proceeds from sale of intangible assets		1,450,909	-
Acquisition of short-term financial assets		-	(35,500,000)
Acquisition of other receivables		(2,300,000)	-
Acquisition of investments in subsidiaries, associates and joint venture		(81,772,523)	(179,538,743)
Acquisition of long-term financial assets		(3,975,791)	(747,090)
Acquisition of long-term other receivables		(1,898,960)	(1,221,332)
Acquisition of property, plant and equipment		(205,584,826)	(271,536,011)
Acquisition of intangible assets		(43,236,803)	(38,479,148)
Acquisition of other non-current assets		(4,875,557)	(11,439,832)
Net cash used in investing activities		<u>(316,921,401)</u>	<u>(463,733,981)</u>
Cash flows from financing activities			
Proceeds from short-term financial liabilities		3,912,093,745	5,698,486,467
Proceeds from long-term financial liabilities		1,455,179,220	848,098,000
Repayment of short-term financial liabilities		(5,128,809,871)	(4,979,112,642)
Repayment of long-term financial liabilities		(380,000,000)	-
Dividends paid		(153,221,100)	(245,153,760)
Net cash provided by (used in) financing activities		<u>(294,758,006)</u>	<u>1,322,318,065</u>
Effects of exchange rate changes on cash and cash equivalents		2,830,199	(515,282)
Net increase in cash and cash equivalents		<u>372,509,575</u>	<u>479,124,705</u>
Cash and cash equivalents at 1 January		<u>522,916,854</u>	<u>608,305,745</u>
Cash and cash equivalents at 30 June	₩	<u>895,426,429</u>	<u>1,087,430,450</u>

See accompanying notes to the condensed separate interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Condensed Separate Interim Financial Statements
June 30, 2013
(Unaudited)

1. Reporting Entity

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

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. Basis of Preparation

(1) Statement of compliance

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

These condensed separate interim financial statements were prepared in accordance with K-IFRS No.1034, 'Interim Financial Reporting' as part of the period covered by the Company's K-IFRS annual separate financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as at and for the year ended December 31, 2012. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

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

(2) Use of estimates and judgments

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

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

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

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Condensed Separate Interim Financial Statements
June 30, 2013
(Unaudited)

3. Significant Accounting Policies

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

(1) Changes in accounting policies

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

The Company 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 Company applied the amendments to K-IFRS No.1001, 'Presentation of Financial Statements' since December 31, 2013. The Company'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.

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

The Company 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.

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

The Company 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.

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

The Company 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.
Notes to Condensed Separate Interim Financial Statements
June 30, 2013
(Unaudited)

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 Company has changed its accounting policy with respect to its interests in joint arrangements.

Under K-IFRS No.1111, the Company classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Company 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 Company 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 Company.

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

The amendments to K-IFRS No.1019 are applied retrospectively, and the Company 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	₩ 1,217	2,434	1,656	3,346
Selling, general and administrative expenses	237	474	415	796
	<u>₩ 1,454</u>	<u>2,908</u>	<u>2,071</u>	<u>4,142</u>

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

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. The Company 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	₩	379,680	845,475
Changes			
Reversal of provision for product warranty		1,756	3,252
Reversal of provision for construction warranty		1,089	3,609
Reversal of allowance for doubtful accounts		-	4,330
Operating income after adoption of the amendment		<u>382,525</u>	<u>856,666</u>
Impact of changes in accounting policy in employee benefits		2,071	4,142
Operating income	₩	<u>384,596</u>	<u>860,808</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Condensed Separate Interim Financial Statements
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(Unaudited)

(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 Company for annual periods beginning after January 1, 2013, and the Company 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 Company's risk management objectives and policies are consistent with those disclosed in the separate financial statements as at and for the year ended December 31, 2012.

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

(In millions of won, except ratio)

		2013	2012
Total liabilities	₩	16,434,701	15,447,946
Total equity		15,541,851	15,189,936
Cash and deposits(*1)		1,025,959	653,450
Borrowings(*2)		6,479,600	6,542,138
Liability to equity ratio		105.74%	101.70%
Net borrowing to equity ratio(*3)		35.09%	38.77%

(*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:

(In millions of won)

(In millions of won)		2013		2012	
		Current	Non-current	Current	Non-current
Financial instruments	₩	130,500	33	130,500	33
Financial assets at fair value through profit or loss		1,001	-	9,526	3,936
Available-for-sale financial assets		-	1,132,440	-	1,109,036
	₩	131,501	1,132,473	140,026	1,113,005

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Condensed Separate Interim Financial Statements
June 30, 2013
(Unaudited)

6. Restricted Financial Instruments

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

<i>(In millions of won)</i>	Description	Financial institutions	2013	2012	Restrictions
Long-term financial instruments	Deposits in won	Korea Exchange Bank and others ₩	33	33	Guarantee deposits for checking accounts

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:

<i>(In millions of won)</i>	2013		2012	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables	₩ 3,856,627	477,326	3,599,756	429,680
Allowance for doubtful accounts	(486,882)	(126,875)	(364,864)	(124,581)
	3,369,745	350,451	3,234,892	305,099
Other receivables:				
Other accounts receivable	532,150	-	310,382	-
Allowance for doubtful accounts	(201,185)	-	(145,575)	-
Accrued income	11,825	-	12,012	-
Loans	264	-	2,246	-
Guarantee deposits	1,218	12,099	1,147	12,761
	344,272	12,099	180,212	12,761
	₩ 3,714,017	362,550	3,415,104	317,860

(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	₩ 4,702,970	3,573,330
Allowance for doubtful accounts	(1,684)	(1,569)
	₩ 4,701,286	3,571,761

(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	₩ 636,589	322,036
Impairment loss recognized	250,464	322,224
Reversal of impairment loss	(5,789)	(7,082)
Write-offs	(64,638)	(589)
Ending balance	₩ 816,626	636,589

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8. 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	₩ 88,636	(5,981)	82,655	79,358	(6,253)	73,105
Finished goods	159,553	(18,144)	141,409	279,685	(40,406)	239,279
Work-in-progress	1,361,871	(82,031)	1,279,840	1,236,980	(74,156)	1,162,824
Raw materials	835,610	(6,447)	829,163	929,478	(7,576)	921,902
Supplies	22,021	-	22,021	19,225	-	19,225
Materials-in-transit	462,374	-	462,374	469,845	-	469,845
	<u>₩ 2,930,065</u>	<u>(112,603)</u>	<u>2,817,462</u>	<u>3,014,571</u>	<u>(128,391)</u>	<u>2,886,180</u>

The reversal of write-down of inventories to net realizable value amounting to ₩15,788 million and nil, and the write-downs amounting to nil and ₩878 million are included in cost of sales for the six-month periods ended June 30, 2013 and 2012, respectively.

9. Other Current Assets

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

(In millions of won)

	2013	2012
Advance payments	₩ 1,661,249	1,879,217
Prepaid expenses	297,232	310,851
Others	-	112,894
	<u>₩ 1,958,481</u>	<u>2,302,962</u>

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10. Investments in Subsidiaries

Investments in subsidiaries as of June 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Particulars	2013		2012	
			Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
Hyundai Samho Heavy Industries Co., Ltd.	Korea	Shipbuilding	94.92 ₩	1,817,690	94.92 ₩	1,817,690
Hyundai Oilbank Co., Ltd.	Korea	Manufacturing of petroleum products	91.13	2,954,745	91.13	2,954,745
Hyundai Heavy Material Service	Korea	Sale and manufacture of machinery equipment for shipbuilding	100.00	122,136	100.00	122,136
KOMAS Corporation	Korea	Shipping	100.00	131,635	100.00	131,635
Hyundai Energy & Resources Co., Ltd.	Korea	Services for crude oil and natural gas mining	40.00	20,000	40.00	20,000
Ulsan Hyundai Football Club Co., Ltd.	Korea	Football club	100.00	4,913	100.00	4,913
Hotel Hyundai Co., Ltd.	Korea	Hotel operation	100.00	2,807	100.00	2,807
Hyundai Finance Corporation	Korea	Granting of credit	67.49	90,726	67.49	90,726
LS Leading Solution Private Security Investment Trust 22 (Equity)	Korea	Other financial business	100.00	80,155	100.00	81,752
LS Leading Solution Private Security Investment Trust 35 (Equity)	Korea	Other financial business	100.00	15,759	100.00	16,073
Eastspring Private Global Asset allocation & Mining & Gold Fund of Funds Investment Trust A-1	Korea	Other financial business	100.00	12,709	100.00	12,709
HHI China Investment Co., Ltd.	China	Holding company	100.00	286,425	100.00	286,425
Hyundai Financial Leasing Co., Ltd.	China	Financial and operating leases	41.26	67,403	41.26	67,403
Hyundai (Shandong) Heavy Industries Machinery Co., Ltd.	China	Sale and manufacture of wheel loaders	100.00	67,229	100.00	50,186
Hyundai Vinashin Shipyard	Vietnam	Ship repair	10.00	20,149	10.00	20,149
Hyundai Construction Equipment India Pvt. Ltd.	India	Sale and manufacture of machinery equipment for construction	100.00	53,741	100.00	42,605
Hyundai Transformers And Engineering India PVT, Ltd.	India	Sale and manufacture of transformers	100.00	227	100.00	227
Hyundai Construction Equipment Americas, Inc.	America	Sale of machinery equipment for construction	100.00	-	100.00	-
Hyundai Power Transformers USA, INC.	America	Sale and manufacture of industrial electric equipment	100.00	90,856	100.00	62,609
Hyundai Ideal Electric Co.	America	Sale and manufacture of industrial electric equipment	100.00	25,494	100.00	25,494
PHECO Inc.	America	Design services for offshore facilities	100.00	237	100.00	237
HHI Battery CO., Ltd.	Canada	Manufacturing	100.00	19,644	100.00	16,813
Hyundai Heavy Industries Brasil - Real Estate Developments	Brazil	Real estate development	100.00	31,355	100.00	31,355
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Brazil	Manufacture, trade and repair of heavy equipment	100.00	69,204	100.00	69,204
Hyundai Heavy Industries Miraflores Power Plant Inc.	Panama	Manufacturing	100.00	-	100.00	-
Vladivostok Business Center	Russia	Hotel operation	100.00	-	100.00	-
Hyundai Khorol Agro Ltd.	Russia	Agriculture	95.24	16,105	94.26	13,848
Hyundai Mikhailovka Agro	Russia	Agriculture	100.00	17,255	100.00	8,216
Hyundai Electrosystems Co., Ltd.	Russia	Manufacture of high-voltage circuit breakers	100.00	44,403	100.00	44,403
Hyundai Heavy Industries Europe N.V..	Belgium	Sale of machinery equipment for construction	100.00	10,322	100.00	10,322

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10. Investments in Subsidiaries, Continued

(In millions of won, except percentage of ownership)

Company	Location	Particulars	2013		2012	
			Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
Hyundai Heavy Industries Co. Bulgaria	Bulgaria	Sale and manufacture of transformers	99.09	46,768	99.09	46,768
Hyundai Technologies Center Hungary Kft.	Hungary	Research and development of technology	100.00	26	100.00	26
Hyundai Heavy Industries France SAS	France	Manufacturing	100.00	52	100.00	52
Jahnel-Kestermann Getriebewerke GmbH	Germany	Designing and manufacture of gearboxes	100.00	18,719	100.00	18,719
HHI MAURITIUS LIMITED	Mauritius	Manufacturing	100.00	-	100.00	-
Hyundai West Africa Limited	Nigeria	Manufacture of other transport equipment	100.00	70	100.00	70
Hyundai Arabia Company LLC.	Saudi Arabia	Industrial plant construction	70.00	2,032	70.00	2,032
				<u>₩ 6,140,991</u>		<u>₩ 6,072,349</u>

Dividends received from investments in subsidiaries are ₩19,195 million and ₩40,891 million for the six-month periods ended June 30, 2013 and 2012, respectively.

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11. Investments in Associates

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	Particulars	2013		2012	
			Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
New Korea Country Club	Korea	Country club	40.00	₩ 31,545	40.00	₩ 31,545
Hyundai Merchant Marine Co., Ltd.	Korea	Shipping	15.18	360,634	15.18	360,634
Taebaek Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	35.00	5,299	35.00	5,299
Muju Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	45.00	5,130	45.00	5,130
Pyeongchang Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	35.00	893	35.00	893
Jinan Jangsu Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	32.00	128	32.00	128
Changjuk Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	43.00	5,448	43.00	5,448
Hyundai Corporation	Korea	Exporting	22.36	105,134	22.36	105,134
Daesung Win-Win Fund	Korea	Investment service in culture contents field	16.67	7,000	16.67	7,000
Qinhuangdao Shouqin Metal Materials Co., Ltd.	China	Thick plate-oriented comprehensive iron manufacturing	20.00	80,555	20.00	80,555
PT. Hyundai Machinery Indonesia	Indonesia	Import and wholesale of machinery equipment for construction	20.83	155	20.83	155
Hyundai Primorye Ltd.	Russia	Farmland leasing service	49.99	6,338	49.99	6,338
Hyundai Green Industries Co., W.L.L.	Kuwait	Education	49.00	992	49.00	992
				<u>₩ 609,251</u>		<u>₩ 609,251</u>

Dividends received from investments in associates are ₩2,696 million and ₩2,596 million for the six-month periods ended June 30, 2013 and 2012, respectively.

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12. Investments in Joint Ventures

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	Particulars	2013		2012	
			Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
Wärtsilä-Hyundai Engine Company Ltd.	Korea	Manufacture, assemble and test of marine engines and parts	50.00	₩ 40,496	50.00	₩ 40,496
Hyundai Cummins Engine Company	Korea	Manufacture of engines	50.00	24,179	50.00	12,959
KAM Corporation	Korea	Sale and manufacture of polysilicon	-	-	49.00	1,989
Hyundai-Avancis Co., Ltd.	Korea	Sale and manufacture of solar module	50.00	110,000	50.00	110,000
Grand China Hyundai Shipping Co., Ltd.	Hong Kong	Acquiring, renting, leasing and chartering of bulk carrier	50.00	1,045	50.00	1,045
				<u>₩ 175,720</u>		<u>₩ 166,489</u>

The change in investments in joint ventures for the six-month period ended June 30, 2013 is due to the additional acquisition and impairment loss. Dividend received from investments in joint ventures is ₩6,611 for the six-month period ended June 30, 2013.

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
Listed equity securities	₩ 1,020,836	1,000,888
Unlisted equity securities	105,261	101,765
Beneficiary certificates	1,150	1,190
Investments in capital	5,193	5,193
	<u>₩ 1,132,440</u>	<u>1,109,036</u>

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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	₩	205,894	107,175	313,069
Acquisition and other		23,223	97,272	120,495
Disposals		-	-	-
Ending balance		-	(3,048)	(3,048)
Acquisition cost	₩	<u>229,117</u>	<u>201,399</u>	<u>430,516</u>
Accumulated depreciation		<u>229,117</u>	<u>240,110</u>	<u>469,227</u>
		-	(38,711)	(38,711)

(In millions of won)

		2012		
		Land	Buildings	Total
Beginning balance	₩	200,976	113,976	314,952
Acquisition and other		4,918	(3,142)	1,776
Disposals		-	-	-
Depreciation		-	(3,659)	(3,659)
Ending balance	₩	<u>205,894</u>	<u>107,175</u>	<u>313,069</u>
Acquisition cost		205,894	142,654	348,548
Accumulated depreciation		-	(35,479)	(35,479)

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)

(In millions of won)		2013						
		Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Beginning balance	₩	2,872,150	2,018,885	1,228,559	1,413,223	192,845	420,202	8,145,864
Acquisitions and other		(50)	(51,071)	31,055	61,520	(46,659)	90,296	85,091
Disposals		(8,330)	(5,189)	-	(766)	(51)	(253)	(14,589)
Depreciation		-	(32,367)	(19,448)	(101,891)	-	(74,429)	(228,135)
Ending balance	₩	<u>2,863,770</u>	<u>1,930,258</u>	<u>1,240,166</u>	<u>1,372,086</u>	<u>146,135</u>	<u>435,816</u>	<u>7,988,231</u>
Acquisition cost		2,863,770	2,552,731	1,579,966	3,713,118	146,135	1,837,408	12,693,128
Accumulated depreciation		-	(622,473)	(339,800)	(2,257,997)	-	(1,400,379)	(4,620,649)
Accumulated impairment		-	-	-	(83,035)	-	(1,213)	(84,248)

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15. Property, Plant and Equipment, Continued

(In millions of won)

(In millions of won)		2012						
		Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Beginning balance	₩	2,857,135	1,878,608	1,213,933	1,541,073	248,209	398,127	8,137,085
Acquisitions and other		20,613	209,955	53,065	175,927	(55,364)	166,705	570,901
Disposals		(5,598)	(6,585)	(776)	(1,402)	-	(878)	(15,239)
Depreciation		-	(63,093)	(37,663)	(219,340)	-	(142,539)	(462,635)
Impairment		-	-	-	(83,035)	-	(1,213)	(84,248)
Ending balance	₩	2,872,150	2,018,885	1,228,559	1,413,223	192,845	420,202	8,145,864
Acquisition cost		2,872,150	2,609,772	1,548,872	3,665,021	192,845	1,752,739	12,641,399
Accumulated depreciation		-	(590,887)	(320,313)	(2,168,763)	-	(1,331,324)	(4,411,287)
Accumulated impairment		-	-	-	(83,035)	-	(1,213)	(84,248)

- (2) Construction-in-progress is related to development of construction of Ihwa Industrial Park, new construction of field work 2nd building and others as of June 30, 2013.

16. Intangible Assets

- (1) Changes in development costs 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	₩	312,356	311,526
Acquisition and other		40,281	56,434
Amortization		(27,445)	(54,545)
Impairment		-	(1,059)
Ending balance	₩	<u>325,192</u>	<u>312,356</u>
Acquisition cost		760,225	719,943
Accumulated amortization		(433,974)	(406,528)
Accumulated impairment		(1,059)	(1,059)

- (2) Other intangible assets include usable and profitable donation assets to Maritime Affairs and Port Office and intangible assets with indefinite useful lives. Changes in other intangible assets for the six-month period ended June 30, 2013 and the year ended December 31, 2012 are as follows:

(In millions of won)

		2013	2012
Beginning balance	₩	61,397	58,829
Acquisition and other		2,956	5,454
Amortization		(1,516)	(666)
Impairment		(1,110)	(2,220)
Ending balance(*)	₩	<u>61,727</u>	<u>61,397</u>
Acquisition cost		94,654	93,214
Accumulated amortization		(32,927)	(31,817)

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16. Intangible Assets, Continued

(*) The carrying amount of intangible assets with indefinite useful lives is ~~₩~~47,424 million and ~~₩~~45,984 million as of June 30, 2013 and December 31, 2012, respectively.

(3) Research costs amounting to ~~₩~~10,920 million and ~~₩~~2,808 million, and ordinary development costs amounting to ~~₩~~67,393 million and ~~₩~~67,886 million are included in selling, general and administrative expenses for the six-month periods ended June 30, 2013 and 2012, respectively. Amortized development costs of ~~₩~~27,445 million and ~~₩~~26,351 million are included in the manufacturing cost for the six-month periods ended June 30, 2013 and 2012, respectively.

17. 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	₩ 3,646,055	1,294,380	4,281,915	1,063,610
Financial liabilities at fair value through profit or loss	5,069	-	193	-
Debentures	-	1,544,910	-	1,200,000
Discount on debentures	-	(5,745)	-	(3,387)
	<u>₩ 3,651,124</u>	<u>2,833,545</u>	<u>4,282,108</u>	<u>2,260,223</u>

18. 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	₩ 1,964,876	-	1,641,258	-
Other accounts payable	399,733	-	324,315	-
Accrued expenses	637,210	-	334,056	-
Deposits received	-	11,952	-	12,235
	<u>₩ 3,001,819</u>	<u>11,952</u>	<u>2,299,629</u>	<u>12,235</u>

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19. 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	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	₩	-	100,000
Commercial paper	SK Securities Co., Ltd. and others	2.77~2.94		900,000	1,800,000
Invoice loan	Deutsche Bank and others	0.58~1.06		652,455	852,270
Usance L/C	Shinhan Bank and others	0.50~3.00		771,850	639,990
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	830,000
			₩	<u>3,076,618</u>	<u>4,225,858</u>

(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	3.00~3.60	₩	200,000	-
Commercial paper	SK Securities Co., Ltd. and others	3.04~3.76		750,000	750,000
General loan in foreign currency	Hana Bank and others	2.03~2.23		279,377	46,057
Business loans(*)	Korea National Oil Corporation and others	0.75~3.75		14,440	13,610
Pre-shipment credit	Export-Import Bank of Korea and others	3.30~3.75		620,000	310,000
Current portion				(569,437)	(56,057)
			₩	<u>1,294,380</u>	<u>1,063,610</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 Company's oil development business.

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19. 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 st debenture	2015.02.17	3.96	₩	500,000	500,000
114 st -1 debenture	2015.07.24	3.23		300,000	300,000
114 st -2 debenture	2017.07.24	3.35		400,000	400,000
Foreign currency bond	2016.06.10	1.17		344,910	-
			₩	1,544,910	1,200,000
Discount on debentures				(5,745)	(3,387)
			₩	<u>1,539,165</u>	<u>1,196,613</u>

(4) Aggregate maturities of the Company'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	₩	3,646,055	-	3,646,055
2014.07.01 ~ 2018.06.30		1,279,940	1,544,910	2,824,850
2018.07.01 and thereafter		14,440	-	14,440
	₩	<u>4,940,435</u>	<u>1,544,910</u>	<u>6,485,345</u>

(In millions of won)

Periods		2012		
		Borrowings	Debentures	Total
2013.01.01 ~ 2013.12.31	₩	4,281,915	-	4,281,915
2014.01.01 ~ 2017.12.31		1,050,000	1,200,000	2,250,000
2018.01.01 and thereafter		13,610	-	13,610
	₩	<u>5,345,525</u>	<u>1,200,000</u>	<u>6,545,525</u>

20. 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	₩	1,070,015	1,000,373
Fair value of plan assets		(833,511)	(827,700)
	₩	<u>236,504</u>	<u>172,673</u>

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20. Employee Benefits, Continued

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

<i>(In millions of won)</i>		2013	2012
Retirement pension	₩	820,844	814,931
Deposit for severance benefit insurance		-	3
Transfer to National Pension Fund		12,667	12,766
	₩	<u>833,511</u>	<u>827,700</u>

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

<i>(In millions of won)</i>		2013		2012	
		Three-month period	Six-month period	Three-month period	Six-month period
Current service costs	₩	32,741	65,482	31,098	62,196
Interest on obligations		8,040	16,080	8,866	17,731
Expected return on plan assets		(7,060)	(14,119)	(8,328)	(16,655)
	₩	<u>33,721</u>	<u>67,443</u>	<u>31,636</u>	<u>63,272</u>

(4) Changes in the present value of the defined benefit obligations for 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	₩	1,000,373	836,804
Current service costs		65,482	124,391
Interest on obligations		16,080	35,463
Benefits paid		(12,550)	(50,027)
Transfers from related parties		630	40
Actuarial losses in other comprehensive income		-	53,702
Ending balance	₩	<u>1,070,015</u>	<u>1,000,373</u>

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

<i>(In millions of won)</i>		2013	2012
Beginning balance	₩	827,700	746,062
Benefits paid		(8,308)	(46,004)
Contributions paid into the plan		-	95,400
Expected return on plan assets		14,119	25,026
Actuarial gains in other comprehensive income		-	7,216
Ending balance	₩	<u>833,511</u>	<u>827,700</u>

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21. 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	Total
Beginning balance	₩	188,450	64,057	252,507
Additions		13,408	52,378	65,786
Reversals		(799)	(47)	(846)
Utilization		(9,525)	(26,360)	(35,885)
Ending balance	₩	191,534	90,028	281,562

(In millions of won)

		2012		
		Provision for construction warranty	Provision for product warranty	Total
Beginning balance	₩	56,860	73,025	129,885
Additions		150,582	60,977	211,559
Reversals		(7,189)	(2,390)	(9,579)
Utilization		(11,803)	(67,555)	(79,358)
Ending balance	₩	188,450	64,057	252,507

22. Derivative Financial Instruments

The Company has entered into derivative instrument contracts related to foreign currency forward with 27 banks, including Korea Exchange Bank, to hedge the changes in foreign exchange rates. Derivatives are measured at fair value by using forward exchange rate presented by the contract counterparty.

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

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

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22. 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:

(i) Terms of derivative contracts

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

Description	Currency		Contract amount	Number of contracts	Weighted average exchange rate	Average maturities
	Sell	Buy				
Cash flow hedge	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
Fair value hedge	EUR	KRW	15,776	1,689	1,448.35	2014-03-28
	USD	KRW	10,982,686		1,131.62	2014-08-08
For trading	USD	KRW	133,248	14	1,125.72	2013-12-02
	EUR	KRW	46,004		1,457.84	2014-02-03
	USD	KRW	12,369,942		1,130.72	2014-07-09
	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

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

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

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22. 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	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 hedge	₩ 3,138	(12,477)	439	-	-	-	(6,731)	-	-	48,877	58,302	-	-
Fair value hedge	(9,985)	-	9,417	653,351	551,481	3,684	-	308,538	31,133	18,984	319,292	-	-
For trading	-	-	1,353	10,614	-	-	-	-	-	-	-	1,001	5,069
	₩ (6,847)	(12,477)	11,209	663,965	551,481	3,684	(6,731)	308,538	31,133	67,861	377,594	1,001	5,069

As of June 30, 2013, the Company applies cash flow hedge accounting, out of which the Company accounted for the effective portion of the hedge amounting to ₩(-)5,102 million, net of tax of ₩1,629 million, as gain on valuation of derivatives in accumulated other comprehensive income.

The expected period of exposure to cash flow risk, where cash flow hedge accounting is applied, is approximately within 46 months, and the amount among gain (loss) on valuation of derivatives that is expected to be realized as addition to transaction gain or deduction from transaction loss within 12 months from June 30, 2013 is ₩(-)15,234 million.

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23. Capital and Capital Surplus

- (1) The Company is authorized to issue 160,000,000 shares of capital stock (par value ₩5,000), and as of June 30, 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 is composed of paid-in capital in excess of par value and other capital surplus.

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

24. Treasury Stock

Treasury stock 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

25. 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	₩	535,138	520,048
Effective portion of changes in fair value of cash flow hedges		(5,102)	(21,445)
	₩	530,036	498,603

- (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					
		Before tax amount		Tax effect		After tax amount	
		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	₩	27	19,908	(7)	(4,818)	20	15,090
Effective portion of changes in fair value of cash flow hedges		10,408	21,560	(2,519)	(5,218)	7,889	16,342
	₩	10,435	41,468	(2,526)	(10,036)	7,909	31,432

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25. Accumulated Other Comprehensive Income, Continued

(In millions of won)

	2012					
	Before tax amount		Tax effect		After tax amount	
	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	₩ (13,911)	134,942	3,367	(32,656)	(10,544)	102,286
Effective portion of changes in fair value of cash flow hedges	15,634	32,311	(3,784)	(7,819)	11,850	24,492
	₩ 1,723	167,253	(417)	(40,475)	1,306	126,778

26. 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
	2,020,414	2,020,414
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
	12,493,636	11,577,000
Unappropriated retained earnings	473,704	1,069,856
	₩ 14,987,754	14,667,270

27. 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 period	Six-month period	Three-month period	Six-month period
Construction contracts	₩ 4,219,027	7,954,441	3,899,891	7,398,022
Goods sold	2,180,116	4,194,311	2,275,144	4,645,831
Services	51,327	122,950	43,811	98,342
	₩ 6,450,470	12,271,702	6,218,846	12,142,195

The foreign sales accounting to ₩11,023,171 million, and domestic sales accounting to ₩1,248,531 million for the six-month periods ended June 30, 2013.

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27. 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(*)	₩	16,222,221	18,812,445	35,034,666
Increase during the period		5,480,754	10,839,281	16,320,035
Recognized as revenue		(5,204,258)	(7,067,444)	(12,271,702)
Ending balance	₩	<u>16,498,717</u>	<u>22,584,282</u>	<u>39,082,999</u>

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

As of June 30, 2013, the Company has provided a certain amount of financial institution guarantee deposits or letters of guarantees 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	₩	7,382,714	7,083,884	298,830	277,991	3,343,127	2,738,628
Others		<u>20,588,976</u>	<u>18,245,252</u>	<u>2,343,724</u>	<u>431,048</u>	<u>1,358,159</u>	<u>2,029,634</u>
	₩	<u>27,971,690</u>	<u>25,329,136</u>	<u>2,642,554</u>	<u>709,039</u>	<u>4,701,286</u>	<u>4,768,262</u>

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28. 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	₩ 76,791	156,646	77,156	159,179
Post-employment benefit costs	4,981	10,134	4,523	9,221
Employee welfare	18,979	40,176	19,368	43,047
Depreciation	9,131	18,455	9,085	18,029
Bad debt expenses	180,648	244,675	34,235	34,021
Ordinary development costs	37,426	67,393	34,254	67,886
Advertising	10,892	21,018	22,447	38,501
Printing	386	962	415	946
Compensation	68	110	227	274
Warranty expenses	33,807	63,924	13,829	24,281
Insurance	590	1,212	1,156	1,701
Supplies	1,105	2,403	2,048	3,319
Utilities	373	685	480	918
Repairs	140	219	250	440
Travel	5,374	9,054	6,421	11,673
Research	5,849	10,920	1,456	2,808
Training	2,026	3,292	2,796	4,842
Transportation	39,705	76,336	47,501	87,988
Rent	3,446	6,452	2,875	5,887
Data processing	4,224	6,693	4,966	6,520
Entertainment	538	1,047	594	1,189
Taxes and dues	356	647	390	864
Service charges	18,887	38,286	17,057	36,538
Automobile maintenance	1,747	3,553	1,857	3,857
Communications	1,832	3,504	1,568	3,186
Sales commissions	17,102	29,858	15,595	31,839
Others	8,146	15,714	9,541	18,225
	<u>₩ 484,549</u>	<u>833,368</u>	<u>332,090</u>	<u>617,179</u>

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29. 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	₩ (34,583)	68,718	(200,852)	(360,648)
Purchase of inventories	4,053,636	7,731,039	4,126,133	7,905,697
Depreciation	115,345	231,183	114,549	229,675
Amortization	14,405	28,555	14,074	28,233
Labor cost	512,539	1,034,605	527,573	1,047,468
Other expenses	1,496,311	2,698,456	1,252,773	2,430,962
	<u>₩ 6,157,653</u>	<u>11,792,556</u>	<u>5,834,250</u>	<u>11,281,387</u>

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

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30. 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	₩ 15,214	28,453	24,209	48,517
Gain on valuation of financial instruments at fair value through profit or loss	58	58	-	484
Gain on disposal of financial instruments at fair value through profit or loss	336	1,295	224	4,464
Dividend income	239	37,416	489	57,966
Gain on foreign currency translation	76,527	248,571	11,038	25,589
Gain on foreign currency transactions	128,512	215,810	63,060	129,005
Gain on derivatives transactions	-	702	-	18,524
Gain on valuation of derivatives	2,516	9,154	30,809	78,466
	₩ <u>223,402</u>	<u>541,459</u>	<u>129,829</u>	<u>363,015</u>
Finance costs:				
Interest expense	₩ 29,190	57,451	46,731	91,826
Loss on valuation of financial instruments at fair value through profit or loss	4,323	8,813	3,002	874
Loss on disposal of financial instruments at fair value through profit or loss	699	1,801	1,328	4,025
Loss on disposal of available- for-sale financial assets	6	13	4	20
Impairment loss on available- for-sale financial assets	5	278	1,004	1,491
Loss on foreign currency translation	64,375	127,845	-	39,995
Loss on foreign currency transactions	102,420	167,704	70,329	159,690
Loss on derivatives transactions	232,942	538,060	132,933	65,650
Loss on valuation of derivatives	73,721	115,291	19,434	23,545
	₩ <u>507,681</u>	<u>1,017,256</u>	<u>274,765</u>	<u>387,116</u>

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31. 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, 2012 and 2011 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 Subsidiaries, Associates and Joint venture	₩ 1,185	1,185	-	-
Gain on disposal of property, plant and equipment	826	1,066	602	794
Gain on disposal of intangible assets	-	118	-	-
Gain on valuation of firm commitments	268,279	551,481	115,128	77,610
Miscellaneous income	19,563	31,704	27,878	46,296
	<u>₩ 289,853</u>	<u>585,554</u>	<u>143,608</u>	<u>124,700</u>
Other non-operating expenses:				
Service charges	₩ 4,070	6,971	1,859	3,522
Subsidiaries, Associates and Joint venture loss on impairment	-	1,989	-	-
Loss on disposal of property, plant and equipment	541	798	6,927	7,113
Loss on disposition of Intangible assets	-	183	-	-
Loss on valuation of firm commitments	1,156	3,684	-	64,707
Donation	5,030	9,922	9,341	68,598
Miscellaneous expenses	44,878	52,048	8,334	16,032
	<u>₩ 55,675</u>	<u>75,595</u>	<u>26,461</u>	<u>159,972</u>

32. Income Tax Expense

The components 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	₩ 199,990	224,501
Adjustment for prior periods	(75,832)	(9,606)
Origination and reversal of temporary differences	(74,518)	927
Income tax recognized in other comprehensive income	(10,036)	(40,475)
Total income tax expense	<u>₩ 39,604</u>	<u>175,347</u>
Effective tax rate	<u>7.72%</u>	<u>21.88%</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.

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33. 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 for the period <i>(In millions of won)</i>	₩	186,705	473,704	278,990	626,088
Weighted average number of ordinary shares outstanding <i>(In thousands of shares)</i>		61,288	61,288	61,288	61,288
Earnings per share <i>(In won)</i>	₩	<u>3,046</u>	<u>7,729</u>	<u>4,552</u>	<u>10,216</u>

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

<i>(In a share)</i>	Number of shares outstanding	Weighted average	Weighted average number of shares outstanding
Beginning balance	61,288,440	Six-month: 181/181 Three-month: 91/91	61,288,440

- (3) Since there are no potentially dilutive 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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34. Cash Generated (Used) from Operations

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

<i>(In millions of won)</i>		2013	2012
Profit for the period	₩	473,704	626,088
Adjustments for:			
Post-employment benefit costs		67,443	63,272
Depreciation		231,183	229,675
Amortization		28,555	28,233
Bad debt expenses		244,675	38,351
Finance income		(315,200)	(151,081)
Finance costs		771,586	199,856
Other non-operating income		(553,850)	(84,226)
Other non-operating expenses		7,030	72,653
Income taxes		39,604	175,347
Changes in assets and liabilities:			
Trade receivables		(9,868)	(474,903)
Other receivables		(207,873)	(36,264)
Due from customers for contract work		(1,129,639)	437,619
Inventories		68,718	(360,648)
Derivatives		205,011	(72,052)
Firm commitments		9,958	106,016
Other current assets		363,550	(275,520)
Long-term trade receivables		(64,636)	114,940
Trade payables		302,712	298,795
Other payables		360,921	182,922
Advances from customers		(118,181)	29,720
Due to customers for contract work		565,436	(1,152,135)
Long-term other payables		(300)	(2,508)
Benefits paid		(12,550)	(12,352)
Succession of Benefits		630	40
Plan assets		8,308	7,192
Long-term provisions		29,055	(15,682)
		<u>1,365,982</u>	<u>(26,652)</u>

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35. 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	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative liabilities
Cash and cash equivalents	₩	895,426	-	-	-	-	-	-	-
Short-term financial assets		-	1,001	-	130,500	-	-	-	-
Trade and other receivables		-	-	-	3,714,017	-	-	-	-
Due from customers for contract work		-	-	-	4,701,286	-	-	-	-
Derivative assets (current)		-	-	-	-	42,463	-	-	-
Long-term financial assets		-	-	1,132,440	33	-	-	-	-
Long-term trade and other receivables		-	-	-	362,550	-	-	-	-
Derivative assets (non-current)		-	-	-	-	25,398	-	-	-
Short-term financial liabilities		-	-	-	-	-	5,069	3,646,055	-
Trade and other payables		-	-	-	-	-	-	3,001,819	-
Derivative liabilities (current)		-	-	-	-	-	-	-	223,143
Long-term financial liabilities		-	-	-	-	-	-	2,833,545	-
Long-term trade and other liabilities		-	-	-	-	-	-	11,952	-
Derivative liabilities (non-current)		-	-	-	-	-	-	-	154,451
	₩	895,426	1,001	1,132,440	8,908,386	67,861	5,069	9,493,371	377,594

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

(In millions of won)

(In millions of won)		2012							
		Cash and cash equivalents	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative liabilities
Cash and cash equivalents	₩	522,917	-	-	-	-	-	-	-
Short-term financial assets		-	9,526	-	130,500	-	-	-	-
Trade and other receivables		-	-	-	3,415,104	-	-	-	-
Due from customers for contract work		-	-	-	3,571,761	-	-	-	-
Derivative assets (current)		-	-	-	-	352,708	-	-	-
Long-term financial assets		-	3,936	1,109,036	33	-	-	-	-
Long-term trade and other receivables		-	-	-	317,860	-	-	-	-
Derivative assets (non-current)		-	-	-	-	113,496	-	-	-
Short-term financial liabilities		-	-	-	-	-	193	4,281,915	-
Trade and other payables		-	-	-	-	-	-	2,299,629	-
Derivative liabilities (current)		-	-	-	-	-	-	-	43,043
Long-term financial liabilities		-	-	-	-	-	-	2,260,223	-
Long-term trade and other liabilities		-	-	-	-	-	-	12,235	-
Derivative liabilities (non-current)		-	-	-	-	-	-	-	20,668
	₩	522,917	13,462	1,109,036	7,435,258	466,204	193	8,854,002	63,711

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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35. 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:

(In millions of won)

		2013							
		Net income		Other comprehensive income		Interest income and interest expense(*)		Impairment loss	
		Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period
Cash and cash equivalents	₩	12,867	29,106	-	-	4,457	8,380	-	-
Financial assets at fair value									
through profit or loss		(715)	(2,757)	-	-	-	-	-	-
Available-for-sale financial assets		32	8,623	20	15,090	-	-	(5)	(278)
Loans and receivables		(34,647)	106,568	-	-	10,757	20,073	(180,648)	(244,675)
Financial liabilities at fair value									
through profit or loss		(3,914)	(6,504)	-	-	-	-	-	-
Financial liabilities measured at									
amortized cost		(152,870)	(278,247)	-	-	(47,251)	(96,577)	-	-
Derivatives		(303,938)	(644,889)	7,889	16,342	-	-	-	-

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

(In millions of won)

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

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

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36. Risk of Financial Instruments

(1) Currency risk

The Company'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	₩	342,337	491	-	322	41,615	384,765
Loans and receivables		7,597,826	231,089	89,472	28,699	453,508	8,400,594
Trade and other payables		(1,068,040)	(89,981)	(1,446)	(4,526)	(121,592)	(1,285,585)
Borrowings		(1,847,283)	(184,712)	-	(33,898)	(7,149)	(2,073,042)
Gross statement of financial position exposure		5,024,840	(43,113)	88,026	(9,403)	366,382	5,426,732
Forward exchange contracts		(298,158)	(3,791)	-	(10,396)	(1,456)	(313,801)
Net exposure	₩	4,726,682	(46,904)	88,026	(19,799)	364,926	5,112,931

(In millions of won)

(In millions of won)		2012					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	144,354	365	-	254	10,735	155,708
Loans and receivables		5,943,659	171,571	39,507	14,950	351,639	6,521,326
Trade and other payables		(743,687)	(122,049)	(239)	(6,666)	(64,908)	(937,549)
Borrowings		(1,331,024)	(161,976)	-	(38,294)	(21,928)	(1,553,222)
Gross statement of financial position exposure		4,013,302	(112,089)	39,268	(29,756)	275,538	4,186,263
Forward exchange contracts		416,510	(889)	-	-	141	415,762
Net exposure	₩	4,429,812	(112,978)	39,268	(29,756)	275,679	4,602,025

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36. 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 values	Carrying amounts	Fair values
Assets carried at fair value:				
Financial assets at fair value through profit or loss	₩ 1,001	1,001	13,462	13,462
Available-for-sale financial assets(*)	1,132,440	1,132,440	1,109,036	1,109,036
Derivative assets	67,861	67,861	466,204	466,204
	<u>₩ 1,201,302</u>	<u>1,201,302</u>	<u>1,588,702</u>	<u>1,588,702</u>
Cash and cash equivalents	₩ 895,426	895,426	522,917	522,917
Assets carried at amortized cost:				
Loans and receivables	₩ 8,908,386	8,908,386	7,435,258	7,435,258
Liabilities carried at fair value:				
Financial liabilities at fair value through profit or loss	₩ 5,069	5,069	193	193
Derivative liabilities	377,594	377,594	63,711	63,711
	<u>₩ 382,663</u>	<u>382,663</u>	<u>63,904</u>	<u>63,904</u>
Liabilities carried at amortized cost:				
Unsecured bank loans	₩ 4,940,435	4,940,435	5,345,525	5,345,525
Unsecured bond issues	1,197,198	1,197,198	1,196,613	1,196,613
secured bond issues	341,967	341,967	-	-
Trade and other payables	3,013,771	3,013,771	2,311,864	2,311,864
	<u>₩ 9,493,371</u>	<u>9,493,371</u>	<u>8,854,002</u>	<u>8,854,002</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 ₩96,945 million and ₩93,450 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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36. 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:				
Financial assets at fair value through profit or loss	₩ -	1,001	-	1,001
Available-for-sale financial assets	1,020,836	-	14,659	1,035,495
Derivative assets	-	67,861	-	67,861
Financial liabilities at fair value through profit or loss	-	5,069	-	5,069
Derivative liabilities	-	377,594	-	377,594
2012:				
Financial assets at fair value through profit or loss	-	13,462	-	13,462
Available-for-sale financial assets	1,000,888	-	14,698	1,015,586
Derivative assets	-	466,204	-	466,204
Financial liabilities at fair value through profit or loss	-	193	-	193
Derivative liabilities	-	63,711	-	63,711

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

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.

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36. Risk of Financial Instruments, Continued

(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
Carrying amount of assets	₩	12,313
Carrying amount of associated liabilities		12,313
For those liabilities that have recourse only to the transferred assets:		
Fair value of assets		12,313
Fair value of associated liabilities		12,313
Net position	₩	-

37. Commitments and Contingencies

- (1) As of June 30, 2013, the Company has entered into bank overdraft agreements with eight banks amounting to ₩238,000 million and general loan agreements with seven banks amounting to ₩540,000 million and USD 243,000 thousand.
- (2) As of June 30, 2013, the Company has entered into credit facilities agreements such as letters of credit with various banks for the Company's exports and imports totaling USD 4,428,236 thousand.
- (3) As of June 30, 2013, the Company has entered into credit facilities agreements such as pre-shipment credit with various banks totaling ₩4,212,304 million and USD 18,883 thousand.
- (4) In order to secure bank loans and construction contract performance guarantees, the Company has provided seven blank notes and two checks as of June 30, 2013.
- (5) As of June 30, 2013, the Company is contingently liable for loan guarantees of its foreign subsidiaries amounting to USD 1,203,280 thousand. The Company 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 Company's subsidiaries. The Company 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 Company's subsidiaries. The Company 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 Company has provided performance guarantees for the mining business in relation to overseas resource developments amounting to USD 61,925 thousand and guarantees on debt obligations for the business participant, Sherritt International Corporation, amounting to USD 24,058 thousand and guarantees on environment preservation amounting to USD 750 thousand.
- (6) In connection with the Company's contract performance guarantees, the Company has been provided with guarantees amounting to ₩1,477,121 million and USD 11,464,943 thousand (maximum guarantees amounting to ₩5,955,467 million and USD 20,994,644 thousand, respectively) by various banking facilities, of which regarding ships advance from customers, the Company has also been provided with maximum guarantees amounting to USD 14,211,711 thousand by various banking facilities. Regarding this, the Company collateralizes its ships under construction and construction materials.

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37. Commitments and Contingencies, Continued

- (7) The Company entered into a consortium agreement on a resource development project with various organizations including Korea National Oil Corporation, and recorded ₩155,330 million and ₩150,454 million as other non-current assets as of June 30, 2013 and December 31, 2012, respectively. The Company 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 Company also obtained borrowings from the Export-Import Bank, Korea National Oil Corporation and Korea Mineral Resources Corporation (see Note 19).

38. Litigations

- (1) The Company repurchased 13 million shares of Prudential Investment & Securities ("PIS", formerly Hyundai Investment Trust & Securities Co., Ltd.) from Canadian Imperial Bank of Commerce ("CIBC"). The Company 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 Company filed a ₩50,300 million lawsuit for incidental repurchase expenses against SHI and HSC on December 30, 2004. On October 22, 2009, the Company won its claim for incidental expenses amounting to ₩50,300 million of principal and accrued interest thereon and recovered ₩73,700 million. However, on November 11, 2009, 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 Company 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.
- (2) The National Tax Service imposed additional income tax amounting to ₩107,600 million on March 27, 2006, which has been settled by the Company. The assessment resulted from the participation in the capital increase of Hyundai Space and Aircraft Co., Ltd. when Korea was experiencing a foreign currency exchange crisis in the late 1990s. The National Tax Service ruled this capital increase to be unfair financial support for the insolvent affiliate. The Company's appeal to the National Tax Tribunal was dismissed, but was partially successful. On April 27, 2009, the Company filed administrative litigation. However, the Company lost the first trial on January 5, 2011 and appealed on January 25, 2011. In relation to the intermediate appeal, the Company partially won the litigation on February 15, 2013 for the settlement of the claim amounting to ₩52,700 million. However, the Company 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 Company Limited. ("PTT") on June 25, 2011, the Company engaged 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 Company worked on recovery and repair, which was completed in 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 Company 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 Company, Britoil and PTT's insurer ("Dhipaya") as co-defendants. The Company 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 Company's financial statements, if any, cannot be reliably estimated.

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38. Litigations, Continued

- (4) On January 16, 2009, the Company 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 Company 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 Company filed a lawsuit in Seoul Central District Court claiming guarantee insurance amounting to USD 91 million against SGI on April 5, 2013. The Company received that amount of money for provisional payment and the case is currently pending.

In addition to the cases mentioned above, the Company is currently a defendant in 28 lawsuits including the requested lawsuit of ordinary wages (amounting to ₩600,000 million) involving claims totaling: ₩124,700 million. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

39. Related Parties

- (1) The Company is the ultimate controlling party and its subsidiaries as of June 30, 2013 are as follows:

Company	Particulars
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding
Hyundai Mipo Dockyard Co., Ltd.	Shipbuilding
Hyundai Oilbank Co., Ltd.	Manufacturing of petroleum products
Hyundai Heavy Material Service	Sale and manufacture of machinery equipment for shipbuilding
KOMAS Corporation	Shipping
Hyundai Energy & Resources Co., Ltd.	Services for crude oil and natural gas mining
Mipo Engineering Co., Ltd.	Other engineering services
Ulsan Hyundai Football Club Co., Ltd.	Football club
Hotel Hyundai Co., Ltd.	Hotel operation
HI Investment & Securities Co., Ltd.	Securities brokerage
HI Asset Management Co., Ltd.	Asset management
Hyundai Finance Corporation	Granting of credit
Hyundai Venture Investment Corporation	Granting of credit
Hyundai Futures Corporation	Entrust and brokerage of futures transactions
Hyundai Investment Fund 1 on Patent Technology	Other financial business
LS Leading Solution Private Security Investment Trust 22 (Equity)	Other financial business
LS Leading Solution Private Security Investment Trust 35 (Equity)	Other financial business
Eastspring Private Global Asset Allocation & Mining & Gold Fund of Funds Investment Trust A-1	Other financial business
HI Dynamic Asia Private Securities Investment Trust 1 (Stock)	Other financial business
Hyundai Ship Private Fund 1	Other financial business
HI Himssen Private Funds Investment Trust 1	Other financial business
HI Global Panorama Asset Allocation Securities Feeder Investment Trust No.1	Other financial business
Hyundai Oil Terminal Co., Ltd.	Oil storage business
Hyundai and Shell Base Oil Co., Ltd.	Manufacturing of base oil

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39. Related Parties, Continued

Company	Particulars
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
HHI China Investment Co., Ltd.	Holding company
Hyundai Financial Leasing Co., Ltd.	Finance and operating leases
Hyundai Heavy Industries (China) Electric Co., Ltd.	Sale and manufacture of switchboards for electric distribution
Yantai Hyundai Moon Heavy Industries Co., Ltd.	Sale and manufacture of industrial boilers
Changzhou Hyundai Hydraulic Machinery Co., Ltd.	Sale and manufacture of hydraulic cylinders for construction equipment
Hyundai (Shandong) Heavy Industries Machinery Co., Ltd.	Sale and manufacture of wheel loaders
Weihai Hyundai Wind Power Technology Co., Ltd.	Sale and manufacture of facilities for wind power generation
Hyundai Heavy Industries (Shanghai) R&D Co., Ltd.	Research and development of technology for construction machinery, engine and electric equipment
Hyundai Oilbank (Shanghai) Co., Ltd.	Trade petrochemical products
HDO Singapore Pte. Ltd.	Trade crude oil and petrochemical products, chartering
Hyundai Vinashin Shipyard	Ship repair
Hyundai Construction Equipment India Pvt., Ltd.	Sale and manufacture of machinery equipment for construction
Hyundai Transformers and Engineering India Pvt. Ltd.	Sale and manufacture of transformers
Hyundai Construction Equipment Americas, Inc.	Sale of machinery equipment for construction
Hyundai Power Transformers USA, INC	Sale and manufacture of industrial electric equipment
Hyundai Ideal Electric Co.	Sale and manufacture of industrial electric equipment
PHECO Inc.	Design services for offshore facilities
HHI Battery CO., Ltd.	Manufacturing
Hyundai Heavy Industries Brasil - Real Estate Developments	Real estate development
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Manufacture, trade and repair of heavy equipment
Hyundai Heavy Industries Miraflores Power Plant Inc.	Manufacturing
Vladivostok Business Center	Hotel operation
Hyundai Khorol Agro Ltd.	Agriculture
Hyundai Mikhailovka Agro	Agriculture
Hyundai Electrosystems Co., Ltd.	Manufacture of high-voltage circuit breakers
Hyundai Heavy Industries Europe N.V..	Sale of machinery equipment for construction
Hyundai Heavy Industries Co. Bulgaria	Sale and manufacture of transformers
Hyundai Technologies Center Hungary Kft	Research and development of technology
Hyundai Heavy Industries France SAS	Manufacturing
Jahnel-Kestermann Getriebewerke GmbH	Designing and manufacture of gearboxes
JaKe Service GmbH	Gearbox repair
HHI Mauritius Limited	Manufacturing
MS Dandy Ltd.	Ship rental service
Hyundai West Africa Limited	Manufacture of other transport equipment
Hyundai Arabia Company LLC.	Industrial plant construction

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39. Related Parties, Continued

- (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 with related parties 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
Subsidiaries:								
Hyundai Samho Heavy Industries Co., Ltd.	₩ 236,743	341,447	7,364	2,704	165,972	192,086	68,138	111,565
Hyundai Mipo Dockyard Co., Ltd.	149,377	234,059	24,313	6,816	74,636	115,891	44,041	46,900
Hyundai Oilbank Co., Ltd.	9,276	37,072	960	1,313	11	1,114	16,165	5,545
Hyundai Heavy Material Service	3,044	4,077	298,491	323,669	1,609	3,850	74,620	81,512
Hotel Hyundai Co., Ltd.	105	67	16,736	19,640	11	15	1,866	2,268
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	57,592	55,353	281	616	47,214	31,872	-	125
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	56,170	44,021	91	182	43,060	10,374	10	71
Hyundai Heavy Industries (China) Electric Co., Ltd.	3,043	2,712	37,930	24,213	622	213	3,056	7,239
Yantai Hyundai Moon Heavy Industries Co., Ltd.	5	98	42,338	7,066	22,984	24,244	-	-
Hyundai Construction Equipment India PVT., Ltd.	36,153	56,039	6,006	1,246	52,044	52,161	343	236
Hyundai Construction Equipment Americas, Inc.	256,785	371,180	1,270	1,262	156,548	131,319	-	670
Hyundai Ideal Electric Co.	12,937	28,907	631	531	11,237	14,223	250	1,500
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	105,903	-	-	-	157,800	47,399	-	26
Hyundai Heavy Industries Europe N.V..	138,749	157,153	3,107	2,121	78,897	46,198	1,915	1,200
Others	17,302	11,608	60,667	36,400	10,627	11,495	7,117	7,176
	<u>1,083,184</u>	<u>1,343,793</u>	<u>500,185</u>	<u>427,779</u>	<u>823,272</u>	<u>682,454</u>	<u>217,521</u>	<u>266,033</u>
Associates and Joint Venture(*1):								
Wärtsilä-Hyundai Engine Company Ltd.	7,442	1,363	43,115	-	54,527	62,902	-	26,002
KAM Corporation(*2)	-	-	-	-	-	66,278	-	-
Hyundai Corporation	558,578	526,163	5,022	12,397	324,749	328,905	32,908	16,696
Others	4,494	17,477	11	-	615	1,458	11,040	10,446
	<u>570,514</u>	<u>545,003</u>	<u>48,148</u>	<u>12,397</u>	<u>379,891</u>	<u>459,543</u>	<u>43,948</u>	<u>53,144</u>
Joint Venture of subsidiaries:								
Hyundai Cosmo Petrochemical Co., Ltd.	34,041	131,842	-	-	-	34,451	2,880	-
	<u>₩ 1,687,739</u>	<u>2,020,638</u>	<u>548,333</u>	<u>440,176</u>	<u>1,203,163</u>	<u>1,176,448</u>	<u>264,349</u>	<u>319,177</u>

(*1) Including associates and joint ventures' subsidiaries.

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

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39. Related Parties, Continued

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

(In thousands of foreign currency)

Guarantee recipient	Provider	Type of guarantees	Currency	Guaranteed amount
Subsidiaries:				
Hyundai Financial Leasing Co., Ltd.	Sumitomo Bank Ltd. and others	Payment	CNY	1,500,000
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	Standard Chartered Bank	Payment	USD	16,900
Weihai Hyundai Wind Power Technology Co., Ltd.	Export-Import Bank of Korea	Payment	USD	25,000
Hyundai Construction Equipment India Pvt. Ltd.	Standard Chartered Bank and others	Payment	USD	32,000
Hyundai Construction Equipment Americas, Inc.	HSBC Bank Plc	Payment	INR	1,300,000
Hyundai Power Transformers USA, INC	Hana Bank and others	Payment	USD	108,400
	Woori Bank and others	Payment	USD	113,500
	Liberty Mutual	Performance	USD	20,000
	HYUNDAI HEAVY INDUSTRIES CO.,LTD	Performance	USD	19,839
Hyundai Ideal Electric Co.	Mizuho Corporate Bank Ltd, LA Branch	Payment	USD	10,000
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Banco Nacional de Desenvolvimento Economico e Social(BNDES)	Payment	BRL	109,956
	Standard Chartered Bank	Payment	USD	40,000
Hyundai Heavy Industries Miraflores Power Plant Inc.	Korea Exchange Bank	Performance	USD	23,267
Hyundai Electrosystems Co., Ltd.	Citi Bank	Payment	USD	30,000
Hyundai Heavy Industries Europe N.V..	Korea Exchange Bank and others	Payment	EUR	36,000
	BNP Paribas Fortis Bank, Belgium	Performance	EUR	250
Hyundai Heavy Industries Co. Bulgaria	BNP Paribas S.A., Sofia and others	Payment	USD	30,000
Jahnel-Kestermann Getriebewerke GmbH	Shinhan Bank	Payment	EUR	60,000
Hyundai Heavy Industries France SAS	Export-Import Bank of Korea and others	Performance	USD	250,194
HHI MAURITIUS LIMITED	Export-Import Bank of Korea and others	Performance	USD	43,211
			USD	762,311
			EUR	96,250
			CNY	1,500,000
			INR	1,300,000
			BRL	109,956

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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(Unaudited)

39. Related Parties, Continued

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

(In thousands of foreign currency)

Guarantee recipient	Provider	Type of guarantees	Currency	Guaranteed amount
Associates:				
Hyundai Merchant Marine Co., Ltd.	Standard Chartered Bank and others	Performance	USD	373,189
			USD	1,135,500
			EUR	96,250
			CNY	1,500,000
			INR	1,300,000
			BRL	109,956

Other than the guarantees above, the Company 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 Company's subsidiaries. The Company 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 Company's subsidiaries.

- (4) Compensation for key management of the Company for the six-month periods ended June 30, 2013 and 2012 is ₩1,327 million and ₩1,064 million, respectively. Key management is defined as directors and internal auditors who have important rights and responsibilities involving the planning, operation and control of the Company.