

HYUNDAI HEAVY INDUSTRIES CO., LTD.
AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements

June 30, 2014

(Unaudited)

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

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

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of Hyundai Heavy Industries Co., Ltd. and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position as of June 30, 2014, the condensed consolidated statements of comprehensive income (loss) for the three-month and six-month periods ended June 30, 2014 and 2013, the condensed consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2014 and 2013 and notes to the interim financial statements.

Management's responsibility

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

Auditors' review responsibility

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

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

Conclusion

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

Other matters

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

The consolidated statement of financial position of the Group as of December 31, 2013, and the related consolidated statements of comprehensive income (loss), 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 13, 2014, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2013, presented for comparative purposes, is not different from that audited by us in all material respects.

Seoul, Korea
August 13, 2014

This report is effective as of August 13, 2014, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Financial Position
As of June 30, 2014 and December 31, 2013
(Unaudited)

(In thousands of won)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Assets			
Cash and cash equivalents	40,41	₩ 1,616,003,065	1,336,613,209
Short-term financial assets	5,6,14,18,25,40,41,44	3,943,701,732	4,692,328,819
Trade and other receivables	6,7,8,18,31,40,41,44	7,860,323,400	7,053,564,787
Due from customers for contract work	7,31,40,41	6,644,747,620	6,675,111,932
Inventories	9,18	5,679,489,049	6,129,287,249
Derivative assets	25,40,41	826,965,670	512,917,626
Firm commitment assets	25	1,131,012	10,463,993
Prepaid income taxes		44,951,824	63,631,292
Other current assets	10,23	3,187,829,285	2,780,264,843
Total current assets		<u>29,805,142,657</u>	<u>29,254,183,750</u>
Investments in associates and joint ventures	11,12	558,729,568	661,663,685
Long-term financial assets	5,6,14,18,25,40,41	3,748,008,401	3,322,603,688
Long-term trade and other receivables	7,8,31,40,41,44	992,524,235	1,088,685,374
Investment property	15,32	389,574,782	433,616,630
Property, plant and equipment	16,18,32	15,950,218,440	15,712,997,462
Intangible assets	17,32	2,275,160,877	2,285,648,835
Derivative assets	25,40,41	468,177,854	254,532,450
Firm commitment assets	25	541,110	1,176,419
Deferred tax assets		84,904,867	82,951,542
Other non-current assets	10,42	73,744,737	106,911,786
Total non-current assets		<u>24,541,584,871</u>	<u>23,950,787,871</u>
Total assets		<u>₩ 54,346,727,528</u>	<u>53,204,971,621</u>

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Financial Position, Continued
As of June 30, 2014 and December 31, 2013
(Unaudited)

(In thousands of won)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Liabilities			
Short-term financial liabilities	18, 19, 22, 25, 40, 41, 42	₩ 10,193,360,875	12,199,921,487
Trade and other payables	20, 40, 41, 44, 45	7,481,317,549	6,354,333,209
Advances from customers		741,904,348	819,346,091
Due to customers for contract work	18, 31, 42	8,213,527,340	6,661,170,259
Derivative liabilities	25, 40, 41	96,611,279	74,481,517
Firm commitment liabilities	25	502,288,131	291,110,146
Income tax payable		10,460,693	93,547,287
Other current liabilities	21	27,572,126	22,513,459
Total current liabilities		<u>27,267,042,341</u>	<u>26,516,423,455</u>
Long-term financial liabilities	18, 19, 22, 25, 40, 41, 42, 44	6,912,668,941	5,602,537,611
Long-term trade and other payables	20, 40, 41, 44, 45	110,271,713	134,150,430
Liabilities for defined benefit plans	23	249,427,089	163,952,708
Long-term provisions	24	520,258,640	552,916,916
Derivative liabilities	25, 40, 41	26,072,500	31,377,799
Firm commitment liabilities	25	447,740,467	241,105,773
Deferred tax liabilities		513,762,699	888,794,126
Other non-current liabilities	21	42,635,028	44,121,046
Total non-current liabilities		<u>8,822,837,077</u>	<u>7,658,956,409</u>
Total liabilities		<u>36,089,879,418</u>	<u>34,175,379,864</u>
Equity			
Common stock	26	380,000,000	380,000,000
Capital surplus	26	1,109,309,014	1,109,309,014
Capital adjustments	27	(1,771,318,217)	(1,772,782,730)
Accumulated other comprehensive income	25, 28	1,247,730,803	1,239,973,279
Retained earnings	29	15,636,904,490	16,293,099,047
Equity attributable to owners of the Company		<u>16,602,626,090</u>	<u>17,249,598,610</u>
Non-controlling interests		<u>1,654,222,020</u>	<u>1,779,993,147</u>
Total equity		<u>18,256,848,110</u>	<u>19,029,591,757</u>
Total liabilities and equity		<u>₩ 54,346,727,528</u>	<u>53,204,971,621</u>

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
For the three-month and six-month periods ended June 30, 2014 and 2013
(Unaudited)

(In thousands of won)

	Note	2014		2013	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	25,31,32,44 ₩	12,811,499,861	26,332,270,817	13,091,013,823	26,233,897,914
Cost of sales	9,17,25,34,44	13,453,467,249	26,550,699,308	12,029,947,438	24,162,412,471
Gross profit (loss)		(641,967,388)	(218,428,491)	1,061,066,385	2,071,485,443
Selling, general and administrative expenses	17,33,34	461,766,204	1,074,181,197	772,096,150	1,404,800,812
Operating profit (loss)	32	(1,103,733,592)	(1,292,609,688)	288,970,235	666,684,631
Finance income	25,35,40	1,280,614,883	1,498,204,574	382,805,776	911,029,979
Finance costs	25,35,40	(431,057,383)	(740,901,218)	(941,458,892)	(1,875,698,469)
Other non-operating income	25,36	278,907,803	390,901,192	423,848,398	859,117,147
Other non-operating expenses	25,36	(955,057,925)	(889,603,464)	(59,929,694)	(106,393,803)
Share of loss of equity accounted investees	11,12	(16,581,712)	(28,056,646)	(2,675,278)	(16,693,658)
Profit (loss) before income taxes		(946,907,926)	(1,062,065,250)	91,560,545	438,045,827
Income tax expense (benefit)	37	(330,281,546)	(354,485,439)	24,714,926	51,483,444
Profit (loss) for the period	32 ₩	(616,626,380)	(707,579,811)	66,845,619	386,562,383
Other comprehensive income (loss)	25,28,40				
Items that are or may be reclassified subsequently to profit or loss:					
Change in fair value of available-for-sale financial assets	₩	(69,399,606)	36,021,210	(15,468,029)	51,960,984
Effective portion of changes in fair value of cash flow hedges		(21,127,635)	(15,491,775)	8,166,625	15,756,070
Exchange differences on translating foreign operations		(56,393,734)	(67,775,343)	46,428,907	98,811,251
Change in equity of equity method investments		19,838,400	58,814,692	(16,739,837)	(15,208,590)
Total items that are or may be reclassified subsequently to profit or loss		(127,082,575)	11,568,784	22,387,666	151,319,715
Items that will not be reclassified to profit or loss:					
Changes in retained earnings of equity method investments		809,050	8,546,865	(2,105,057)	(2,105,057)
Total items that will not be reclassified to profit or loss		809,050	8,546,865	(2,105,057)	(2,105,057)
Other comprehensive income (loss) for the period, net of income tax		(126,273,525)	20,115,649	20,282,609	149,214,658
Total comprehensive income (loss) for the period	₩	(742,899,905)	(687,464,162)	87,128,228	535,777,041

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
 Condensed Consolidated Interim Statements of Comprehensive Income (Loss),
 Continued

For the three-month and six-month periods ended June 30, 2014 and 2013

(Unaudited)

(In thousands of won, except earnings per share)

	Note	2014		2013	
		Three-month period	Six-month period	Three-month period	Six-month period
Profit (loss) attributable to:					
Owners of the Company		(489,031,434)	(547,350,049)	98,184,081	416,602,321
Non-controlling interests		(127,594,946)	(160,229,762)	(31,338,462)	(30,039,938)
	₩	<u>(616,626,380)</u>	<u>(707,579,811)</u>	<u>66,845,619</u>	<u>386,562,383</u>
Total comprehensive income (loss) attributable to:					
Owners of the Company		(616,310,214)	(531,173,017)	101,600,569	533,713,756
Non-controlling interests		(126,589,691)	(156,291,145)	(14,472,341)	2,063,285
	₩	<u>(742,899,905)</u>	<u>(687,464,162)</u>	<u>87,128,228</u>	<u>535,777,041</u>
Earnings (losses) per share					
Basic and diluted earnings (losses) per share (in won)	38	₩ <u>(8,855)</u>	<u>(9,911)</u>	<u>1,778</u>	<u>7,544</u>

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Changes in Equity
For the six-month periods ended June 30, 2014 and 2013
(Unaudited)

(In thousands of won)

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non- controlling interests	Total equity
Balance at January 1, 2013	₩ 380,000,000	1,109,309,014	(1,778,129,902)	1,071,626,631	16,098,025,119	1,860,520,333	18,741,351,195
Total comprehensive income for the period							
Profit (loss) for the period	-	-	-	-	416,602,321	(30,039,938)	386,562,383
Change in fair value of available-for-sale financial assets	-	-	-	45,567,353	-	6,393,631	51,960,984
Effective portion of changes in fair value of cash flow hedges	-	-	-	15,677,999	-	78,071	15,756,070
Exchange differences on translating foreign operations	-	-	-	72,976,774	-	25,834,477	98,811,251
Change in equity of equity method investments	-	-	-	(15,039,806)	-	(168,784)	(15,208,590)
Change in retained earnings of equity method investments	-	-	-	-	(2,070,885)	(34,172)	(2,105,057)
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	(146,468,674)	(9,465,912)	(155,934,586)
Others	-	-	32,683	-	-	(21,892,839)	(21,860,156)
Balance at June 30, 2013	₩ <u>380,000,000</u>	<u>1,109,309,014</u>	<u>(1,778,097,219)</u>	<u>1,190,808,951</u>	<u>16,366,087,881</u>	<u>1,831,224,867</u>	<u>19,099,333,494</u>
Balance at January 1, 2014	₩ 380,000,000	1,109,309,014	(1,772,782,730)	1,239,973,279	16,293,099,047	1,779,993,147	19,029,591,757
Total comprehensive income (loss) for the period							
Profit (loss) for the period	-	-	-	-	(547,350,049)	(160,229,762)	(707,579,811)
Change in fair value of available-for-sale financial assets	-	-	-	17,785,038	-	18,236,172	36,021,210
Effective portion of changes in fair value of cash flow hedges	-	-	-	(15,492,449)	-	674	(15,491,775)
Exchange differences on translating foreign operations	-	-	-	(53,359,460)	-	(14,415,883)	(67,775,343)
Change in equity of equity method investments	-	-	-	58,824,395	-	(9,703)	58,814,692
Change in retained earnings of equity method investments	-	-	-	-	8,419,508	127,357	8,546,865
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	(117,264,016)	(3,949,556)	(121,213,572)
Others	-	-	1,464,513	-	-	34,469,574	35,934,087
Balance at June 30, 2014	₩ <u>380,000,000</u>	<u>1,109,309,014</u>	<u>(1,771,318,217)</u>	<u>1,247,730,803</u>	<u>15,636,904,490</u>	<u>1,654,222,020</u>	<u>18,256,848,110</u>

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Cash Flows
For the six-month periods ended June 30, 2014 and 2013
(Unaudited)

(In thousands of won)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Cash flows from operating activities			
Profit (loss) for the period	₩	(707,579,811)	386,562,383
Adjustments		2,577,004,460	1,948,040,198
Cash generated from operations	39	1,869,424,649	2,334,602,581
Interest received		150,439,104	155,498,775
Interest paid		(215,119,161)	(227,199,200)
Dividends received		68,927,593	47,619,737
Income taxes paid		(104,545,960)	(410,884,934)
Net cash provided by operating activities		<u>1,769,126,225</u>	<u>1,899,636,959</u>
Cash flows from investing activities			
Proceeds from sale of short-term financial assets		154,036,716	267,675,745
Proceeds from collection of other receivables		6,693,297	6,214,000
Proceeds from sale of investments in associates and joint venture		1,621,700	4,337,424
Proceeds from sale of subsidiaries		-	59,367,372
Proceeds from sale of long-term financial assets		352,515,530	206,766,528
Proceeds from collection of long-term other receivables		38,072,461	35,759,288
Proceeds from sale of property, plant and equipment		21,716,158	42,057,159
Proceeds from sale of intangible assets		767,245	1,711,359
Proceeds from sale of investment properties		15,500,000	-
Proceeds from government grants		549,466	1,000,436
Proceeds from other non-current assets		1,824,257	-
Acquisition of short-term financial assets		(143,750,553)	(272,595,390)
Acquisition of other receivables		(361,497)	(2,348,944)
Acquisition of investments in associates and joint venture		(6,272,500)	(18,027,961)
Acquisition of investments in subsidiaries, net of cash acquired		-	(1,013,489)
Acquisition of long-term financial assets		(352,654,596)	(229,869,722)
Acquisition of long-term other receivables		(32,295,135)	(33,719,822)
Acquisition of investment property		-	(4,740)
Acquisition of property, plant and equipment		(709,420,342)	(604,773,563)
Acquisition of intangible assets		(39,719,595)	(49,198,767)
Acquisition of other non-current assets		-	(4,875,557)
Net cash used in investing activities		<u>(691,177,388)</u>	<u>(591,538,644)</u>
Cash flows from financing activities			
Proceeds from short-term financial liabilities		15,908,841,428	13,282,981,282
Proceeds from long-term financial liabilities		2,293,173,832	1,558,362,186
Capital contribution from non-controlling interests		32,025,079	8,208,483
Repayment of short-term financial liabilities		(18,856,285,751)	(14,760,449,573)
Repayment of long-term financial liabilities		(40,698,814)	(452,175,767)
Dividends paid		(117,264,016)	(146,468,674)
Dividend and distribution to non-controlling interests		(5,249,556)	(9,617,912)
Net cash used in financing activities		<u>(785,457,798)</u>	<u>(519,159,975)</u>
Effects of exchange rate changes on cash and cash equivalents		(13,101,183)	12,034,185
Net increase in cash and cash equivalents		<u>279,389,856</u>	<u>800,972,525</u>
Cash and cash equivalents at January 1		<u>1,336,613,209</u>	<u>1,107,690,153</u>
Cash and cash equivalents at June 30	₩	<u>1,616,003,065</u>	<u>1,908,662,678</u>

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2014
(Unaudited)

1. Reporting Entity

(1) Description of the controlling company

Hyundai Heavy Industries Co., Ltd. (the "Company") was incorporated in 1973, under the Commercial Code of the Republic of Korea, and is engaged in the manufacture and sale of ships, offshore structures, plants, engines and other products. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly ventures.

On August 1999, the Company was listed on the Korea Exchange. As of June 30, 2014, the Company's major stockholders consist of Mong-Joon Chung (10.15%) and Hyundai Mipo Dockyard Co., Ltd. (7.98%).

(2) Consolidated subsidiaries

Subsidiaries as of June 30, 2014 and 2013 are summarized as follows:

Company	Main business	Location	Fiscal year end	Ownership (%)	
				2014	2013
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding	Korea	December	94.92	94.92
Hyundai Mipo Dockyard Co., Ltd.(*1,2)	Shipbuilding	Korea	December	45.21	45.21
Hyundai Oilbank Co., Ltd.	Manufacturing of petroleum products	Korea	December	91.13	91.13
Hyundai Heavy Material Service	Sale and manufacture of machinery equipment for shipbuilding	Korea	December	100.00	100.00
KOMAS Corporation	Shipping	Korea	December	100.00	100.00
Hyundai Energy & Resources Co., Ltd.(*1)	Services for crude oil and natural gas mining	Korea	December	90.00	90.00
Mipo Engineering Co., Ltd.(*1)	Other engineering services	Korea	December	100.00	100.00
Ulsan Hyundai Football Club Co., Ltd.	Football club	Korea	December	100.00	100.00
Hotel Hyundai Co., Ltd.	Hotel operation	Korea	December	100.00	100.00
HI Investment & Securities Co., Ltd.(*1)	Securities brokerage	Korea	December	83.24	83.24
HI Asset Management Co., Ltd.(*1)	Asset management	Korea	December	99.99	99.99
Hyundai Finance Corporation	Granting of credit	Korea	December	67.49	67.49
Hyundai Venture Investment Corporation(*1)	Granting of credit	Korea	December	68.38	68.38
Hyundai Futures Corporation(*1)	Entrust and brokerage of futures transactions	Korea	March	65.22	65.22
Hyundai Investment Fund 1 on Patent Technology(*1)	Other financial business	Korea	December	50.00	50.00
LS Leading Solution Private Security Investment Trust 22 (Equity)	Other financial business	Korea	December	100.00	100.00
LS Leading Solution Private Security Investment Trust 35 (Equity)	Other financial business	Korea	December	100.00	100.00
Eastspring Private Global Asset Allocation & Mining & Gold Fund of Funds Investment Trust A-1	Other financial business	Korea	December	100.00	100.00
Hyundai Ship Private Fund 1(*1)	Other financial business	Korea	December	100.00	100.00

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2014
(Unaudited)

1. Reporting Entity, Continued

(2) Consolidated subsidiaries, continued

Company	Main business	Location	Fiscal year end	Ownership (%)	
				2014	2013
HI Himsen Private Funds Investment Trust 1(*1)	Other financial business	Korea	December	75.00	75.00
Hyundai Oil Terminal Co., Ltd.(*1)	Oil storage business	Korea	December	70.00	70.00
Hyundai and Shell Base Oil Co., Ltd.(*1)	Manufacturing of base oil	Korea	December	60.00	60.00
Hyundai Chemical Co., Ltd.(*1)	Crude oil refining business	Korea	December	60.00	-
Hyundai (Jiangsu) Construction Machinery Co., Ltd.(*1)	Sale and manufacture of machinery equipment for construction	China	December	60.00	60.00
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.(*1)	Sale and manufacture of machinery equipment for construction	China	December	60.00	60.00
HHI China Investment Co., Ltd.	Holding company	China	December	100.00	100.00
Hyundai Financial Leasing Co., Ltd.(*1)	Finance and operating leases	China	December	88.02	88.02
Hyundai Heavy Industries (China) Electric Co., Ltd.(*1)	Sale and manufacture of switchboards for electric distribution	China	December	100.00	100.00
Yantai Hyundai Moon Heavy Industries Co., Ltd.(*1)	Sale and manufacture of industrial boilers	China	December	55.00	55.00
Changzhou Hyundai Hydraulic Machinery Co., Ltd.(*1)	Sale and manufacture of hydraulic cylinders for construction equipment	China	December	100.00	100.00
Hyundai (Shandong) Heavy Industries Machinery Co., Ltd.	Sale and manufacture of wheel loaders	China	December	100.00	100.00
Weihai Hyundai Wind Power Technology Co., Ltd.(*1)	Sale and manufacture of facilities for wind power generation	China	December	80.00	80.00
Hyundai Heavy Industries (Shanghai) R&D Co., Ltd.(*1)	Research and development of technology for construction machinery, engine and electric equipment	China	December	100.00	100.00
Hyundai Oilbank (Shanghai) Co., Ltd.(*1)	Trade in petrochemical products	China	December	100.00	100.00
HDO Singapore Pte. Ltd.(*1)	Trade in crude oil and petrochemical products, chartering	Singapore	December	100.00	100.00
Hyundai-Vinashin Shipyard Co., Ltd.(*1)	Ship repair	Vietnam	December	65.00	65.00
Hyundai Construction Equipment India Private Ltd.	Sale and manufacture of machinery equipment for construction	India	March	100.00	100.00

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1. Reporting Entity, Continued

(2) Consolidated subsidiaries, continued

Company	Main business	Location	Fiscal year end	Ownership (%)	
				2014	2013
Hyundai Transformers and Engineering India Private Ltd.	Sale and manufacture of transformers	India	March	100.00	100.00
Hyundai Construction Equipment Americas, Inc.	Sale of machinery equipment for construction	America	December	100.00	100.00
Hyundai Power Transformers USA, Inc.	Sale and manufacture of industrial electric equipment	America	December	100.00	100.00
Hyundai Ideal Electric Co.	Sale and manufacture of industrial electric equipment	America	December	100.00	100.00
PHECO Inc.	Design services for offshore facilities	America	December	100.00	100.00
HHI Battery CO., Ltd.	Manufacturing	Canada	December	100.00	100.00
Hyundai Heavy Industries Brasil - Real Estate Developments	Real estate development	Brazil	December	97.09	100.00
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Manufacture, trade and repair of heavy equipment	Brazil	December	97.09	100.00
Hyundai Heavy Industries Miraflores Power Plant Inc.	Manufacturing	Panama	December	100.00	100.00
Vladivostok Business Center	Hotel operation	Russia	December	100.00	100.00
Hyundai Khorol Agro Ltd.	Agriculture	Russia	December	95.24	95.24
Hyundai Mikhailovka Agro Ltd.	Agriculture	Russia	December	100.00	100.00
Hyundai Electrosystems Co., Ltd.	Manufacture of high-voltage circuit breakers	Russia	December	100.00	100.00
Hyundai Heavy Industries Europe N.V.	Sale of machinery equipment for construction	Belgium	December	100.00	100.00
Hyundai Heavy Industries Co. Bulgaria	Sale and manufacture of transformers	Bulgaria	December	99.09	99.09
Hyundai Technologies Center Hungary Kft.	Research and development of technology	Hungary	December	100.00	100.00
Hyundai Heavy Industries France SAS	Manufacturing	France	December	100.00	100.00
Jahnel-Kestermann Getriebewerke GmbH	Designing and manufacture of gearboxes	Germany	December	100.00	100.00
JaKe Service GmbH(*1)	Gearbox repair	Germany	December	100.00	100.00
HHI MAURITIUS LIMITED	Manufacturing	Mauritius	December	100.00	100.00
MS Dandy Ltd.(*1)	Ship rental service	Marshall Islands	December	100.00	100.00
Hyundai West Africa Limited	Manufacture of other transport equipment	Nigeria	December	100.00	100.00
Hyundai Arabia Company LLC. Grande Ltd.(*1)	Industrial plant construction Ship rental service	Saudi Arabia Marshall Islands	December December	70.00 100.00	70.00 -
HI Global Dynamic Asset Allocation Private Securities Investment Trust 1(*1)	Other financial business	Korea	December	100.00	-

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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1. Reporting Entity, Continued

(2) Consolidated subsidiaries, continued

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

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

(3) Changes in scope of consolidation

(i) Subsidiaries newly subject to consolidation during 2014 are as follows:

Company	Reason
Hyundai Chemical Co., Ltd.	Commencing control resulting from the newly acquisition
Grande Ltd.	Commencing control resulting from the newly acquisition
HI Global Dynamic Asset Allocation Private Securities Investment Trust 1	Commencing control resulting from the newly acquisition

(ii) During the six-month period ended June 30, 2014, there were no subsidiaries excluded from the scope of consolidation.

(4) Condensed financial information of consolidated subsidiaries

(i) Condensed financial information of significant consolidated subsidiaries as of and for the six-month period ended June 30, 2014 is summarized as follows:

(In millions of won)

Company	Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income (loss)
Hyundai Samho Heavy Industries Co., Ltd.	₩ 7,274,826	3,980,831	3,293,995	1,991,029	(153,795)	(51,863)
Hyundai Mipo Dockyard Co., Ltd. (*)	5,129,184	2,557,721	2,571,463	1,605,297	(224,411)	(562,179)
Hyundai Oilbank Co., Ltd.	8,199,695	5,077,266	3,122,429	9,579,087	71,680	68,963
Hyundai Heavy Material Service KOMAS Corporation	216,896	24,165	192,731	111,262	3,659	3,659
	125,186	1,108	124,078	220	524	524
HI Investment & Securities Co., Ltd.	5,580,883	5,016,828	564,055	266,185	6,051	5,076
Hyundai Finance Corporation	229,594	79,924	149,670	7,411	2,197	2,197
Hyundai Venture Investment Corporation	69,637	648	68,989	1,462	(1,296)	(2,042)
Hyundai Futures Corporation	150,727	107,257	43,470	12,624	(890)	(1,598)
LS Leading Solution Private Security Investment Trust 22 (Equity)	75,092	12	75,080	612	579	(15,771)
Hyundai Oil Terminal Co., Ltd.	108,905	32,143	76,762	9,735	2,405	2,421
Hyundai and Shell Base Oil Co., Ltd.	286,851	156,055	130,796	-	(752)	(753)

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1. Reporting Entity, Continued

(4) Condensed financial information of consolidated subsidiaries, continued

- (i) Condensed financial information of significant consolidated subsidiaries as of and for the six-month period ended June 30, 2014 is summarized as follows, continued:

(In millions of won)

Company	Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income (loss)
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	₩ 387,887	163,060	224,827	182,941	(14,201)	(29,510)
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	187,061	79,854	107,207	102,401	(1,381)	(8,565)
HHI China Investment Co., Ltd.	383,887	44,519	339,368	8,561	4,542	(18,006)
Hyundai Financial Leasing Co., Ltd.	584,674	337,353	247,321	25,066	2,565	(13,947)
Hyundai Heavy Industries (China) Electric Co., Ltd.	174,610	130,615	43,995	64,489	(3,370)	(6,378)
Yantai Hyundai Moon Heavy Industries Co., Ltd.	84,306	53,576	30,730	32,877	(6,453)	(8,644)
Hyundai (Shandong) Heavy Industries Machinery Co., Ltd.	104,185	86,712	17,473	23,707	(4,636)	(5,902)
Hyundai Oilbank (Shanghai) Co., Ltd.	43,865	40,688	3,177	202,857	158	(51)
HDO Singapore Pte. Ltd.	643,127	628,301	14,826	3,730,121	1,613	1,020
Hyundai-Vinashin Shipyard Co., Ltd.	434,805	340,755	94,050	189,738	(20,580)	(24,479)
Hyundai Construction Equipment India Private Ltd.	135,586	114,950	20,636	63,651	5,088	4,800
Hyundai Construction Equipment Americas, Inc.	214,595	173,611	40,984	151,404	3,675	2,042
Hyundai Power Transformers USA, Inc.	136,951	122,378	14,573	39,015	(9,353)	(9,989)
Hyundai Ideal Electric Co.	60,166	34,687	25,479	33,769	204	(822)
Hyundai Heavy Industries Brasil - Real Estate Developments	66,214	40,880	25,334	4,520	1,698	2,517
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	391,224	280,062	111,162	123,401	3,718	3,532
Hyundai Electrosystems Co., Ltd.	51,958	21,881	30,077	-	(2,055)	(4,324)
Hyundai Heavy Industries Europe N.V.	163,498	104,031	59,467	175,455	4,672	1,630

(*) The significant consolidated subsidiary as of June 30, 2014 and December 31, 2013 is Hyundai Mipo Dockyard Co., Ltd., and percentage of ownership for non-controlling interests are 54.79% (in the case of consideration of treasury stock, 53.84%) as of June 30, 2014 and December 31, 2013, respectively.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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1. Reporting Entity, Continued

(4) Condensed financial information of consolidated subsidiaries, continued

- (i) Condensed financial information of significant consolidated subsidiaries as of and for the six-month period ended June 30, 2014 is summarized as follows, continued:

In the six-month period ended June 30, 2014, cash and cash equivalents increased to ₩9,194 million (composed of operating activities ₩(-)5,946 million, investing activities ₩(-)34,931 million, and financing activities ₩31,683 million) and the non-controlling interests received dividends amounting to ₩8,438 million. Also the profit (loss) for the period attributable to non-controlling interest amounted to ₩(-)126,096 million (effective percentage of ownership 56.19%) and equity amounted to ₩1,444,894 million vested as of June 30, 2014.

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

- (ii) Condensed financial information of significant consolidated subsidiaries as of and for the year ended December 31, 2013 is summarized as follows:

(In millions of won)

Company	Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income (loss)
Hyundai Samho Heavy Industries Co., Ltd.	₩ 6,782,721	3,428,863	3,353,858	3,506,163	(52,051)	26,124
Hyundai Mipo Dockyard Co., Ltd. (*)	5,502,458	2,353,143	3,149,315	3,487,040	(187,913)	(45,513)
Hyundai Oilbank Co., Ltd.	8,597,936	5,544,470	3,053,466	20,295,635	152,358	165,841
Hyundai Heavy Material Service KOMAS Corporation	239,429	30,378	209,051	509,890	4,792	4,950
	130,209	1,429	128,780	440	8,051	8,051
HI Investment & Securities Co., Ltd.	5,163,564	4,604,585	558,979	510,560	(12,067)	(8,487)
Hyundai Finance Corporation	218,086	68,783	149,303	14,098	1,850	1,053
Hyundai Venture Investment Corporation	73,375	844	72,531	10,440	3,297	2,607
Hyundai Futures Corporation	163,957	118,889	45,068	27,056	(582)	(1,596)
LS Leading Solution Private Security Investment Trust 22 (Equity)	90,864	13	90,851	2,904	2,822	(11,578)
Hyundai Oil Terminal Co., Ltd.	107,131	32,790	74,341	3,044	(340)	(407)
Hyundai and Shell Base Oil Co., Ltd.	180,567	88,995	91,572	-	2,051	2,047
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	523,971	269,634	254,337	366,126	(12,502)	(8,837)
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	247,575	131,803	115,772	217,573	1,258	2,684
HHI China Investment Co., Ltd.	400,225	42,851	357,374	20,358	6,040	10,366

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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1. Reporting Entity, Continued

(4) Condensed financial information of consolidated subsidiaries, continued

- (ii) Condensed financial information of significant consolidated subsidiaries as of and for the year ended December 31, 2013 is summarized as follows, continued:

(In millions of won)

Company	Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income (loss)
Hyundai Financial Leasing Co., Ltd.	₩ 683,624	416,155	267,469	91,511	17,515	20,529
Hyundai Heavy Industries (China) Electric Co., Ltd.	180,756	130,383	50,373	166,290	2,171	2,735
Yantai Hyundai Moon Heavy Industries Co., Ltd.	63,115	23,741	39,374	88,330	366	853
Hyundai (Shandong) Heavy Industries Machinery. Co., Ltd.	113,438	90,063	23,375	65,195	(16,399)	(16,414)
Weihai Hyundai Wind Power Technology Co., Ltd.	49,950	34,900	15,050	6,796	(2,485)	(2,207)
Hyundai Oilbank (Shanghai) Co., Ltd.	82,448	79,220	3,228	475,138	1,304	1,299
HDO Singapore Pte. Ltd.	517,360	508,518	8,842	5,672,433	1,376	1,113
Hyundai Vinashin Shipyard	372,803	254,274	118,529	197,459	(59,820)	(59,820)
Hyundai Construction Equipment India PVT., Ltd.	131,966	116,130	15,836	135,744	(4,504)	(7,649)
Hyundai Construction Equipment Americas, Inc.	300,462	261,520	38,942	435,770	6,043	5,328
Hyundai Power Transformers USA, INC	144,265	119,703	24,562	75,178	(32,527)	(33,654)
Hyundai Ideal Electric Co.	66,664	40,363	26,301	69,931	(1,414)	(1,777)
Hyundai Heavy Industries Brasil - Real Estate Developments	64,300	41,483	22,817	6,784	711	(3,222)
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	408,956	384,358	24,598	141,766	(31,295)	(36,457)
Hyundai Electrosystems Co., Ltd.	53,333	18,932	34,401	-	(4,689)	(8,147)
Hyundai Heavy Industries Europe N.V.	163,507	105,670	57,837	309,126	4,443	5,918

2. Basis of Preparation

(1) Statement of compliance

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

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No.1034, 'Interim Financial Reporting' as part of the period covered by the Group's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2013. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

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2. Basis of Preparation, Continued

(2) Use of estimates and judgments

(i) Judgments and uncertainties of assumptions and estimation

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

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2013.

(ii) Measurement of fair value

The Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the note 41.

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3. Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2013. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending December 31, 2014.

(1) Changes in accounting policies

The Group has applied the following amendments to standards and interpretation, with a date of initial application of January 1, 2014.

(i) Offsetting Financial Assets and Financial Liabilities (Amendments to K-IFRS 1032)

The Group has adopted amendments to K-IFRS 1032, 'Offsetting Financial Assets and Financial Liabilities' since January 1, 2014. The amendments require that a financial assets and a financial liability are offset and the net amount is presented in the statement of financial position when an entity currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

According to the amendments, the right to set off should not be contingent on a future event, and legally enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

The entity intends to settle on a net basis, if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that will process receivables and payables in a single settlement process or cycle.

In accordance with the transitional requirements of K-IFRS 1032, the Group applied the amendments retrospectively. The change in accounting policy had no impact on the consolidated financial statements.

(ii) Investment Entities (Amendments to K-IFRS No.1110, K-IFRS 1112 and K-IFRS 1027)

The Group has adopted Amendments to K-IFRS No.1110, K-IFRS 1112 and K-IFRS 1027, 'Investment Entities' since January 1, 2014.

The amendments require that an investment entity that meets certain criteria should not consolidate its subsidiaries or apply K-IFRS 1103 'Business Combination' when it obtains control of another entity. An investment entity should measure its investments at fair value through profit or loss in accordance with K-IFRS 1039 'Financial Instruments: Recognition and Measurement'. However, if a parent is not itself an investment entity the parent is required to consolidate all entities that it controls, including those controlled through an investment entity subsidiary.

The Parent Company has evaluated and concluded that the Parent Company is an investment entity, as of January 1, 2014. As a result, the Group applied the amendments retrospectively. The change in accounting policy had no impact on the consolidated financial statements.

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3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, continued

(iii) K-IFRS No.2121, 'Levies'

The Group has adopted K-IFRS No.2121, 'Levies' since January 1, 2014. The interpretation confirms that an entity recognizes a liability for a levy when the triggering event specified in the legislation occurs. An entity does not recognize a liability at an earlier date, even if it has no realistic opportunity to avoid the triggering event. If a levy is only payable once a specified amount has been reached, then no liability is recognized until this 'minimum threshold' is reached. The same recognition principles apply in the interim financial statements as in the annual financial statements, even if this results in uneven charges over the course of the year.

The interpretation does not provide guidance on the accounting for the costs arising from recognizing the liability to pay a levy. Other K-IFRSs should be applied to determine whether the recognition of a liability to pay a levy gives rise to an asset or an expense.

The Group retrospectively applied the interpretation in accordance with the transitional requirements. The change in accounting policy had no impact on the consolidated financial statements.

(iv) Amendments to K-IFRS 1039 'Financial Instruments: Recognition and Measurement'

The Group has adopted the amendments to K-IFRS 1039 'Financial Instruments: Recognition and Measurement' since January 1, 2014. As a result, hedge accounting is not discontinued if the hedging instrument is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except as necessary for the novation. The change in accounting policy had no impact on the separate financial statements.

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4. Risk Management

The Group's risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2013.

The Group's liability to equity ratio and net borrowing to equity ratio as of June 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of won, except ratio)</i>	<u>2014</u>	<u>2013</u>
Total liabilities	₩ 36,089,879	34,175,380
Total equity	18,256,848	19,029,592
Cash and deposits(*1)	2,023,249	1,759,626
Borrowings(*2)	14,996,044	15,843,157
Liability to equity ratio	197.68%	179.59%
Net borrowing to equity ratio(*3)	71.06%	74.01%

(*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, 2014 and December 31, 2013 are summarized as follows:

<i>(In millions of won)</i>	<u>2014</u>		<u>2013</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Financial instruments	₩ 392,605	14,641	407,867	15,146
Held-for-trading investments	3,176,466	8,774	3,882,033	5,717
Financial assets at fair value through profit or loss	213,660	99,063	191,489	63,783
Available-for-sale financial assets	144,676	3,625,530	202,070	3,237,958
Others	16,295	-	8,870	-
	<u>₩ 3,943,702</u>	<u>3,748,008</u>	<u>4,692,329</u>	<u>3,322,604</u>

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6. Restricted Financial Instruments and Others

Financial instruments and others, which are restricted in use, as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

	<u>Description</u>	<u>Financial institutions</u>	<u>2014</u>	<u>2013</u>	<u>Restrictions</u>
Short-term financial assets	Investors' deposits and others	Korea Securities Finance Corporation and others	₩ 41,288	42,551	Investors' deposits and others
Trade and other receivables			376,521	357,601	
Long-term financial assets	Deposits in won	Korea Exchange Bank and others	122	201	Guarantee deposits for checking accounts
			<u>₩ 417,931</u>	<u>400,353</u>	

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

(1) Trade and other receivables as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

	<u>2014</u>		<u>2013</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Trade receivables:				
Trade receivables	₩ 5,855,750	803,464	6,097,909	805,182
Allowance for doubtful accounts	(583,564)	(390,883)	(619,521)	(321,340)
	<u>5,272,186</u>	<u>412,581</u>	<u>5,478,388</u>	<u>483,842</u>
Loan receivables:				
Loan receivables	240,909	108,287	241,668	114,218
Allowance for doubtful accounts	(410)	(5,368)	(418)	(5,237)
	<u>240,499</u>	<u>102,919</u>	<u>241,250</u>	<u>108,981</u>
Other receivables:				
Other accounts receivable	2,022,814	3,174	946,235	269
Allowance for doubtful accounts	(200,554)	(230)	(230,852)	(239)
Accrued income	48,817	-	58,383	-
Allowance for doubtful accounts	(102)	-	(102)	-
Loans	1,197	206,608	10,115	220,012
Guarantee deposits	16,697	114,284	46,932	115,362
Deposits	234,450	-	202,420	-
Receivable for finance leases	227,708	155,491	305,364	162,885
Allowance for doubtful accounts	(3,389)	(2,303)	(4,568)	(2,427)
	<u>2,347,638</u>	<u>477,024</u>	<u>1,333,927</u>	<u>495,862</u>
	<u>₩ 7,860,323</u>	<u>992,524</u>	<u>7,053,565</u>	<u>1,088,685</u>

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

- (2) Due from customers for contract work as of June 30, 2014 and December 31, 2013 are summarized as follows:

<i>(In millions of won)</i>		<u>2014</u>	<u>2013</u>
Due from customers for contract work	₩	6,646,234	6,676,658
Allowance for doubtful accounts		(1,486)	(1,546)
	₩	<u>6,644,748</u>	<u>6,675,112</u>

- (3) The movement in the allowance for impairment in respect of loans and receivables for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are as follows:

<i>(In millions of won)</i>		<u>2014</u>	<u>2013</u>
Beginning balance	₩	1,186,250	960,441
Impairment loss recognized		106,717	331,203
Reversal of impairment loss		(91,900)	(8,785)
Write-offs and others		(12,778)	(96,609)
Ending balance	₩	<u>1,188,289</u>	<u>1,186,250</u>

8. Finance Leases

- (1) Gross investment in leases and the present value of minimum lease payments receivable as of June 30, 2014 and December 31, 2013 are summarized as follows:

<i>(In millions of won)</i>		<u>2014</u>		<u>2013</u>	
		<u>Minimum lease payments</u>	<u>Unguaranteed residual value</u>	<u>Minimum lease payments</u>	<u>Unguaranteed residual value</u>
Less than one year	₩	227,708	-	305,364	-
Later than one year between five years		155,491	-	162,885	-
Total		<u>383,199</u>	<u>-</u>	<u>468,249</u>	<u>-</u>
Unearned finance income		-	-	-	-
Net investment in the lease	₩	383,199	-	468,249	-

- (2) There are no contingent rents incurred for the six-month periods ended June 30, 2014 and 2013.

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9. Inventories

Inventories as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

	2014			2013		
	Acquisition cost	Provision for inventory valuation	Carrying amount	Acquisition cost	Provision for inventory valuation	Carrying amount
Merchandise	₩ 258,150	(23,473)	234,677	290,677	(19,811)	270,866
Finished goods	760,648	(18,406)	742,242	942,392	(23,522)	918,870
Work-in-progress	1,550,268	(128,654)	1,421,614	1,440,229	(112,944)	1,327,285
Raw materials	1,743,468	(10,949)	1,732,519	1,766,794	(10,010)	1,756,784
Supplies	50,648	(760)	49,888	50,669	(799)	49,870
Materials-in-transit	1,498,549	-	1,498,549	1,805,612	-	1,805,612
	₩ 5,861,731	(182,242)	5,679,489	6,296,373	(167,086)	6,129,287

The write-down of inventories to net realizable value amounting to ₩15,156 million and the reversal of write-down amounting to ₩10,879 million are included in cost of sales for the six-month periods ended June 30, 2014 and 2013, respectively.

10. Other Assets

Other assets as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

	2014		2013	
	Current	Non-current	Current	Non-current
Advance payments	₩ 2,679,290	-	2,239,925	-
Allowance for doubtful accounts	(57)	-	(61)	-
Prepaid expenses	506,490	57,425	537,893	74,389
Plan assets	-	2,641	-	18,019
Others	2,106	13,679	2,508	14,504
	₩ 3,187,829	73,745	2,780,265	106,912

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11. Investments in Associates

(1) Investments in associates as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won, except percentage of ownership)

Associates	Location	Fiscal year end	Business	2014		2013	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
New Korea Country Club	Korea	December	Country club	40.00	₩ 33,725	40.00	₩ 33,672
Hyundai Merchant Marine Co., Ltd.	Korea	December	Shipping	-	-	20.03	69,815
Taebaek Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	35.00	6,944	35.00	7,348
Muju Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	45.00	4,872	45.00	4,873
Pyeongchang Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	23.00	3484	35.00	840
Jinan Jangsu Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	32.00	99	32.00	99
Changjuk Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	43.00	9,025	43.00	9,440
Hyundai Corporation	Korea	December	Exporting	22.36	209,525	22.36	181,389
Daesung Win-Win Fund	Korea	December	Investment service in culture contents field	23.81	10,368	23.81	10,597
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	Korea	December	Venture capital	40.00	4,477	40.00	5,561
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	Korea	December	Venture capital	37.50	8,323	37.50	5,579
The Second Partners Win-Win Investment Fund	Korea	December	Collective investment	-	-	23.33	245
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	Korea	December	Collective investment	21.21	5,222	21.21	5,177
Qinhuangdao Shouqin Metal Materials Co., Ltd.	China	December	Thick plate-oriented comprehensive iron manufacturing	20.00	-	20.00	9,433
PT. HYUNDAI MACHINERY INDONESIA	Indonesia	December	Import and wholesale of machinery equipment for construction	20.83	-	20.83	-
Hyundai Primorye Ltd.	Russia	December	Farmland leasing service	49.99	4,642	49.99	4,807
Hyundai Green Industries Co., W.L.L.	Kuwait	December	Education	49.00	882	49.00	917
Tribridge Capital Management	Cayman	December	Asset management	23.93	-	23.93	-
Mahy E-Cell	Canada	December	Manufacture of electric vehicle batteries	-	-	40.00	13,494
					₩ 301,588		₩ 363,286

During the six-month period ended June 30, 2014, the percentage of ownership of Hyundai Merchant Marine Co., Ltd. was decreased by increase in capital. Accordingly, the Group has no significant influence in Hyundai Merchant Marine Co., Ltd. and its securities have been reclassified to available-for-sale financial asset.

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11. Investments in Associates, Continued

(2) The fair value of marketable securities of associates as of June 30, 2014 and December 31, 2013 is summarized as follows:

(In millions of won)

	<u>2014</u>	<u>2013</u>
Hyundai Merchant Marine Co., Ltd.	₩ -	386,497
Hyundai Corporation	175,996	176,744

(3) Condensed financial information of associates as of June 30, 2014 and December 31, 2013 is summarized as follows:

(In millions of won)

Associates	<u>2014</u>										Dividends received from investments in associates
	Condensed financial information of Investments in Associates										
	Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity	Sales	Operating profit (loss)	Profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	
New Korea Country Club	₩ 17,283	15,673	2,200	3,117	27,639	5,494	524	632	-	632	200
Taebaek Wind Power Co., Ltd.	8,311	48,156	2,865	32,585	21,017	6,362	4,149	2,774	-	2,774	1,387
Muju Wind Power Co., Ltd.	10,579	248	-	-	10,827	-	(13)	(3)	-	(3)	-
Pyeongchang Wind Power Co., Ltd.	7,135	8,012	1	-	15,146	-	(145)	(136)	-	(136)	-
Jinan Jangsu Wind Power Co., Ltd.	308	-	-	-	308	-	(1)	(1)	-	(1)	-
Changjuk Wind Power Co., Ltd.	9,680	40,466	1,916	27,989	20,241	6,558	4,836	3,363	-	3,363	1,852
Hyundai Corporation	1,360,673	455,932	1,133,234	90,135	593,236	2,645,460	16,260	25,141	(15,123)	10,018	2,496
Daesung Win-Win Fund	39,898	3,812	165	-	43,545	1,284	960	(960)	-	(960)	-
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	3,071	9,292	1,170	-	11,193	51	(68)	(62)	-	(62)	-
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	4,502	17,869	177	-	22,194	100	(784)	(784)	-	(784)	-
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	453	24,166	-	-	24,619	202	197	213	-	213	-
Qinhuangdao Shouqin Metal Materials Co., Ltd.	600,092	1,289,636	1,771,499	171,115	(52,886)	626,387	(98,273)	(101,391)	1,340	(100,051)	-
PT. Hyundai Machinery Indonesia	14,668	965	15,761	-	(128)	16,350	961	1,753	(161)	1,592	-
HYUNDAI Primorye Ltd.	1,125	6,783	67	-	7,841	273	242	207	(538)	(331)	-
Hyundai Green Industries Co., W.L.L.	-	1,800	-	-	1,800	-	-	-	(71)	(71)	-
Tribridge Capital Management	32	-	68	-	(36)	-	(286)	(601)	(172)	(773)	-
	₩ 2,077,810	1,922,810	2,929,123	324,941	746,556	3,308,521	(71,441)	(69,855)	(14,725)	(84,580)	5,935

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11. Investments in Associates, Continued

(3) Condensed financial information of associates as of June 30, 2014 and December 31, 2013 is summarized as follows, continued:

(In millions of won)

Associates	2013										Dividends received from investments in associates
	Condensed financial information of Investments in Associates					Condensed financial information of Investments in Associates					
	Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity	Sales	Operating profit (loss)	Profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	
New Korea Country Club	₩ 15,916	16,033	1,178	3,264	27,507	11,270	1,315	1,496	-	1,496	200
Hyundai Merchant Marine Co., Ltd.	2,370,323	6,474,521	4,359,886	3,797,316	687,642	8,152,627	(330,171)	(715,318)	28,538	(686,780)	-
Taebaek Wind Power Co., Ltd.	9,287	49,413	3,949	32,546	22,205	11,595	7,684	7,292	-	7,292	-
Muju Wind Power Co., Ltd.	10,582	248	-	-	10,830	-	(23)	(13)	-	(13)	-
Pyeongchang Wind Power Co., Ltd.	1,540	860	1	-	2,399	-	(93)	(55)	-	(55)	-
Jinan Jangsu Wind Power Co., Ltd.	309	-	-	-	309	-	(2)	(1)	-	(1)	-
Changjuk Wind Power Co., Ltd.	12,232	39,420	2,498	27,968	21,186	11,818	8,423	7,675	-	7,675	-
Hyundai Corporation	1,225,562	492,569	1,017,470	106,278	594,383	5,082,502	21,956	108,246	84,700	192,946	2,496
Daesung Win-Win Fund	38,637	6,034	166	-	44,505	2,896	2,890	2,248	-	2,248	-
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	4,857	9,169	123	-	13,903	1,406	(1,907)	(1,907)	-	(1,907)	-
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	4,046	11,022	190	-	14,878	170	(576)	(576)	-	(576)	-
The Second Partners Win-Win Investment Fund	202	1,000	151	-	1,051	131	(478)	(478)	-	(478)	-
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	1,830	22,753	177	-	24,406	46	(680)	(680)	-	(680)	-
Qinhuangdao Shouqin Metal Materials Co., Ltd.	641,635	1,404,148	1,833,494	165,124	47,165	1,372,803	(156,563)	(169,937)	28,878	(141,059)	-
PT. Hyundai Machinery Indonesia	15,875	2,736	20,331	-	(1,720)	43,688	2,271	(2,116)	386	(1,730)	-
HYUNDAI Primorye Ltd.	1,043	7,200	71	-	8,172	628	547	468	(780)	(312)	-
Hyundai Green Industries Co., W.L.L.	-	1,871	-	-	1,871	-	-	-	(153)	(153)	-
Tribridge Capital Management	690	311	264	-	737	131	(246)	(246)	(6)	(252)	-
MAHY E-CELL	753	27,099	584	477	26,791	-	-	(6,453)	(2,377)	(8,830)	-
	₩ 4,355,319	8,566,407	7,240,533	4,132,973	1,548,220	14,691,711	(445,653)	(770,355)	139,186	(631,169)	2,696

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11. Investments in Associates, Continued

(4) Changes in equity-method accounted investees for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are summarized as follows:

(In millions of won)

Associates	2014					
	Beginning balance	Acquisition (disposal)	Share of profit (loss) of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
New Korea Country Club	₩ 33,672	-	253	-	(200)	33,725
Hyundai Merchant Marine Co., Ltd.	69,815	(83,469)	(13,368)	27,022	-	-
Taebaek Wind Power Co., Ltd.	7,348	-	983	-	(1,387)	6,944
Muju Wind Power Co., Ltd.	4,873	-	(1)	-	-	4,872
Pyeongchang Wind Power Co., Ltd.	840	2,672	(13)	(15)	-	3,484
Jinan Jangsu Wind Power Co., Ltd.	99	-	-	-	-	99
Changjuk Wind Power Co., Ltd.	9,440	-	1,437	-	(1,852)	9,025
Hyundai Corporation	181,389	-	11,895	18,737	(2,496)	209,525
Daesung Win-Win Fund	10,597	-	(229)	-	-	10,368
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	5,561	(1,059)	(25)	-	-	4,477
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	5,579	3,038	(294)	-	-	8,323
The Second Partners Win-Win Investment Fund(*)	245	-	(245)	-	-	-
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	5,177	-	45	-	-	5,222
Qinhuangdao Shouqin Metal Materials Co., Ltd.(*)	9,433	-	(9,234)	(199)	-	-
PT. HYUNDAI MACHINERY INDONESIA(*)	-	-	-	-	-	-
Hyundai Primorye Ltd.	4,807	-	104	(269)	-	4,642
Hyundai Green Industries Co., W.L.L.	917	-	-	(35)	-	882
Tribridge Capital Management(*)	-	-	-	-	-	-
Mahy E-Cell	13,494	(13,494)	-	-	-	-
	₩ <u>363,286</u>	<u>(92,312)</u>	<u>(8,692)</u>	<u>45,241</u>	<u>(5,935)</u>	<u>301,588</u>

(*) Application of equity method was discontinued as book value reduced to nil due to accumulated loss. The unrecognized changes in equity amounted to ₩10,612 million.

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11. Investments in Associates, Continued

(4) Changes in equity-method accounted investees for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are summarized as follows, continued:

(In millions of won)

Associates	2013					
	Beginning balance	Acquisition (disposal)	Share of profit (loss) of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
New Korea Country Club	₩ 33,305	-	567	-	(200)	33,672
Hyundai Merchant Marine Co., Ltd.	219,645	-	(129,211)	(20,619)	-	69,815
Taebaek Wind Power Co., Ltd.	4,772	-	2,576	-	-	7,348
Muju Wind Power Co., Ltd.	4,879	-	(6)	-	-	4,873
Pyeongchang Wind Power Co., Ltd.	859	-	(19)	-	-	840
Jinan Jangsu Wind Power Co., Ltd.	99	-	-	-	-	99
Changjuk Wind Power Co., Ltd.	5,838	-	3,602	-	-	9,440
Hyundai Corporation	168,896	-	17,407	(2,418)	(2,496)	181,389
Daesung Win-Win Fund	10,061	-	536	-	-	10,597
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	6,324	-	(763)	-	-	5,561
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	3,395	2,400	(216)	-	-	5,579
The Second Partners Win-Win Investment Fund	4,648	(4,338)	(65)	-	-	245
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	3,354	1,967	(144)	-	-	5,177
Qinhuangdao Shouqin Metal Materials Co., Ltd.	37,645	-	(33,987)	5,775	-	9,433
PT. HYUNDAI MACHINERY INDONESIA(*)	69	-	(66)	(3)	-	-
Hyundai Primorye Ltd.	4,963	-	234	(390)	-	4,807
Hyundai Green Industries Co., W.L.L.	992	-	-	(75)	-	917
Tribridge Capital Management(*)	6,478	-	(6,483)	5	-	-
Mahy E-Cell	10,806	6,220	(2,581)	(951)	-	13,494
	₩ <u>527,028</u>	<u>6,249</u>	<u>(148,619)</u>	<u>(18,676)</u>	<u>(2,696)</u>	<u>363,286</u>

(*) Application of equity method was discontinued as book value reduced to nil due to accumulated loss. The unrecognized changes in equity amounted to ₩358 million.

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11. Investments in Associates, Continued

(5) Reconciliation from net assets of the associates to the carrying amount of investments in associates in the Group's consolidated financial statements as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

Associates	2014						
	Ending net assets	The Group's ownership	Net value	Corporate adjustments (e.g. : goodwill etc)	Elimination of inter-segment transactions and unrealized profits and losses	Others	Ending carrying amount
New Korea Country Club	₩ 27,639	40.00%	11,055	22,670	-	-	33,725
Taebaek Wind Power Co., Ltd.	21,017	35.00%	7,356	-	(412)	-	6,944
Muju Wind Power Co., Ltd.	10,827	45.00%	4,872	-	-	-	4,872
Pyeongchang Wind Power Co., Ltd.	15,146	23.00%	3,484	-	-	-	3,484
Jinan Jangsu Wind Power Co., Ltd.	308	32.00%	99	-	-	-	99
Changjuk Wind Power Co., Ltd.	20,241	43.00%	8,704	-	321	-	9,025
Hyundai Corporation(*)	593,236	22.36%	137,434	72,262	(171)	-	209,525
Daesung Win-Win Fund	43,545	23.81%	10,368	-	-	-	10,368
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	11,193	40.00%	4,477	-	-	-	4,477
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	22,194	37.50%	8,323	-	-	-	8,323
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	24,619	21.21%	5,222	-	-	-	5,222
Qinhuangdao Shouqin Metal Materials Co., Ltd.	(52,886)	20.00%	(10,577)	-	-	10,577	-
PT. Hyundai Machinery Indonesia	(128)	20.83%	(26)	-	-	26	-
HYUNDAI Primorye Ltd.	7,841	49.99%	3,920	722	-	-	4,642
Hyundai Green Industries Co., W.L.L.	1,800	49.00%	882	-	-	-	882
Tribridge Capital Management	(36)	23.93%	(9)	-	-	9	-
	<u>₩ 747,005</u>		<u>195,584</u>	<u>95,654</u>	<u>(262)</u>	<u>10,612</u>	<u>301,588</u>

(*) The net asset value of associates represents the amount attributable to the controlling interests in the associates.

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11. Investments in Associates, Continued

(5) Reconciliation from net assets of the associates to the carrying amount of investments in associates in the Group's consolidated financial statements as of June 30, 2014 and December 31, 2013 are summarized as follows, continued:

(In millions of won)

Associates	2013						
	Ending net assets	The Group's ownership	Net value	Corporate adjustments (e.g. : goodwill etc)	Elimination of inter-segment transactions and unrealized profits and losses	Others	Ending carrying amount
New Korea Country Club	₩ 27,507	40.00%	11,002	22,670	-	-	33,672
Hyundai Merchant Marine Co., Ltd.(*1,2)	687,642	20.24%	65,901	19,110	(15,196)	-	69,815
Taebaek Wind Power Co., Ltd.	22,205	35.00%	7,772	-	(424)	-	7,348
Muju Wind Power Co., Ltd.	10,830	45.00%	4,873	-	-	-	4,873
Pyeongchang Wind Power Co., Ltd.	2,399	35.00%	840	-	-	-	840
Jinan Jangsu Wind Power Co., Ltd.	309	32.00%	99	-	-	-	99
Changjuk Wind Power Co., Ltd.	21,186	43.00%	9,110	-	330	-	9,440
Hyundai Corporation(*2)	594,383	22.36%	109,458	72,262	(331)	-	181,389
Daesung Win-Win Fund	44,505	23.81%	10,597	-	-	-	10,597
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	13,903	40.00%	5,561	-	-	-	5,561
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	14,878	37.50%	5,579	-	-	-	5,579
The Second Partners Win-Win Investment Fund	1,051	23.33%	245	-	-	-	245
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	24,406	21.21%	5,177	-	-	-	5,177
Qinhuangdao Shouqin Metal Materials Co., Ltd.	47,165	20.00%	9,433	-	-	-	9,433
PT. Hyundai Machinery Indonesia	(1,720)	20.83%	(358)	-	-	358	-
HYUNDAI Primorye Ltd.	8,172	49.99%	4,085	722	-	-	4,807
Hyundai Green Industries Co., W.L.L.	1,871	49.00%	917	-	-	-	917
Tribridge Capital Management	737	23.93%	176	-	-	(176)	-
MAHY E-CELL	26,791	40.00%	10,716	2,778	-	-	13,494
	<u>₩ 1,548,220</u>		<u>261,183</u>	<u>117,542</u>	<u>(15,621)</u>	<u>182</u>	<u>363,286</u>

(*1) The percentage of ownership for the Group is 20.03% (in the case of consideration of treasury stock, 20.24%) as of December 31, 2013.

(*2) The net asset value of associates represents the amount attributable to the controlling interests in the associates as of December 31, 2013.

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12. Investments in Joint Ventures

(1) Investments in joint ventures as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won, except percentage of ownership)

Joint ventures	Location	Fiscal year end	Business	2014		2013	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Wärtsilä-Hyundai Engine Company Ltd.	Korea	December	Manufacture, assemble and test of marine engines and parts	50.00	₩ 84,555	50.00	₩ 90,388
Hyundai Cummins Engine Company	Korea	December	Manufacture of engines	50.00	23,698	50.00	28,092
Hyundai-Avancis Co., Ltd.	Korea	December	Sale and manufacture of solar module	50.00	32,807	50.00	33,149
Hyundai Cosmo Petrochemical Co., Ltd.	Korea	December	Manufacturing of petrochemicals	50.00	115,572	50.00	146,690
Grand China Hyundai Shipping Co., Ltd.	Hong Kong	December	Acquisition, rental, lease and charter of bulk carriers	50.00	55	50.00	59
BMC Hyundai S.A.	Brazil	December	Sale of machinery equipment for construction	30.00	455	-	-
					₩ 257,142		₩ 298,378

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12. Investments in Joint Ventures, Continued

(2) Condensed financial information of joint venture as of and for the years ended June 30, 2014 and December 31, 2013 is summarized as follows:

1) Summary finance information

(In millions of won)

		2014										
		Condensed financial information of Investments in joint ventures									Dividends	
							Operating		Other	Total	received from	
Joint ventures		Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity	Sales	profit (loss)	Profit (loss)	comprehensive income (loss)	comprehensive income (loss)	investments in joint ventures
Wärtsilä-Hyundai Engine Company Ltd.	₩	385,975	50,800	267,372	168	169,235	214,717	54,389	42,527	-	42,527	27,137
Hyundai Cummins Engine Company		20,636	89,035	12,367	49,907	47,397	3,821	(9,340)	(8,787)	-	(8,787)	-
Hyundai-Avancis Co., Ltd.		22,167	47,017	450	1,158	67,576	-	(1,174)	(708)	-	(708)	-
Hyundai Cosmo Petrochemical Co., Ltd.		428,858	916,924	362,859	502,201	480,722	1,612,583	(51,639)	(66,916)	(219)	(67,135)	-
Grand China Hyundai Shipping Co., Ltd.		109	-	-	-	109	-	(5)	(5)	(5)	(10)	-
BMC Hyundai S.A.		198,716	16,075	183,699	24,900	6,192	167,416	2,611	(6,437)	128	(6,309)	-
	₩	1,056,461	1,119,851	826,747	578,334	771,231	1,998,537	(5,158)	(40,326)	(96)	(40,422)	27,137

(In millions of won)

		2013										
		Condensed financial information of Investments in joint ventures									Dividends	
							Operating		Other	Total	received from	
Joint ventures		Current assets	Non-Current assets	Current liabilities	Non-Current liabilities	Equity	Sales	profit (loss)	Profit (loss)	comprehensive income (loss)	comprehensive income (loss)	investments in joint ventures
Wärtsilä-Hyundai Engine Company Ltd.	₩	428,164	52,658	241,338	58,502	180,982	395,900	82,925	77,569	(35)	77,534	6,611
Hyundai Cummins Engine Company		7,993	80,202	11,535	20,476	56,184	-	(10,340)	(10,181)	-	(10,181)	-
Hyundai-Avancis Co., Ltd.		23,032	47,138	704	1,182	68,284	-	(8,355)	(142,576)	298	(142,278)	-
Hyundai Cosmo Petrochemical Co., Ltd.		635,113	948,297	476,418	559,135	547,857	3,329,608	28,936	840	3,045	3,885	-
Grand China Hyundai Shipping Co., Ltd.		119	-	-	-	119	-	(22)	(22)	(19)	(41)	-
	₩	1,094,421	1,128,295	729,995	639,295	853,426	3,725,508	93,144	(74,370)	3,289	(71,081)	6,611

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12. Investments in Joint Ventures, Continued

(2) Condensed financial information of joint venture as of and for the years ended June 30, 2014 and December 31, 2013 is summarized as follows, continued:

2) Additional financial information

(In millions of won)

Joint ventures	2014						
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation expense	Interest revenues	Interest expenses	Tax expense
Wärtsilä-Hyundai Engine Company Ltd.	₩ 17,034	-	-	2,267	1,085	-	10,372
Hyundai Cummins Engine Company	5,973	-	49,599	714	96	891	-
Hyundai-Avancis Co., Ltd.	2,632	211	1,158	295	315	50	-
Hyundai Cosmo Petrochemical Co., Ltd.	44,857	113,765	495,951	179	1,080	15,082	-
Grand China Hyundai Shipping Co., Ltd.	109	-	-	-	-	-	-
BMC Hyundai S.A.	2,913	34,613	24,900	385	787	9,966	-
	₩ 73,518	148,589	571,608	3,840	3,363	25,989	10,372

(In millions of won)

Joint ventures	2013						
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation expense	Interest revenues	Interest expenses	Tax expense
Wärtsilä-Hyundai Engine Company Ltd.	₩ 29,529	-	-	359	2,125	-	11,576
Hyundai Cummins Engine Company	5,812	-	20,438	519	275	254	-
Hyundai-Avancis Co., Ltd.	3,494	445	1,182	1,268	632	130	1,249
Hyundai Cosmo Petrochemical Co., Ltd.	96,947	114,156	538,534	328	1,965	29,153	-
Grand China Hyundai Shipping Co., Ltd.	119	-	-	-	-	-	-
	₩ 135,901	114,601	560,154	2,474	4,997	29,537	12,825

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12. Investments in Joint Ventures, Continued

- (3) Changes in equity method accounted joint ventures for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are summarized as follows:

(In millions of won)

Joint ventures	2014					
	Beginning balance	Acquisition (disposal)	Share of profit (loss) of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
Wärtsilä-Hyundai Engine Company Ltd. ₩	90,388	-	21,304	-	(27,137)	84,555
Hyundai Cummins Engine Company	28,092	-	(4,394)	-	-	23,698
Hyundai-Avancis Co., Ltd.	33,149	-	(342)	-	-	32,807
Hyundai Cosmo Petrochemical Co., Ltd.	146,690	-	(31,009)	(109)	-	115,572
Grand China Hyundai Shipping Co., Ltd.	59	-	(3)	(1)	-	55
BMC Hyundai S.A.	-	5,338	(4,921)	38	-	455
	₩ 298,378	5,338	(19,365)	(72)	(27,137)	257,142

(In millions of won)

Joint ventures	2013					
	Beginning balance	Acquisition (disposal)	Share of profit (loss) of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
Wärtsilä-Hyundai Engine Company Ltd. ₩	58,087	-	38,929	(17)	(6,611)	90,388
Hyundai Cummins Engine Company	12,522	20,760	(5,090)	(100)	-	28,092
KAM Corporation(*)	1,989	-	(1,989)	-	-	-
Hyundai-Avancis Co., Ltd.	104,288	-	(71,288)	149	-	33,149
Hyundai Cosmo Petrochemical Co., Ltd.	146,294	-	(1,126)	1,522	-	146,690
Grand China Hyundai Shipping Co., Ltd.	833	(753)	(12)	(9)	-	59
	₩ 324,013	20,007	(40,576)	1,545	(6,611)	298,378

- (*) The shares owned are retired with no proceeds for the purpose of capital reduction for loss recovery for the year ended December 31, 2013.

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12. Investments in Joint Ventures, Continued

- (4) Reconciliation from net assets of the joint ventures to the carrying amount of investments in joint ventures in the Group's consolidated financial statements as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

Joint ventures	2014					
	Ending net assets	The Group's ownership	Net value	Goodwill	Elimination of inter-segment transactions and unrealized profits and losses	Ending carrying amount
Wärtsilä-Hyundai Engine Company Ltd.	₩ 169,235	50%	84,618	-	(63)	84,555
Hyundai Cummins Engine Company	47,397	50%	23,698	-	-	23,698
Hyundai-Avancis Co., Ltd.	67,576	50%	33,788	-	(981)	32,807
Hyundai Cosmo Petrochemical Co., Ltd.	480,722	50%	240,361	-	(124,789)	115,572
Grand China Hyundai Shipping Co., Ltd.	109	50%	55	-	-	55
BMC Hyundai S.A.	6,192	30%	1,858	1,587	(2,990)	455
	₩ 771,231		384,378	1,587	(128,823)	257,142

(In millions of won)

Joint ventures	2013				
	Ending net assets	The Group's ownership	Net value	Elimination of inter-segment transactions and unrealized profits and losses	Ending carrying amount
Wärtsilä-Hyundai Engine Company Ltd.	₩ 180,982	50%	90,491	(103)	90,388
Hyundai Cummins Engine Company	56,184	50%	28,092	-	28,092
Hyundai-Avancis Co., Ltd.	68,284	50%	34,142	(993)	33,149
Hyundai Cosmo Petrochemical Co., Ltd.	547,857	50%	273,929	(127,239)	146,690
Grand China Hyundai Shipping Co., Ltd.	119	50%	59	-	59
	₩ 853,426		426,713	(128,335)	298,378

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13. Joint Operation

The joint operation as of June 30, 2014 is summarized as follows:

Joint operation	Main Office	Main business	2014	
			Ownership (%)	
FDH JV	Kuwait	Chemical plant		33.33

The Group holds a significant joint operation 'FDH JV' as of June 30, 2014. FDH JV is joint operation that construction of Clean Fuels Project MAB2 EPC PKG ordered by Kuwait National Petroleum Company is main arrangement. The Group holds the assets and liabilities relating to its interest in a joint operation and recognizes revenues and expenses relating to its interest in a joint operation.

14. Available-for-sale Financial Assets

Available-for-sale financial assets as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

	2014		2013	
	Current	Non-current	Current	Non-current
Listed equity securities	₩ -	3,368,017	-	2,996,716
Unlisted equity securities	-	149,439	-	160,322
Beneficiary certificates	-	48,555	-	46,469
Debt securities	144,676	25,835	202,070	10,391
Investments in capital and others(*)	-	33,684	-	24,060
	₩ 144,676	3,625,530	202,070	3,237,958

(*) As of June 30, 2014 and December 31, 2013, this includes a damage compensation joint fund, for which the use is restricted, in the amounts of ₩8,504 million and ₩6,358 million, respectively. The damage compensation joint fund is measured at the amount of cash deposits made by the Group to Korea Exchange in order to compensate for the damages that can occur from the breach of trading agreements, pursuant to the Financial Investment Services and Capital Markets Act, Section 394 and others.

During the six-month period ended June 30, 2014, the Group's percentage of ownership in its investment in Hyundai Merchant Marine Co., Ltd., which used to be an associate, decreased to below 20% due to disproportionate issuance of capital by the investee. As a result, the Group no longer has significant influence in Hyundai Merchant Marine Co., Ltd. and its investments have been reclassified to available-for-sale financial asset.

Changes in the six-month period June 30, 2014 are caused by acquisition, disposal, fair value evaluation, capital return and impairment.

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15. Investment Property

- (1) Changes in investment property for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are as follows:

(In millions of won)

		2014		
		Land	Buildings	Total
Beginning balance	₩	260,814	172,803	433,617
Acquisition and other		(16,845)	(8,617)	(25,462)
Disposals		(15,287)	-	(15,287)
Depreciation		-	(3,211)	(3,211)
Effects of movements in exchange rates		-	(82)	(82)
Ending balance	₩	<u>228,682</u>	<u>160,893</u>	<u>389,575</u>
Acquisition cost		228,682	192,878	421,560
Accumulated depreciation		-	(31,985)	(31,985)

(In millions of won)

		2013		
		Land	Buildings	Total
Beginning balance	₩	243,224	79,457	322,681
Acquisition and other		18,060	100,489	118,549
Disposals		(470)	(380)	(850)
Depreciation		-	(6,797)	(6,797)
Effects of movements in exchange rates		-	34	34
Ending balance	₩	<u>260,814</u>	<u>172,803</u>	<u>433,617</u>
Acquisition cost		260,814	207,170	467,984
Accumulated depreciation		-	(34,367)	(34,367)

- (2) Fair value evaluation was performed by independent appraiser as of January 1, 2010, date of transition to K-IFRS. As the Group has determined that changes in the fair value after that date are insignificant, the Group has not performed more recent fair value evaluation.

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16. Property, Plant and Equipment

- (1) Changes in property, plant and equipment for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are as follows:

(In millions of won)

	2014						
	Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Beginning balance	₩ 4,444,946	3,266,834	2,712,836	3,975,114	522,861	790,406	15,712,997
Acquisitions and other	33,146	30,675	71,618	116,652	325,123	157,247	734,461
Disposals	(15,945)	(3,901)	(895)	(1,237)	(207)	(1,953)	(24,138)
Depreciation	-	(55,531)	(49,694)	(210,005)	-	(130,425)	(445,655)
Effect of movements in exchange rates	(601)	(12,410)	(4,724)	(5,784)	(640)	(3,288)	(27,447)
Ending balance	₩ 4,461,546	3,225,667	2,729,141	3,874,740	847,137	811,987	15,950,218
Acquisition cost	4,462,966	4,302,052	3,722,615	7,842,438	847,137	3,013,630	24,190,838
Government grants	(1,420)	(8,754)	(1,982)	(474)	-	(713)	(13,343)
Accumulated depreciation	-	(1,067,631)	(991,492)	(3,884,189)	-	(2,199,717)	(8,143,029)
Accumulated impairment	-	-	-	(83,035)	-	(1,213)	(84,248)

(In millions of won)

	2013						
	Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Beginning balance	₩ 4,439,939	3,270,414	2,570,450	4,157,208	437,667	680,786	15,556,464
Acquisitions and other	65,197	137,984	246,962	264,065	93,295	361,697	1,169,200
Disposals	(59,040)	(15,995)	(7,405)	(3,335)	(6,087)	(4,231)	(96,093)
Depreciation	-	(109,611)	(94,252)	(435,031)	-	(246,162)	(885,056)
Impairment	-	-	-	-	-	(75)	(75)
Effect of movements in exchange rates	(1,150)	(15,958)	(2,919)	(7,793)	(2,014)	(1,609)	(31,443)
Ending balance	₩ 4,444,946	3,266,834	2,712,836	3,975,114	522,861	790,406	15,712,997
Acquisition cost	4,446,423	4,287,929	3,659,949	7,747,031	522,861	2,886,969	23,551,162
Government grants	(1,477)	(9,255)	(2,062)	(499)	-	(844)	(14,137)
Accumulated depreciation	-	(1,011,840)	(945,051)	(3,688,383)	-	(2,094,432)	(7,739,706)
Accumulated impairment	-	-	-	(83,035)	-	(1,287)	(84,322)

- (2) Construction-in-progress is related to the construction of HLV (Heavy Lifting Vessel) barge, the development and construction of Ihwa Industrial Park and construction of lubricant production facility as of June 30, 2014.

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17. Intangible Assets

- (1) Changes in goodwill for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are as follows:

(In millions of won)

		<u>2014</u>	<u>2013</u>
Beginning balance	₩	1,399,915	1,417,369
Impairment		-	(17,454)
Ending balance	₩	<u>1,399,915</u>	<u>1,399,915</u>
Acquisition cost		1,515,408	1,515,408
Accumulated impairment		(115,493)	(115,493)

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

- (2) Changes in development costs, networks and other intangible assets for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are as follows:

(In millions of won)

		<u>2014</u>						
		<u>Development costs</u>	<u>Networks</u>	<u>Customer relationships</u>	<u>Brands</u>	<u>Know-how</u>	<u>Other intangible assets</u>	
Beginning balance	₩	350,623	85,005	68,890	192,220	37,907	151,089	885,734
Acquisition and other		31,965	-	-	-	-	6,372	38,337
Disposals		-	-	-	-	-	(780)	(780)
Amortization		(33,591)	(2,563)	(6,169)	-	(1,505)	(3,018)	(46,846)
Impairment loss		-	-	-	-	-	(99)	(99)
Effect of movements in exchange rates		(166)	-	-	-	-	(934)	(1,100)
Ending balance(*)	₩	<u>348,831</u>	<u>82,442</u>	<u>62,721</u>	<u>192,220</u>	<u>36,402</u>	<u>152,630</u>	<u>875,246</u>
Acquisition cost		881,117	102,519	111,048	192,220	48,201	232,315	1,567,420
Accumulated amortization		(531,227)	(20,077)	(48,327)	-	(11,799)	(76,368)	(687,798)
Accumulated impairment		(1,059)	-	-	-	-	(3,317)	(4,376)

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17. Intangible Assets

- (2) Changes in development costs, networks and other intangible assets for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are as follows, continued:

(In millions of won)

	2013						
	Development costs	Networks	Customer relationships	Brands	Know-how	Other intangible assets	Total
Beginning balance	₩ 323,601	90,131	81,229	192,220	40,920	151,940	880,041
Acquisition and other	89,665	-	-	-	-	12,450	102,115
Disposals	-	-	-	-	-	(4,562)	(4,562)
Amortization	(62,603)	(5,126)	(12,339)	-	(3,013)	(6,215)	(89,296)
Impairment loss	-	-	-	-	-	(2,407)	(2,407)
Effect of movements in exchange rates	(40)	-	-	-	-	(117)	(157)
Ending balance(*)	₩ 350,623	85,005	68,890	192,220	37,907	151,089	885,734
Acquisition cost	849,533	102,519	111,048	192,220	48,201	228,846	1,532,367
Accumulated amortization	(497,851)	(17,514)	(42,158)	-	(10,294)	(74,440)	(642,257)
Accumulated impairment	(1,059)	-	-	-	-	(3,317)	(4,376)

(*) The carrying amount of intangible assets with indefinite useful lives is ₩284,269 million and ₩282,633 million as of June 30, 2014 and December 31, 2013, respectively.

- (3) The Group recognized impairment losses of memberships amounting to ₩99 million for the six-month period ended June 30, 2014.
- (4) Research costs amounting to ₩17,243 million and ₩11,568 million, and ordinary development costs amounting to ₩82,319 million and ₩72,006 million are included in selling, general and administrative expenses for the six-month periods ended June 30, 2014 and 2013, respectively. Amortization of capitalized development costs of ₩33,591 million and ₩29,165 million are included in the manufacturing cost and selling, general and administrative expenses for the six-month periods ended June 30, 2014 and 2013, respectively.

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18. Pledged Assets

(1) Assets pledged as collateral for the Group's borrowings as of June 30, 2014 are summarized as follows:

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

Asset	Carrying amount	Collateralized amount	Type of borrowings	Borrowings amount	Lender
Land and buildings			Long-term		KB Kookmin Bank
	KRW 84,922	KRW 76,919	borrowings	KRW 38,872	
Land	KRW 113,896		Long-term		The Korea Development
Buildings	KRW 96,731		borrowings		Bank and others
Machinery and structures	KRW 2,004,559	KRW 1,440,000		KRW 974,168	
The Korea Exchange stock			Secured loans		The Korea Securities
	KRW 3,000	KRW 10,000		-	Finance Corporation
Inventories and trade receivables	EUR 5,500	EUR 5,500	General purpose loans	EUR 4,500	BNP Paribas Fortis Bank, Belgium
Stock of MS Dandy Ltd.			Long-term		National Federation of
	-	USD 5,645	borrowings	USD 11,356	Fisheries Cooperatives
	KRW 2,303,108	KRW 1,526,919		KRW 1,013,040	
	-	USD 5,645		USD 11,356	
	EUR 5,500	EUR 5,500		EUR 4,500	

(2) The Group received payment guarantees from financial institutions covering advance payments on ships as of June 30, 2014. Regarding this, the Group collateralized its ships under construction and construction materials (see note 42).

(3) The Group collateralized ₩2,597,396 million of held-for-trading investments, ₩47,990 million of borrowed securities and ₩65,186 million of available-for-sale financial assets for loan transactions, warranty for derivative instruments and a settlement fund for stock clearing to Korea Exchange and others.

19. Short-term and Long-term Financial Liabilities

Short-term and long-term financial liabilities as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

		2014		2013	
		Current	Non-current	Current	Non-current
Borrowings	₩	7,691,606	3,828,064	10,328,520	2,624,903
Held-for-trading liabilities		1,041,411	13,256	1,147,270	9,950
Financial liability at fair value through profit or loss		68,101	644,183	106,363	377,654
Debentures		1,050,000	2,434,320	300,000	2,596,590
Discount on debentures		(792)	(7,154)	(297)	(6,559)
Deposit liabilities		324,452	-	304,417	-
Others		18,583	-	13,648	-
	₩	<u>10,193,361</u>	<u>6,912,669</u>	<u>12,199,921</u>	<u>5,602,538</u>

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20. Trade and Other Payables

Trade and other payables as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

		2014		2013	
		Current	Non-current	Current	Non-current
Trade payables	₩	4,172,691	-	4,345,971	-
Other accounts payable		2,270,403	1,632	1,261,482	1,561
Accrued expense		1,038,224	7,670	746,880	9,095
Deposits received		-	100,970	-	123,494
	₩	<u>7,481,318</u>	<u>110,272</u>	<u>6,354,333</u>	<u>134,150</u>

21. Other Liabilities

Other liabilities as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

		2014		2013	
		Current	Non-current	Current	Non-current
Unearned revenues	₩	24,457	-	16,885	-
Deferred revenues		-	37,864	-	38,595
Others		3,115	4,771	5,628	5,526
	₩	<u>27,572</u>	<u>42,635</u>	<u>22,513</u>	<u>44,121</u>

22. Borrowings and Debentures

(1) Short-term borrowings as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)	2014	2013
General loan	IBK Securities Co., Ltd and others	2.94~4.95	₩ 374,649	50,000
General Loan in foreign currency	Agricultural Bank of China and others	-	-	100,969
Call money	Woori Bank and others	2.53~2.62	85,000	163,400
Commercial paper	Shinhan Bank and others	2.62~5.00	687,300	1,201,070
Repurchase agreements sales	Korea Securities Finance Corporation and others	2.62	1,431,530	2,087,705
Invoice Loan	Mizuho Corporate Bank and others	0.73~1.18	650,746	912,159
Import loan	Agricultural Bank of China and others	0.82~1.43	286,691	575
Usance L/C	Korea Exchange Bank and others	0.46~1.59	1,784,751	1,519,214
Network loan	Export-Import Bank of Korea and others	2.90	27,860	-
Pre-shipment credit	Export-Import Bank of Korea and others	3.30~3.40	500,000	1,470,000
Other borrowings from KSFC	Korea Securities Finance Corporation	-	-	5,000
Borrowings from margin loans	Korea Securities Finance Corporation	2.85	333	59,779
Loan in foreign currency	Mizuho Corporate Bank and others	Libor(1M)+0.85~12.40	609,845	791,443
			<u>6,438,705</u>	<u>8,361,314</u>
Current portion of long-term borrowings			1,252,901	1,967,206
			₩ <u>7,691,606</u>	<u>10,328,520</u>

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22. Borrowings and Debentures, Continued

(2) Long-term borrowings as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)	2014	2013
General loan	Hana Bank and others	3.00~3.85 ₩	450,000	200,000
Commercial paper	SK Securities Co., Ltd and others	3.04~3.59	1,600,000	2,140,000
General Loan in foreign currency	Hana Bank	2.18	202,880	211,060
National Housing Fund	KB Kookmin Bank	2.70	38,872	39,583
Energy rationalization Environment improvement fund	The Korea Development Bank	1.75	4,149	4,572
General fund for equipment	The Korea Development Bank and others	3.20	1,734	2,070
Business loans(*)	Korea National Oil Corporation	3.46~4.60	1,144,168	1,149,104
Pre-shipment credit	Export-Import Bank of Korea	0.75~3.75	10,708	11,140
Loan in foreign currency	Export-Import Bank of Korea	3.30~3.60	1,200,000	430,000
Current portion	Standard Chartered Bank and others	Libor(1M)+1.10 ~6.15	428,454	404,580
			<u>(1,252,901)</u>	<u>(1,967,206)</u>
			<u>₩ 3,828,064</u>	<u>2,624,903</u>

(*) As of June 30, 2014, the consortium that included the Group decided to withdraw from its oil development business in the 4 mining areas in Yemen and Kazakhstan mining development business through sale of shares. The maturities of business loans (₩10,708 million and ₩11,140 million as of June 30, 2014 and December 31, 2013, respectively) from Korea National Oil Corporation are not readily determinable since the decision on redemptions of business loans are still being deliberated by the supervisory institution.

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22. Borrowings and Debentures, Continued

(3) Debentures as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

Description	Maturity	Annual interest rate (%)		2014	2013
113th debenture	2015-02-17	3.96	₩	500,000	500,000
114th -1 debenture	2015-07-24	3.23		300,000	300,000
114th -2 debenture	2017-07-24	3.35		400,000	400,000
116th -1 debenture	2017-02-26	3.14		200,000	-
116th -2 debenture	2019-02-26	3.45		300,000	-
Foreign currency bond	2016-06-10	1.14		304,320	316,590
98th debenture	2014-02-02	-		-	100,000
103rd debenture	2014-07-03	6.80		100,000	100,000
105th debenture	2015-06-28	5.75		200,000	200,000
106th debenture	2014-04-14	-		-	100,000
108th debenture	2015-01-25	3.98		150,000	150,000
109th debenture	2015-03-27	4.08		100,000	100,000
110th debenture	2017-07-20	3.52		300,000	300,000
111th -1 debenture	2016-10-23	3.24		100,000	100,000
111th -2 debenture	2019-10-23	3.52		100,000	100,000
112th -1 debenture	2018-01-27	3.35		150,000	-
112th -2 debenture	2019-01-27	3.59		50,000	-
113th debenture	2018-06-25	3.01		100,000	-
1st -1 subordinated bonds	2018-03-11	4.88		60,000	60,000
1st -2 subordinated bonds	2019-09-11	5.18		40,000	40,000
2nd subordinated bonds	2019-10-31	5.30		30,000	30,000
				3,484,320	2,896,590
Discount on debentures				(7,946)	(6,856)
Current portion				(1,050,000)	(300,000)
Discount on current portion				792	297
			₩	2,427,166	2,590,031

(4) Aggregate maturities of the Group's borrowings and debentures as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

Periods		2014		
		Borrowings	Debentures	Total
2014.07.01 ~ 2015.06.30	₩	7,691,606	1,050,000	8,741,606
2015.07.01 ~ 2019.06.30		3,467,109	2,264,320	5,731,429
2019.07.01 and thereafter		360,955	170,000	530,955
	₩	11,519,670	3,484,320	15,003,990

(In millions of won)

Periods		2013		
		Borrowings	Debentures	Total
2014.01.01 ~ 2014.12.31	₩	10,328,520	300,000	10,628,520
2015.01.01 ~ 2018.12.31		2,211,676	2,426,590	4,638,266
2019.01.01 and thereafter		413,227	170,000	583,227
	₩	12,953,423	2,896,590	15,850,013

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22. Borrowings and Debentures, Continued

(5) Issues and repayments during the six-month period ended June 30, 2014

(In millions of won)

	2014		
	Borrowings	Debentures	Total
Beginning balance	₩ 12,953,423	2,889,734	15,843,157
Issues	17,404,994	797,021	18,202,015
Repayments	(18,696,985)	(200,000)	(18,896,985)
Effect of movements in exchange rates	(141,762)	(12,270)	(154,032)
Amortization of discount on debentures	-	1,889	1,889
Ending balance	₩ <u>11,519,670</u>	<u>3,476,374</u>	<u>14,996,044</u>

23. Employee Benefits

(1) Recognized liabilities for defined benefit obligations as of June 30, 2014 and December 31, 2013 are as follows:

(In millions of won)

	2014	2013
Present value of defined benefit obligations	₩ 1,594,385	1,483,146
Fair value of plan assets(*)	(1,344,958)	(1,319,193)
	₩ <u>249,427</u>	<u>163,953</u>

(*) The fair value of plan assets in excess of the present value of the related defined benefit obligation is presented in other non-current assets, and the fair values of such plan assets amount to ₩1,347,599 million and ₩1,337,212 million as of June 30, 2014 and December 31, 2013, respectively.

(2) Plan assets as of June 30, 2014 and December 31, 2013 are as follows:

(In millions of won)

	2014	2013
Retirement pension	₩ 1,333,802	1,323,267
Transfer to National Pension Fund	13,797	13,945
	₩ <u>1,347,599</u>	<u>1,337,212</u>

(3) Expenses recognized in profit or loss for the three-month and six-month periods ended June 30, 2014 and 2013 are as follows:

(In millions of won)

	2014		2013	
	Three-month period	Six-month period	Three-month period	Six-month period
Current service costs	₩ 47,996	103,180	50,140	100,727
Interest on obligations	13,396	26,809	11,824	23,343
Past service costs	(172)	-	-	-
Expected return on plan assets	(12,492)	(24,986)	(10,056)	(20,250)
Contributions	77	133	80	175
	₩ <u>48,805</u>	<u>105,136</u>	<u>51,988</u>	<u>103,995</u>

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23. Employee Benefits, Continued

- (4) Changes in the defined benefit obligations for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Beginning balance	₩ 1,483,146	1,395,997
Current service costs	103,180	208,552
Interest on obligations	26,809	48,406
Benefits paid	(19,262)	(83,494)
Transfers from related parties	1,070	5,623
Effect of movements in exchange rates	(558)	186
Actuarial losses in other comprehensive income (loss) :		
Demographic assumption	-	(1,105)
Financial assumption (discount rate and future wage increase)	-	(105,517)
Experience adjustment	-	14,498
Ending balance	₩ <u>1,594,385</u>	<u>1,483,146</u>

- (5) Changes in the plan assets for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are as follows:

<i>(In millions of won)</i>	2014	2013
Beginning balance	₩ 1,337,212	1,145,817
Benefits paid	(15,648)	(49,515)
Contributions paid into the plan	1,049	202,163
Expected return on plan assets	24,986	39,964
Actuarial gains in other comprehensive income (loss)	-	(1,217)
Ending balance	₩ <u>1,347,599</u>	<u>1,337,212</u>

- (6) Reasonably possible changes as of December 31, 2013 to the each relevant actuarial assumption would have affected the defined benefit obligation by the amounts shown below.

<i>(In millions of won)</i>	2013	
	Increase	Decrease
Discount rate (1% change)	₩ (96,966)	112,268
Future salary increase rate (1% change)	100,749	(88,697)

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24. Long-term Provisions

Changes in long-term provisions for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are as follows:

(In millions of won)

		2014			
		Provision for construction warranty	Provision for product warranty	Other Provision	Total
Beginning balance	₩	357,976	130,805	64,136	552,917
Additions		24,423	81,673	15,743	121,839
Reversals		(36,474)	(15,683)	(1,937)	(54,094)
Utilization		(22,896)	(39,325)	(33,090)	(95,311)
Effect of in exchange movements rates		(412)	(3,226)	(1,454)	(5,092)
Ending balance	₩	<u>322,617</u>	<u>154,244</u>	<u>43,398</u>	<u>520,259</u>

(In millions of won)

		2013			
		Provision for construction warranty	Provision for product warranty	Other Provision	Total
Beginning balance	₩	233,870	124,252	36,925	395,047
Additions		160,118	130,215	53,102	343,435
Reversals		(12,420)	(38,845)	(15,968)	(67,233)
Utilization		(23,531)	(84,940)	(8,661)	(117,132)
Effect of in exchange movements rates		(61)	123	(1,262)	(1,200)
Ending balance	₩	<u>357,976</u>	<u>130,805</u>	<u>64,136</u>	<u>552,917</u>

25. Derivative Financial Instruments

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

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

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

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25. Derivative Financial Instruments, Continued

(2) Terms of derivative contracts as of June 30, 2014 are as follows:

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

Description	Type	Currency		Contract amount	Weighted average exchange rate	Average maturities	Number of contracts
		Sell	Buy				
Fair value	Foreign currency	EUR	KRW	3,526	1,480.79	2015-08-09	4
hedge	forward	USD	KRW	16,871,972	1,103.96	2015-08-05	2,750
Cash flow	Foreign currency	EUR	KRW	27,409	1,452.31	2014-11-05	10
hedge	forward	KRW	EUR	6,235	1,520.66	2015-11-02	7
		KRW	USD	1,366,975	1,109.75	2015-02-27	126
		USD	CHF	1,691	1.11	2015-03-11	14
		USD	EUR	415,234	0.75	2014-12-31	117
		USD	GBP	622	0.61	2015-08-17	5
		USD	JPY	109,720	93.17	2015-06-27	19
		USD	KRW	1,018,269	1,063.81	2014-12-16	70
		USD	NOK	61,585	6.03	2014-10-03	14
	Interest rate swap	KRW	KRW	65,000	-	2020-11-20	2
For trading	Foreign currency	KRW	USD	454,107	1,018.18	2014-07-17	25
	forward	USD	KRW	95,073	1,021.07	2014-07-20	5
	Foreign currency	USD	KRW	740	1,019.55	2014-07-21	74
	futures	USD	CNY	200	6.25	2014-09-12	2
	Interest rate swap	KRW	KRW	370,000	-	2016-01-28	18
		USD	USD	55,000	-	2015-07-13	3
	Interest rate futures	KRW	KRW	769,643	-	2014-09-16	6,823
	Index futures	KRW	KRW	27,065	-	2014-09-11	207
	Index options	KRW	KRW	137	-	2014-07-10	6,571
	Stock Warrants	KRW	KRW	1,080	-	2016-09-22	2
	Commodity futures	USD	USD	1,425	-	2014-10-20	15
	Stock option	KRW	KRW	693,926	-	2015-04-21	130

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

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

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25. Derivative Financial Instruments, Continued

(3) Book value related to derivatives as of June 30, 2014 is as follows:

(In millions of won)

Description	Type	Financial assets or liabilities at fair value											
		Derivatives				through profit or loss				Firm commitment			
		Assets		Liabilities		Assets		Liabilities		Assets		Liabilities	
Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current		
Fair value hedge	Foreign currency forward	₩ 778,230	462,454	4,237	541	-	-	-	-	1,131	541	502,288	447,740
Cash flow hedge	Foreign currency forward	48,736	5,724	92,374	21,331	-	-	-	-	-	-	-	-
	Interest rate swap	-	-	-	4,200	-	-	-	-	-	-	-	-
For trading	Foreign currency forward	-	-	-	-	1,328	-	1,987	-	-	-	-	-
	Foreign currency futures	-	-	-	-	-	-	-	-	-	-	-	-
	Interest rate swap	-	-	-	-	-	75	292	520	-	-	-	-
	Index option	-	-	-	-	67	-	70	-	-	-	-	-
	Stock warrants	-	-	-	-	83	493	-	-	-	-	-	-
	Commodity futures	-	-	-	-	-	-	53	-	-	-	-	-
	Stock option	-	-	-	-	1,145	8,206	24	12,736	-	-	-	-
		₩ 826,966	468,178	96,611	26,072	2,623	8,774	2,426	13,256	1,131	541	502,288	447,740

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25. Derivative Financial Instruments, Continued

(4) Gain and loss on valuation and transaction of derivatives for the six-month period ended June 30, 2014 are as follows, continued

(In millions of won)

Description	Type	Increase (decrease) to sales	Increase (decrease) to cost of sales	Increase to finance income	Increase to finance costs	Increase to other non- operating income	Increase to other non- operating expenses	Accumulated other comprehensive income (loss)
Fair value hedge	Foreign currency forward	₩ 339,310	-	915,127	38,074	9,588	798,095	-
Cash flow hedge	Foreign currency forward	34,965	(37,179)	-	-	-	-	(20,915)
	Interest rate swap	-	-	-	-	-	-	477
For trading	Foreign currency forward	1,209	-	18,953	42,130	-	-	-
	Foreign currency futures	993	731	93	106	-	-	-
	Interest rate swap	114	734	2,973	7,306	-	-	-
	Interest rate futures	15,800	5,383	-	-	-	-	-
	Index futures	10,712	4,737	-	-	-	-	-
	Index option	4,370	3,640	-	-	-	-	-
	Stock warrants	395	404	-	-	-	-	-
	Commodity futures	34	101	-	-	-	-	-
	Product forward	-	-	1,599	1,026	-	-	-
	Stock option	13,809	4,270	-	-	-	-	-
		₩ <u>421,711</u>	<u>(17,179)</u>	<u>938,745</u>	<u>88,642</u>	<u>9,588</u>	<u>798,095</u>	<u>(20,438)</u>

As of June 30, 2014, the Group applies cash flow hedge accounting, out of which the Group accounted for the effective portion of the hedge amounting to ₩(-)15,492 million, after netting off deferred tax adjustment of ₩(-)4,947 million and non-controlling interest portion of ₩(-)1 million, as gain (loss) on valuation of derivatives in accumulated other comprehensive income (loss).

The expected period of exposure to cash flow risk, where cash flow hedge accounting is applied, is approximately within 77 months.

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26. Capital and Capital Surplus

- (1) The Group is authorized to issue 160,000,000 shares of capital stock (par value ₩5,000), and as of June 30, 2014 and December 31, 2013, 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, 2014.
- (2) Capital surplus
Capital surplus is comprised of paid-in capital in excess of par value, capital surplus related to acquisition or disposal of interests in subsidiaries and investments in associates, and other capital surplus of the Company. Other capital surplus of the Company is derived from various sources including gains arising from previous business combination, and gains on disposal of treasury stocks and others. Capital surplus is only available for the reduction of accumulated deficit or transfer to capital stock. There have been no changes in the capital surplus for the six-month period ended June 30, 2014.
- (3) Dividends
Dividends which have been paid by the Company by resolution of the general meeting of shareholders for the six-month periods ended June 30, 2014 and 2013 are as follows:

(In millions of won)

	<u>2014</u>	<u>2013</u>
₩2,000 per common stock (₩2,500 for 2013) ₩	122,577	153,221

27. Treasury Stock

- (1) Treasury stock of the Company as of June 30, 2014 and December 31, 2013 is summarized as follows:

(In millions of won, except share data)

	<u>2014</u>			<u>2013</u>		
	<u>Number of shares</u>	<u>Acquisition cost</u>	<u>Fair value</u>	<u>Number of shares</u>	<u>Acquisition cost</u>	<u>Fair value</u>
Treasury stock	14,711,560	₩ 1,400,455	2,603,046	14,711,560	₩ 1,400,455	3,780,871

- (2) As of June 30, 2014, 6,063,000 of the Company's shares valued at ₩236,721 million at acquisition cost and ₩1,073,151 million at fair value are owned by Hyundai Mipo Dockyard Co., Ltd., a subsidiary of the Group. The Group recorded its portion as treasury stock in capital adjustments, in the amount of ₩103,708 million.

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28. Accumulated Other Comprehensive Income (Loss)

- (1) Accumulated other comprehensive income (loss) as of June 30, 2014 and December 31, 2013 is summarized as follows:

(In millions of won)

		<u>2014</u>	<u>2013</u>
Change in fair value of available-for-sale financial assets	₩	1,282,232	1,264,447
Effective portion of changes in fair value of cash flow hedges		(50,203)	(34,711)
Exchange differences on translating foreign operations		(61,661)	(8,302)
Change in equity of equity method investments		77,363	18,539
	₩	<u>1,247,731</u>	<u>1,239,973</u>

- (2) Other comprehensive income (loss) for the three-month and six-month periods ended June 30, 2014 and 2013 is as follows:

(In millions of won)

	2014						
	Other comprehensive Income (loss)		Owners of the Company		Non-controlling interests		
	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period	
Change in fair value of available-for-sale financial assets	₩	(69,400)	36,021	(84,214)	17,785	14,814	18,236
Effective portion of changes in fair value of cash flow hedges		(21,128)	(15,492)	(21,047)	(15,493)	(81)	1
Exchange differences on translating foreign operations		(56,393)	(67,775)	(42,982)	(53,359)	(13,411)	(14,416)
Change in equity of equity method investments		19,839	58,815	20,155	58,824	(316)	(9)
Change in retained earnings of equity method investments		810	8,547	810	8,420	-	127
	₩	<u>(126,272)</u>	<u>20,116</u>	<u>(127,278)</u>	<u>16,177</u>	<u>1,006</u>	<u>3,939</u>

(In millions of won)

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

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29. Retained Earnings

Retained earnings as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

	<u>2014</u>	<u>2013</u>
Legal reserves:		
Legal appropriated retained earnings	₩ 190,000	190,000
Reserve for corporate development	30,000	30,000
Asset revaluation surplus	1,800,414	1,800,414
	<u>2,020,414</u>	<u>2,020,414</u>
Voluntary reserves:		
Reserve for business rationalization	87,277	87,277
Reserve for facilities	78,270	78,270
Reserve for research and human development	626,667	570,000
Others	12,068,839	11,758,088
	<u>12,861,053</u>	<u>12,493,635</u>
Unappropriated retained earnings	755,437	1,779,050
	<u>₩ 15,636,904</u>	<u>16,293,099</u>

30. Acquisitions of Subsidiary and Non-controlling Interests

- (1) There were no business combination transactions during the six-month period ended June 30, 2014 and the year ended December 31, 2013.
- (2) Details of changes in the Group's interests in subsidiaries which did not result in a change in control during the six-month period ended June 30, 2014 are as follows:
 - (i) There were no increases in ownership.
 - (ii) Decreases in ownership

(In millions of won)

<u>Company</u>	<u>Ownership before transaction (%)</u>	<u>Ownership after transaction (%)</u>	<u>Changes in equity grounds</u>	<u>Original cost and others</u>	<u>Increase in non-controlling interests</u>	<u>Increase in controlling interest</u>
Hyundai Mipo Dockyard Co., Ltd.	45.21%	45.21%	Disposal	₩ 111	77	34
Hyundai Heavy Industries Brasil - Real Estate Developments	100.00%	97.09%	Stock exchange	911	663	248
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	100.00%	97.09%	Stock exchange	4,427	3,130	1,297
				<u>₩ 5,449</u>	<u>3,870</u>	<u>1,579</u>

- (3) There were no losses of a control of subsidiaries during the six-month period ended June 30, 2014.

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31. Outstanding Contracts

(1) Sales for the three-month and six-month periods ended June 30, 2014 and 2013 are as follows:

(In millions of won)

		2014		2013	
		Three-month period	Six-month period	Three-month period	Six-month period
Construction contracts	₩	5,259,974	10,719,596	5,914,327	11,311,927
Goods sold		7,334,396	15,152,735	6,948,323	14,418,668
Services		53,766	140,265	51,035	172,348
Financial service					
Interest income		45,918	96,096	47,752	91,417
Dividend income		393	1,062	320	4,299
Commission income		36,044	72,283	35,786	67,100
Gain on valuation of financial instruments		22,711	38,749	24,928	36,415
Gain on disposal of financial instruments		54,034	105,499	60,147	118,386
Other operating income		4,264	5,986	8,396	13,338
	₩	<u>12,811,500</u>	<u>26,332,271</u>	<u>13,091,014</u>	<u>26,233,898</u>

(2) Changes in outstanding contracts for the six-month period ended June 30, 2014 are as follows:

(In millions of won)

		Shipbuilding	Others	Total
Beginning balance(*)	₩	30,536,740	19,316,142	49,852,882
Increase during the period		7,883,459	19,701,275	27,584,734
Recognized as revenue		(8,169,947)	(18,162,324)	(26,332,271)
Ending balance	₩	<u>30,250,252</u>	<u>20,855,093</u>	<u>51,105,345</u>

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

As of June 30, 2014, the Group has provided a certain amount of financial institution guarantee deposits or letters of guarantee from various financial institutions to the customers, in connection with construction contracts.

(3) Accumulated profit and loss of construction and others connected with construction in progress as of June 30, 2014 are as follows:

(In millions of won)

		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit and loss of construction	Billed receivables on construction contracts	Unbilled receivables on construction contracts	Due to customers for contract work
Shipbuilding	₩	13,551,141	14,023,904	(472,763)	1,143,940	5,615,254	5,181,189
Others		15,684,583	14,807,639	876,944	548,079	1,029,494	3,032,338
	₩	<u>29,235,724</u>	<u>28,831,543</u>	<u>404,181</u>	<u>1,692,019</u>	<u>6,644,748</u>	<u>8,213,527</u>

Among the receivables on construction contracts, the amount of retentions according to the contract terms is ₩133,648 million.

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32. Operating Segments

The Group has 10 reportable segments, as described below, which are its strategic business units. The policies of strategic business units are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2013.

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

Information about these reportable segments is as follows:

- (1) The financial performance of each reportable segment for the six-month periods ended June 30, 2014 and 2013 is as follows:

(In millions of won)

	2014				
	Sales	Inter-segment sales	Operating profit (loss)	Profit (Loss)	Depreciation
Shipbuilding	₩ 8,575,087	(405,139)	(767,115)	(563,534)	161,670
Offshore and Engineering	1,903,030	(428)	(402,274)	(400,687)	25,963
Industrial Plant and Engineering	937,417	(68,104)	(272,798)	(277,849)	5,783
Engine and Machinery	1,012,535	(283,503)	2,913	16,252	41,887
Electro Electric Systems	1,271,571	(112,322)	59,203	41,623	25,542
Construction Equipment	2,029,840	(367,401)	60,649	43,151	22,046
Green Energy	157,908	(2,265)	(9,530)	2,576	12,538
Financial Services	324,831	(5,170)	17,318	13,634	3,215
Oil Refining	13,521,800	(2,265,534)	137,900	63,090	121,020
Others	236,902	(128,784)	(148,430)	(23,501)	32,421
Consolidation adjustments(*)	(3,638,650)	3,638,650	29,554	377,665	(3,219)
	₩ 26,332,271	-	(1,292,610)	(707,580)	448,866

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

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32. Operating Segments, Continued

- (1) The financial performance of each reportable segment for the six-month periods ended June 30, 2014 and 2013 is as follows, continued:

(In millions of won)

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

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

- (2) The assets and liabilities of each segment as of June 30, 2014 and December 31, 2013 are as follows:

(In millions of won)

		2014		2013	
		Total assets	Total liabilities	Total assets	Total liabilities
Shipbuilding	₩	21,540,488	11,422,090	21,879,016	10,366,240
Offshore and Engineering		2,914,326	1,558,803	2,599,292	1,156,114
Industrial Plant and Engineering		2,189,056	3,023,224	1,452,877	2,170,197
Engine and Machinery		1,862,948	1,108,810	1,904,309	898,388
Electro Electric Systems		2,002,897	805,584	1,996,945	695,689
Construction Equipment		2,865,338	1,197,691	3,275,336	1,544,634
Green Energy		763,581	75,540	755,227	75,504
Financial Services		6,799,080	5,547,244	6,499,930	5,213,830
Oil Refining		9,334,153	5,946,254	9,413,841	6,173,808
Others		14,469,091	7,213,159	14,542,577	7,699,986
Consolidation adjustments(*)		(10,394,230)	(1,808,520)	(11,114,378)	(1,819,010)
	₩	<u>54,346,728</u>	<u>36,089,879</u>	<u>53,204,972</u>	<u>34,175,380</u>

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

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32. Operating Segments, Continued

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

(i) Sales for the six-month periods ended June 30, 2014 and 2013

(In millions of won)

	2014		2013	
	Sales	Inter-segment sales	Sales	Inter-segment sales
Korea	₩ 24,745,234	(2,621,445)	26,121,231	(3,030,348)
North America	224,188	(1,316)	316,418	(1,298)
Asia	4,654,758	(1,008,562)	3,171,341	(623,710)
Europe	218,091	(7,237)	225,482	(22,469)
Others	128,650	(90)	77,251	-
Consolidation adjustments(*)	(3,638,650)	3,638,650	(3,677,825)	3,677,825
	₩ <u>26,332,271</u>	<u>-</u>	<u>26,233,898</u>	<u>-</u>

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

(ii) Non-current assets as of June 30, 2014 and December 31, 2013

(In millions of won)

	2014	2013
Korea	₩ 16,280,135	16,049,646
North America	119,831	129,355
Asia	400,022	433,148
Europe	109,352	116,343
Others	132,211	125,887
	<u>17,041,551</u>	<u>16,854,379</u>
Consolidation adjustments(*1)	1,573,403	1,577,884
Total(*2)	₩ <u>18,614,954</u>	<u>18,432,263</u>

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

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

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33. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three-month and six-month periods ended June 30, 2014 and 2013 are as follows:

(In millions of won)

	2014		2013	
	Three-month period	Six-month period	Three-month period	Six-month period
Salaries	₩ 158,249	320,771	160,918	328,045
Post-employment benefit costs	9,614	24,758	10,750	21,824
Employee welfare	35,399	74,608	35,716	72,199
Depreciation	23,262	45,869	23,217	45,676
Bad debt expenses (reversal of bad debt allowance)	(27,913)	29,438	202,835	306,821
Ordinary development costs	42,361	82,319	40,327	72,006
Advertising	13,861	31,989	24,079	34,286
Printing	805	1,687	837	1,713
Warranty expenses (reversal)	(383)	46,070	44,216	82,884
Insurance	3,999	7,670	4,320	8,448
Supplies	4,207	7,688	3,572	7,698
Utilities	1,282	4,166	2,973	5,607
Repairs	277	2,595	1,701	3,533
Travel	7,314	13,568	8,392	14,807
Research	9,118	17,243	6,219	11,568
Training	4,137	7,555	3,296	5,250
Service contract expenses	19,536	38,151	18,578	37,667
Transportation	52,046	104,780	65,642	128,395
Rent	13,351	27,651	14,523	27,008
Data processing	7,573	12,528	6,765	11,286
Entertainment	2,858	6,481	3,729	7,310
Taxes and dues	9,499	17,453	9,328	18,089
Service charges	32,066	60,745	24,727	52,777
Automobile maintenance	2,971	6,038	3,199	6,352
Sales commissions	10,715	30,576	23,858	40,817
Others	25,562	51,784	28,379	52,735
	₩ <u>461,766</u>	<u>1,074,181</u>	<u>772,096</u>	<u>1,404,801</u>

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34. Nature of Expenses

The classification of expenses by nature for the three-month and six-month periods ended June 30, 2014 and 2013 is as follows:

(In millions of won)

	2014		2013	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	₩ 306,278	421,344	(21,118)	(38,683)
Purchase of inventories	7,900,136	15,983,519	9,331,336	17,832,633
Depreciation	225,078	448,866	221,219	440,643
Amortization	23,211	46,846	21,149	42,478
Labor cost	807,561	1,622,043	798,353	1,590,538
Other expenses	4,652,969	9,102,263	2,451,105	5,699,604
	₩ <u>13,915,233</u>	<u>27,624,881</u>	<u>12,802,044</u>	<u>25,567,213</u>

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

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35. Finance Income and Finance Costs

Finance income and finance costs for the three-month and six-month periods ended June 30, 2014 and 2013 are as follows:

(In millions of won)

	2014		2013	
	Three-month period	Six-month period	Three-month period	Six-month period
Finance income:				
Interest income	₩ 23,805	46,887	35,323	67,500
Gain on valuation of financial instruments at fair value through profit or loss	1,417	500	2,849	3,667
Gain on disposal of financial instruments at fair value through profit or loss	1,922	20,160	18,359	43,227
Gain on disposal of available-for-sale financial assets	-	314	37	37
Dividend income	-	35,132	1,022	34,733
Gain on foreign currency translation	44,255	171,362	111,704	358,747
Gain on foreign currency transactions	175,882	305,748	206,408	383,495
Gain on valuation of derivatives	892,816	773,109	3,803	6,017
Gain on derivatives transactions	140,501	144,976	3,275	13,581
Others	17	17	26	26
	₩ <u>1,280,615</u>	<u>1,498,205</u>	<u>382,806</u>	<u>911,030</u>
Finance costs:				
Interest expense	₩ 56,678	128,530	80,378	162,334
Loss on valuation of financial instruments at fair value through profit or loss	-	3,536	6,111	11,494
Loss on disposal of financial instruments at fair value through profit or loss	29,547	41,506	14,125	26,421
Loss on disposal of available-for-sale financial assets	6	15	6	13
Impairment loss on available-for-sale financial assets	10,995	12,027	59,955	110,368
Loss on foreign currency translation	173,246	226,185	110,131	230,172
Loss on foreign currency transactions	160,230	283,570	243,016	424,453
Loss on valuation of derivatives	-	9,448	334,809	764,685
Loss on derivatives transactions	308	36,037	92,928	145,758
Others	47	47	-	-
	₩ <u>431,057</u>	<u>740,901</u>	<u>941,459</u>	<u>1,875,698</u>

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36. 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, 2014 and 2013 are as follows:

(In millions of won)

	2014		2013	
	Three-month period	Six-month period	Three-month period	Six-month period
Other non-operating income:				
Gain on disposal of investments in associates	₩ 210,892	210,892	-	-
Gain on disposal of investment property	213	213	-	-
Gain on disposal of property, plant and equipment	1,283	3,421	2,076	4,527
Gain on disposal of intangible assets	-	-	-	118
Gain on valuation of firm commitments	-	9,588	386,434	792,107
Reversal of allowance for other doubtful accounts	25,886	25,906	-	-
Others	40,634	140,881	35,338	62,365
	₩ 278,908	390,901	423,848	859,117
Other non-operating expenses:				
Service charges	₩ 2,387	4,472	4,367	7,522
Loss on disposal of investments in associates	2,622	8,654	-	-
Loss on disposal of property, plant and equipment	4,055	5,843	2,611	9,424
Loss on disposal of intangible assets	-	13	3	188
Impairment loss on intangible assets	99	99	400	900
Loss on valuation of firm commitments	907,579	798,095	868	4,934
Other bad debt expenses	516	856	-	-
Donation	19,389	35,603	5,797	16,890
Others	18,411	35,968	45,884	66,536
	₩ 955,058	889,603	59,930	106,394

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37. Income Tax Expense (Income)

The component of income tax expense (income) for the six-month periods ended June 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>		<u>2014</u>	<u>2013</u>
Current tax expense	₩	43,664	280,349
Adjustment for prior periods		(4,710)	(75,909)
Origination and reversal of temporary differences		(381,083)	(129,818)
Income tax recognized in other comprehensive income (loss)		(12,356)	(23,139)
Total income tax expense (income)	₩	<u>(354,485)</u>	<u>51,483</u>
Effective tax rate		<u>(*)</u>	<u>11.75%</u>

(*) Effective tax rate is not calculated since income tax expense is negative.

38. Earnings (Losses) per Share

(1) Basic earnings (losses) per share for the three-month and six-month periods ended June 30, 2014 and 2013 are as follows:

		<u>2014</u>		<u>2013</u>	
		<u>Three-month period</u>	<u>Six-month period</u>	<u>Three-month period</u>	<u>Six- month period</u>
Profit (loss) attributable to owners of the Company <i>(In millions of won)</i>	₩	(489,031)	(547,350)	98,184	416,602
Weighted average number of ordinary shares outstanding <i>(In thousands of shares)</i>		<u>55,225</u>	<u>55,225</u>	<u>55,225</u>	<u>55,225</u>
Earnings (losses) per share <i>(In won)</i>	₩	<u>(8,855)</u>	<u>(9,911)</u>	<u>1,778</u>	<u>7,544</u>

(2) The weighted average number of ordinary shares for the three-month and six-month periods ended June 30, 2014 is as follows:

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

(3) Since there are no dilutive potential common shares for the three-month and six-month periods ended June 30, 2014 and 2013, diluted earnings per share have not been calculated.

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39. Cash Flows from Operations

Cash generated from operations for six-month periods ended June 30, 2014 and 2013 are summarized as follows:

<i>(In millions of won)</i>	<u>2014</u>	<u>2013</u>
Profit (loss) for the period	₩ (707,580)	386,562
Adjustments for:		
Post-employment benefit costs	105,003	103,820
Depreciation	448,866	440,643
Amortization	46,846	42,478
Bad debt expenses	29,438	306,821
Compensation expenses associated with stock options	(5,546)	(1,863)
Finance income	(1,027,304)	(470,701)
Finance costs	445,053	1,323,424
Other non-operating income	(335,700)	(815,076)
Other non-operating expenses	816,749	23,868
Share of loss of equity accounted investees	28,057	16,694
Income tax expense (income)	(354,485)	51,483
Finance income (sales)	(138,152)	(145,932)
Finance costs (cost of sales)	91,653	94,346
Changes in assets and liabilities:		
Short-term financial assets	684,040	(880,161)
Trade receivables	(53,944)	(738,677)
Other receivables	(1,030,737)	(470,386)
Due from customers for contract work	27,564	(905,976)
Inventories	421,344	(39,569)
Derivatives	251,316	581,059
Firm commitments	(349,159)	17,915
Other current assets	(409,261)	683,829
Long-term other receivables	(821)	238
Long-term trade receivables	(1,643)	(64,431)
Long-term financial assets	(2,882)	(36)
Other non-current assets	238	(2,407)
Short-term financial liabilities	122,995	242,595
Trade payables	(56,931)	624,242
Other payables	1,335,169	1,352,186
Advances from customers	(14,218)	(45,184)
Due to customers for contract work	1,542,219	641,100
Other current liabilities	7,108	(13,459)
Long-term other payables	(15,009)	(24,563)
Benefits paid	(19,262)	(28,605)
Succession of benefits	1,070	2,229
Plan assets	14,599	5,365
Long-term provisions	(27,566)	42,376
Other non-current liabilities	297	(1,644)
	₩ <u>1,869,424</u>	<u>2,334,603</u>

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

(1) Categories of financial instruments as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won)

		2014								
	Cash and cash equivalents	Held-for-trading investments	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Held-for-trading liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative liabilities
Cash and cash equivalents	₩ 1,616,003	-	-	-	-	-	-	-	-	-
Short-term financial assets	-	3,176,466	213,660	144,676	408,900	-	-	-	-	-
Trade and other receivables	-	-	-	-	7,860,323	-	-	-	-	-
Due from customers for contract work	-	-	-	-	6,644,748	-	-	-	-	-
Derivative assets (current)	-	-	-	-	-	826,966	-	-	-	-
Long-term financial assets	-	8,774	99,063	3,625,530	14,641	-	-	-	-	-
Long-term trade and other receivables	-	-	-	-	992,524	-	-	-	-	-
Derivative assets (non-current)	-	-	-	-	-	468,178	-	-	-	-
Short-term financial liabilities	-	-	-	-	-	-	1,041,411	68,101	9,083,849	-
Trade and other payables	-	-	-	-	-	-	-	-	7,481,318	-
Derivative liabilities (current)	-	-	-	-	-	-	-	-	-	96,611
Long-term financial liabilities	-	-	-	-	-	-	13,256	644,183	6,255,230	-
Long-term trade and other liabilities	-	-	-	-	-	-	-	-	110,272	-
Derivative liabilities (non-current)	-	-	-	-	-	-	-	-	-	26,073
	<u>₩ 1,616,003</u>	<u>3,185,240</u>	<u>312,723</u>	<u>3,770,206</u>	<u>15,921,136</u>	<u>1,295,144</u>	<u>1,054,667</u>	<u>712,284</u>	<u>22,930,669</u>	<u>122,684</u>

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

(1) Categories of financial instruments as of June 30, 2014 and December 31, 2013 are summarized as follows, continued:

(In millions of won)

	2013									
	Cash and cash equivalents	Held-for-trading investments	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Held-for-trading liabilities	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative liabilities
Cash and cash equivalents	₩ 1,336,613	-	-	-	-	-	-	-	-	-
Short-term financial assets	-	3,882,033	191,489	202,070	416,737	-	-	-	-	-
Trade and other receivables	-	-	-	-	7,053,565	-	-	-	-	-
Due from customers for contract work	-	-	-	-	6,675,112	-	-	-	-	-
Derivative assets (current)	-	-	-	-	-	512,918	-	-	-	-
Long-term financial assets	-	5,717	63,783	3,237,958	15,146	-	-	-	-	-
Long-term trade and other receivables	-	-	-	-	1,088,685	-	-	-	-	-
Derivative assets (non-current)	-	-	-	-	-	254,532	-	-	-	-
Short-term financial liabilities	-	-	-	-	-	-	1,147,270	106,363	10,946,288	-
Trade and other payables	-	-	-	-	-	-	-	-	6,354,333	-
Derivative liabilities (current)	-	-	-	-	-	-	-	-	-	74,482
Long-term financial liabilities	-	-	-	-	-	-	9,950	377,654	5,214,934	-
Long-term trade and other liabilities	-	-	-	-	-	-	-	-	134,150	-
Derivative liabilities (non-current)	-	-	-	-	-	-	-	-	-	31,378
	<u>₩ 1,336,613</u>	<u>3,887,750</u>	<u>255,272</u>	<u>3,440,028</u>	<u>15,249,245</u>	<u>767,450</u>	<u>1,157,220</u>	<u>484,017</u>	<u>22,649,705</u>	<u>105,860</u>

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40. 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, 2014 and 2013 are as follows:

	2014									
	Net income (loss)		Other comprehensive income (loss)		Interest income and interest expense(*)		Fee income and fee expense		Impairment loss	
	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period
Cash and cash equivalents	₩ (33,948)	(698)	-	-	8,002	17,582	-	-	-	-
Held-for-trading investments	73,657	105,646	-	-	24,741	53,554	-	-	-	-
Financial assets at fair value through profit or loss	1,162	8,705	-	-	-	-	-	-	-	-
Available-for-sale financial assets	(19,778)	31,135	(69,400)	36,021	1,438	3,460	217	449	(10,995)	(12,036)
Loans and receivables	(289,491)	(206,115)	-	-	35,543	68,387	1,240	2,200	47,922	(14,817)
Held-for-trading liabilities	(63,928)	(66,102)	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	(12,579)	(23,558)	-	-	-	-	-	-	-	-
Financial liabilities measured at amortized cost	198,693	20,178	-	-	(114,047)	(232,764)	-	-	-	-
Derivatives	1,027,581	870,874	(21,128)	(15,492)	-	-	-	-	-	-

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

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40. 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, 2014 and 2013 are as follows, continued:

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

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

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41. Risk of Financial Instruments

(1) Currency risk

The Group's exposure to foreign currency risk based on notional amounts as of June 30, 2014 and December 31, 2013 is as follows:

(In millions of won)

		2014					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	220,164	1,313	3	297	156,779	378,556
Loans and receivables		10,971,018	185,402	12,030	6,940	579,619	11,755,009
Trade and other payables		(2,870,729)	(111,642)	(631)	(10,748)	(230,907)	(3,224,657)
Borrowings		(2,932,058)	(278,938)	-	(90,806)	(4,250)	(3,306,052)
Gross statement of financial position exposure		5,388,395	(203,865)	11,402	(94,317)	501,241	5,602,856
Derivative contracts		1,174,625	10,927	-	(8,310)	(1,240)	1,176,002
Net exposure	₩	<u>6,563,020</u>	<u>(192,938)</u>	<u>11,402</u>	<u>(102,627)</u>	<u>500,001</u>	<u>6,778,858</u>

(In millions of won)

		2013					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	363,738	750	186	237	22,912	387,823
Loans and receivables		10,514,735	183,829	44,777	6,415	481,807	11,231,563
Trade and other payables		(3,209,963)	(128,676)	(1,238)	(4,984)	(92,583)	(3,437,444)
Borrowings		(2,752,442)	(298,481)	-	(104,277)	(4,794)	(3,159,994)
Gross statement of financial position exposure		4,916,068	(242,578)	43,725	(102,609)	407,342	5,021,948
Derivative contracts		672,385	18,271	-	(16,279)	(1,133)	673,244
Net exposure	₩	<u>5,588,453</u>	<u>(224,307)</u>	<u>43,725</u>	<u>(118,888)</u>	<u>406,209</u>	<u>5,695,192</u>

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41. 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)

	2014		2013	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Assets carried at fair value:				
Held-for-trading investments	₩ 3,185,240	3,185,240	3,887,750	3,887,750
Financial assets at fair value through profit or loss	312,723	312,723	255,272	255,272
Available-for-sale financial assets(*)	3,770,206	3,770,206	3,440,028	3,440,028
Derivative assets	1,295,144	1,295,144	767,450	767,450
	<u>₩ 8,563,313</u>	<u>8,563,313</u>	<u>8,350,500</u>	<u>8,350,500</u>
Cash and cash equivalents	₩ 1,616,003	1,616,003	1,336,613	1,336,613
Assets carried at amortized cost:				
Loans and receivables	₩ 15,921,136	15,921,136	15,249,245	15,249,245
Liabilities carried at fair value:				
Held-for-trading liabilities	₩ 1,054,667	1,054,667	1,157,220	1,157,220
Financial liabilities at fair value through profit or loss	712,284	712,284	484,017	484,017
Derivative liabilities	122,684	122,684	105,860	105,860
	<u>₩ 1,889,635</u>	<u>1,889,635</u>	<u>1,747,097</u>	<u>1,747,097</u>
Liabilities carried at amortized cost:				
Bank loans	₩ 11,519,670	11,519,670	12,953,423	12,953,423
Bond issues	3,476,374	3,476,374	2,889,734	2,889,734
Trade and other payables	7,591,590	7,591,590	6,488,483	6,488,483
Deposit liabilities	324,452	324,452	304,417	304,417
Others	18,583	18,583	13,648	13,648
	<u>₩ 22,930,669</u>	<u>22,930,669</u>	<u>22,649,705</u>	<u>22,649,705</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, 2014 and December 31, 2013 are ₩110,200 million and ₩114,633 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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41. Risk of Financial Instruments, Continued

(2) Fair values, continued

The financial instruments carried at fair value, by fair value hierarchy as of June 30, 2014 and December 31, 2013 are as follows:

(In millions of won)

		Level 1	Level 2	Level 3	Total
2014:					
Held-for-trading investments	₩	758,089	2,417,687	9,464	3,185,240
Financial assets at fair value through profit or loss		-	137,169	175,554	312,723
Available-for-sale financial assets		3,374,064	195,236	90,706	3,660,006
Derivative assets		-	1,295,144	-	1,295,144
Held-for-trading liabilities		918,542	123,366	12,759	1,054,667
Financial liabilities at fair value through profit or loss		-	-	712,284	712,284
Derivative liabilities		-	122,684	-	122,684
2013:					
Held-for-trading investments		1,085,808	2,765,816	36,126	3,887,750
Financial assets at fair value through profit or loss		-	155,157	100,115	255,272
Available-for-sale financial assets		3,017,887	214,012	93,496	3,325,395
Derivative assets		-	767,450	-	767,450
Held-for-trading liabilities		1,014,452	132,849	9,919	1,157,220
Financial liabilities at fair value through profit or loss		-	-	484,017	484,017
Derivative liabilities		-	105,860	-	105,860

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

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

Specific valuation techniques used to value financial instruments include:

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

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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41. Risk of Financial Instruments, Continued

(3) Valuation techniques and input variables of Level 2 fair values

The valuation techniques and input variables used in measuring Level 2 fair values as of June 30, 2014 and December 31, 2013 are as follows:

(In millions of won)

	2014	2013	Valuation techniques	Input variables
Held-for-trading investments:				
Debt securities			Cash flow discount model	Discount rate and others
	₩ 2,406,256	2,749,577	and others	
Beneficiary certificates	9,565	7,259	Net asset value, cash flow discount model and others	Discount rate and others
Derivatives	1,866	8,980	Cash flow discount model and others	Currency forward price, discount rate and others
Financial assets at fair value through profit or loss:				
Others	137,169	155,157	Net asset value, cash flow discount model and others	Discount rate and others
Available-for-sale financial assets:				
Debt securities	150,661	182,973	Cash flow discount model and others	Discount rate and others
Beneficiary certificates	44,575	31,039	Market approach, net asset value, cash flow discount model and others	CER future price, discount rate and others
Derivative assets:				
Derivatives	1,295,144	767,450	Cash flow discount model and others	Currency forward price, discount rate and others
Held-for-trading liabilities:				
Sale securities	120,567	130,853	Cash flow discount model and others	Discount rate and others
Derivatives	2,799	1,996	Cash flow discount model and others	Currency forward price, discount rate and others
Derivative liabilities:				
Derivatives	122,684	105,860	Cash flow discount model and others	Currency forward price, discount rate and others

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41. Risk of Financial Instruments, Continued

(4) Level 3 fair values

(i) Changes in assets and liabilities which are classified as Level 3 fair values among assets and liabilities measured at fair value for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are as follows:

(In millions of won)

		2014				
		Held-for-trading investments	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Held-for- trading liabilities	Financial liabilities at fair value through profit or loss
Beginning balance	₩	36,126	100,115	93,496	9,919	484,017
Acquisitions		5,763	139,955	7,198	11,461	580,257
Disposals		(34,821)	(67,266)	(8,124)	(7,760)	(362,200)
Transfer to Level 3		-	-	-	-	-
Transfer from Level 3		-	-	(570)	-	-
Valuation		2,396	2,750	(1,294)	(861)	10,210
Ending balance	₩	<u>9,464</u>	<u>175,554</u>	<u>90,706</u>	<u>12,759</u>	<u>712,284</u>

(In millions of won)

		2013				
		Held-for-trading investments	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Held-for- trading liabilities	Financial liabilities at fair value through profit or loss
Beginning balance	₩	62,346	48,154	92,828	-	38,283
Acquisitions		30,669	140,153	7,606	10,779	773,650
Disposals		(62,162)	(87,475)	(6,700)	-	(327,576)
Transfer to Level 3		-	-	-	-	-
Transfer from Level 3		-	-	-	-	-
Valuation		5,273	(717)	(238)	(860)	(340)
Ending balance	₩	<u>36,126</u>	<u>100,115</u>	<u>93,496</u>	<u>9,919</u>	<u>484,017</u>

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41. Risk of Financial Instruments, Continued

(4) Level 3 fair values, continued

(ii) The valuation techniques and input variables used in measuring Level 3 fair values as of June 30, 2014 and December 31, 2013 are as follows:

(In millions of won)

	2014	2013	Valuation techniques	Input variables	Significant unobservable input variables	Ranges of significant unobservable input variables
Held-for-trading investments:						
Debt securities	₩ -	30,010	Cash flow discount model	Discount rate and others	-	-
Derivatives	9,464	6,116	Black-Scholes model and others	Volatility and others	Underlying asset price, volatility of underlying asset and others	0.102594~0.505718
Financial assets at fair value through profit or loss:						
Others	175,554	100,115	Black-Scholes model and others	Volatility and others	Underlying asset price, volatility of underlying asset and others	0.093924~0.505718
Available-for-sale financial assets:						
Equity securities	69,761	68,685	Cash flow discount model	Discount rate and others	Discount rate and others	4.77%~14.16%
Debt securities	-	6,138	Cash flow discount model	Discount rate and others	-	-
Beneficiary certificates	-	1,505	Cash flow discount model	Discount rate and others	-	-
Others	20,945	17,168	Cash flow discount model	Discount rate and others	-	-
Held-for-trading liabilities:						
Derivatives	12,759	9,919	Black-Scholes model and others	Volatility and others	Underlying asset price, volatility of underlying asset and others	0.102594~0.505718
Financial assets at fair value through profit or loss:						
Others	712,284	484,017	Black-Scholes model and others	Volatility and others	Underlying asset price, volatility of underlying asset and others	0.093924~0.505718

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41. Risk of Financial Instruments, Continued

(4) Level 3 fair values, continued

(iii) Effects by changes in unobservable input variables on fair value measurement of financial assets and liabilities for the six-month period ended June 30, 2014 are as follows:

(In millions of won)

				<u>Effects of changes in fair value</u>			
				<u>Profit (loss) for the period</u>		<u>Other comprehensive income (loss)</u>	
	<u>Unobservable input variables</u>	<u>Effects by changes in unobservable input variables on fair value measurement</u>	<u>Measuring methods of the effect of changes</u>	<u>Favorable changes</u>	<u>Unfavorable changes</u>	<u>Favorable changes</u>	<u>Unfavorable changes</u>
Held-for-trading investments:							
Derivatives	Volatility of underlying asset	Fair value decrease by volatility increase	Measuring fair value changes by 10% volatility increase or decrease	₩ 889	(1,215)	-	-
Financial assets at fair value through profit or loss:							
Others	Volatility of underlying asset	Fair value decrease by volatility increase	Measuring fair value changes by 10% volatility increase or decrease	965	(877)	-	-
Available-for-sale financial assets:							
Equity securities	Discount rate	Fair value decrease by discount rate increase	Measuring fair value changes by 1% discount rate increase or decrease	-	-	8,622	(5,975)
Held-for-trading liabilities:							
Derivatives	Volatility of underlying asset	Fair value decrease by volatility increase	Measuring fair value changes by 10% volatility increase or decrease	191	(237)	-	-
Financial assets at fair value through profit or loss:							
Others	Volatility of underlying asset	Fair value decrease by volatility increase	Measuring fair value changes by 10% volatility increase or decrease	2,426	(2,164)	-	-

Unreliably measured effects by changes in unobservable input variables on financial assets and liabilities are excluded from the effects of changes in fair value.

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41. Risk of Financial Instruments, Continued

- (5) Transfers of financial assets
Transferred financial assets that are not derecognized in their entirety as of June 30, 2014 and December 31, 2013 are as follows:

(In millions of won)

		2014	
		Financial assets at fair value through profit or loss	
		Trade Receivables	
Carrying amount of assets	₩		123,406
Carrying amount of associated liabilities			117,200
For those liabilities that have recourse only to the transferred assets:			
Fair value of assets			123,406
Fair value of associated liabilities			117,200
Net position	₩		<u>6,206</u>

(In millions of won)

		2013		
		Financial assets at fair value through profit or loss	Loans and receivables	
		Held-for-trading investments	Trade receivables	Long-term other receivables
Carrying amount of assets	₩	617,031	5,564	15,415
Carrying amount of associated liabilities		588,800	5,008	14,343
For those liabilities that have recourse only to the transferred assets:				
Fair value of assets		617,031	5,564	15,415
Fair value of associated liabilities		588,800	5,008	14,343
Net position	₩	<u>28,231</u>	<u>556</u>	<u>1,072</u>

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41. Risk of Financial Instruments, Continued

(6) Offsetting of financial assets and financial liabilities

The details of financial assets or financial liabilities netting arrangements as of June 30, 2014 and December 31, 2013 are as follows:

(In millions of won)

	2014					
	Total recognized financial assets	Total recognized financial assets that will be setoff	Net financial assets presented in the Statement of Financial Position	Related amount : won't be setoff in the Statement of Financial Position		Net amount
Financial instruments				Received cash security		
Financial assets						
Held-for-trading investments	₩ 3,254,778	-	3,254,778	(2,471,976)	-	782,802
Financial assets at fair value through profit or loss	164,846	-	164,846	(164,846)	-	-
Loans and receivables	91,123	(83,666)	7,457	(692)	-	6,765
	<u>₩ 3,510,747</u>	<u>(83,666)</u>	<u>3,427,081</u>	<u>(2,637,514)</u>	<u>-</u>	<u>789,567</u>
Financial liabilities						
Held-for-trading liabilities	₩ 1,040,446	-	1,040,446	(982,846)	(57,600)	-
Financial liabilities at fair value through profit or loss	706,388	-	706,388	(164,846)	-	541,542
Financial liabilities carried at amortized cost	202,519	(83,666)	118,853	(692)	-	118,161
	<u>₩ 1,949,353</u>	<u>(83,666)</u>	<u>1,865,687</u>	<u>(1,148,384)</u>	<u>(57,600)</u>	<u>659,703</u>

(*) The 'related amount that won't be setoff in the statement of financial position' is accounted to the limit of 'Net financial assets presented in the statement of financial position'.

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41. Risk of Financial Instruments, Continued

(6) Offsetting of financial assets and financial liabilities, continued

The details of financial assets or financial liabilities netting arrangements as of June 30, 2014 and December 31, 2013 are as follows, continued:

(In millions of won)

	2013					
	Total recognized financial assets	Total recognized financial assets that will be setoff	Net financial assets presented in the Statement of Financial Position	Related amount : won't be setoff in the Statement of Financial Position		Net amount
				Financial instruments	Received cash security	
Financial assets	₩					
Held-for-trading investments	617,031	-	617,031	(617,031)	-	-
Financial assets at fair value through profit or loss	90,451	-	90,451	(90,451)	-	-
Loans and receivables	324,699	(147,259)	177,440	(166,038)	-	11,402
Derivative assets	5,916	-	5,916	(5,916)	-	-
	<u>₩ 1,038,097</u>	<u>(147,259)</u>	<u>890,838</u>	<u>(879,436)</u>	<u>-</u>	<u>11,402</u>
Financial liabilities	₩					
Held-for-trading liabilities	1,145,152	-	1,145,152	(1,145,152)	(29,000)	-
Financial liabilities at fair value through profit or loss	480,311	-	480,311	(480,311)	-	-
Financial liabilities carried at amortized cost	839,177	(147,259)	691,918	(601,437)	-	90,481
Derivative liabilities	1,481	-	1,481	(1,481)	-	-
	<u>₩ 2,466,121</u>	<u>(147,259)</u>	<u>2,318,862</u>	<u>(2,228,381)</u>	<u>(29,000)</u>	<u>90,481</u>

(*) The 'related amount that won't be setoff in the statement of financial position' is accounted to the limit of 'Net financial assets presented in the statement of financial position'.

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42. Commitments and Contingencies

- (1) As of June 30, 2014, the Group has entered into bank overdraft agreements with Korea Exchange Bank and others amounting to ₩562,000 million, USD 25,000 thousand, EUR 7,500 thousand, CNY 371,504 thousand and general loan agreements amounting to ₩1,510,000 million, USD 898,400 thousand, EUR 85,750 thousand, CNY 5,113,909 thousand, INR 700,000 thousand and BRL 170,457 thousand.
- (2) As of June 30, 2014, the Group has entered into credit facilities agreements such as letters of credit with Korea Exchange Bank and others for the Group's exports and imports totaling ₩55,000 million, USD 11,283,962 thousand and INR 1,950,000 thousand.
- (3) As of June 30, 2014, the Group has entered into credit facilities agreements such as pre-shipment credit and others with Export-Import Bank of Korea and others amounting to ₩6,243,800 million, USD 143,239 thousand, CNY 2,600,000 thousand.
- (4) As of June 30, 2014, seven bank notes and one check have been provided to customers as collaterals for the Group's borrowings from the customers and construction contract performance guarantees.
- (5) As of June 30, 2014, the Group is contingently liable for loan guarantees of its foreign subsidiaries amounting to USD 1,627,936 thousand, EUR 111,850 thousand, CNY 6,496,213 thousand, INR 2,000,000 thousand and BRL 109,956 thousand and purchase loans of customers amounting to CNY 350,236 thousand of solidarity with local dealers. The Group has provided performance guarantees in relation to Jazan Refinery and Terminal Project Package 2 (contract amount: USD 286,240 thousand) which is being built by Hyundai Arabia Company LLC., Moho Nord Tension Leg Platform Project (contract amount: USD 720,587 thousand) and Moho Nord Floating Production Unit Project (contract amount: USD 1,247,656 thousand) which is being built by HHI France SAS and HHI Mauritius Ltd, one of the Group's subsidiaries. The Group has also provided certain performance guarantees for bareboat charter amounting to USD 206,108 thousand to ship owners on behalf of Hyundai Merchant Marine Co., Ltd. Hyundai Merchant Marine Co., Ltd has sold bareboat charter to IMM consortium and rights and duties as charterer have transferred to Hyundai LNG shipping Co., Ltd.. Furthermore, the Group has also entered into joint shipbuilding contracts with Hyundai Samho Heavy Industries Co., Ltd., one of the Group's subsidiaries, for the construction of eleven ships at a contract amount of USD 1,472,999 thousand.
- (6) In connection with the Group's contract performance guarantees, the Group has been provided with maximum guarantees amounting to ₩5,002,996 million and USD 37,603,121 thousand by various banking facilities, and regarding ships advance from customers, the Group has also been provided with maximum guarantees amounting to USD 28,172,574 by Export-Import Bank of Korea and others. Regarding this, the Group collateralizes its ships under construction and construction materials.
- (7) The Group entered into a consortium agreement on a natural resource development project with various organizations including Korea National Oil Corporation. Related other non-current assets as of June 30, 2014 and December 31, 2013 are summarized as follows.

<i>(In millions of won)</i>	2014	2013
Other non-current assets	63,307	63,307
Accumulated impairment	(63,307)	(63,307)
	<u>-</u>	<u>-</u>

The Group recognized impairment losses of investment regarding resource development project amounting to ₩63,307 million for the year ended December 31, 2013, respectively. The Group obtained borrowings for a natural resource development project from the Korea National Oil Corporation (see Note 22).

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42. Commitments and Contingencies, Continued

(8) As of June 30, 2014, the Group entered into a conditional commercial paper purchase guarantee contract guaranteed by SK Engineering & Construction Co., Ltd. and other companies amounting to ₩298,900 million. In addition, in regards to the project financing loan for the Goyang Samsung Knowledge Industry Center, the Group entered into another purchase contract with Miraesamsung 1st Private Company, the borrower, where the Group is committed to financing obligations up to ₩13,000 million collateralized by the prior beneficiary right, should the borrower fails to repay the loan.

(9) As of June 30, 2014, the Group entered into guarantee contracts as follows.

(In millions of won)

	<u>Issuing entity</u>	<u>Agreement limits</u>	<u>Maturity</u>	<u>Business</u>
Underlying asset purchase commitment	NEOPINIX 1st CO., LTD.	₩ 42,000	2015-05-26	Yongin Sinbong district apartment construction project
	HIHALFMOON CO., LTD.	20,000	2015-07-24	Hwaseong Banwol-dong apartment construction project
	HIGH4SQUARE CO., LTD.	40,000	2016-10-11	Anyang and Pyeongchon apartment construction project
	DIONE PLUS 1 CO., LTD.	70,000	2019-12-18	New Songdo City public housing construction project
	YJPrugio1 Co., LTD	42,000	2018-03-13	Yangju-si Okjeong district apartment construction project
	YJPrugio2 Co., LTD	20,000	2018-03-13	Yangju-si Okjeong district apartment construction project
	MSQUAREDONGCHEON 2ND CO., LTD.	32,500	2017-05-12	Yongin and Dongcheondong distribution business facilities construction project
	MOONJUNG2 FOURTH CO., LTD.	19,000	2018-02-16	Munjeong-dong efficiency apartment and downtown construction project
	HIWEST CO., LTD.	30,000	2014-09-30	Pyeong-dong in Suwon Shopping mall construction project
	HANAMM4 CO., LTD.	30,000	2014-11-14	Hanam Residential Complex Completion
	HIJY1,LLC	40,000	2014-12-19	Dongsak 2nd District in Pyeongtaek public housing construction project
	HIJY7,LLC	52,800	2014-12-31	Songdo real estate mortgage
	HIJY3 Co., Ltd	54,000	2015-04-29	Geomdan general industrial complex mortgage
	HL PROJECT CO., LTD.	11,200	2015-12-17	Redeemable convertible preferred stock of LOTTE Engineering & Construction Co., Ltd
	H.S.BLUE FIRST CO., LTD	20,500	2019-02-12	Subordinated debt of JB Woori Capital Co., Ltd.
	JINIFOREVER 1ST CO., LTD.	42,000	2020-11-11	Subordinated debt of Lotte Non-Life Insurance Co., Ltd.
	JINIFOREVER 2ND CO., LTD.	63,000	2018-02-14	Future freight receivables of KOREAN AIR LINES CO.,LTD
		<u>629,000</u>		
Unsecured loan commitment	DWPFV Co., Ltd.	50,000	2017-07-01	Munjeong-dong efficiency apartment construction project
	Cheongju Technopolis Co., Ltd.	20,000	2016-04-01	Cheongju Industrial Complex land development project
		<u>70,000</u>		
		<u>₩ 699,000</u>		

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42. Commitments and Contingencies, Continued

- (10) HI GOLD OCEAN KMARIN NO.11 SHIP INVESTMENT COMPANY entered into a currency interest swap contract for ship building and chartering with Korea Exchange Bank. When HI GOLD OCEAN KMARIN NO.11 SHIP INVESTMENT COMPANY pays settlement amount for contract termination to Korea Exchange Bank, HI GOLD OCEAN KMARIN NO.11 SHIP INVESTMENT COMPANY is able to get a loan from banks. Additionally, the Group entered into a guarantee contract, which ensures it is able to borrow up to ₩40,000 million if the above loan is made.
- (11) The Group entered into a stock purchase agreement with Busan Bank, which is an investment trust company of Hyundai Ship Private Fund 2, on December 28, 2012. The Group, pursuant to the agreement, sold stocks of HI Gold Ocean Kmarin No. 8 Ship Investment Company (7,788,229 shares of common stock) in January 2013. In connection with this transaction, the Group made a beneficiary contract with Hanwha Life Insurance Co., Ltd. on December 27, 2012, retaining the right of first refusal to purchase a beneficiary certificate of Hyundai Ship Private Fund 2, within an exercise period and amount of contracted price for sale. The Group also entered into a guarantee contract to ensure its ability to pay the difference between the contracted price for sale and the actual price, should Hanwha Life Insurance Co., Ltd. sells this beneficiary certificate to a third parties for less than the price. Regarding to this, the Group has recognized derivative liability (held-for-trading liabilities) amounting to ₩1,590 million.
- (12) The Group entered into convertible loan agreements with ship owners in Liberia. As of June 30, 2014, the loan balance is USD 110,100 thousand.

43. Litigations

- (1) The National Tax Service imposed additional income tax amounting to ₩107,600 million on March 27, 2006, which has been settled by the Group. The assessment resulted from the participation in the capital increase of Hyundai Space and Aircraft Co., Ltd. when Korea was experiencing a foreign currency exchange crisis in the late 1990s. The National Tax Service ruled this capital increase to be unfair financial support for the insolvent affiliate. The Group's appeal to the National Tax Tribunal was dismissed, but was partially successful. On April 27, 2009, the Group filed administrative litigation. However, the Group lost the first trial on January 5, 2011 and appealed on January 25, 2011. In relation to the intermediate appeal, the Group partially won the litigation on February 15, 2013 for the settlement of the claim amounting to ₩52,700 million. However, the Group and the National Tax Service did not accept the Court's decision and filed appeals on February 27, 2013 and February 28, 2013, respectively.
- (2) In connection with orders for submarine pipeline and equipment installation construction from PTT Public Group Limited. ("PTT") on June 25, 2011, the Group engaged a subcontractor ("Britoil") that owned a tugboat. While the tugboat was moving a barge, for reasons unknown, an existing gas pipeline owned by PTT, was damaged resulting in a gas leak. At the request of the PTT, the Group worked on recovery and repair, which was completed around October 2011, and billed PTT for the cost of repairs. PTT in turn asked for compensations for damages related to the gas leak and loss of gas. The Group and PTT were unable to reach an agreement regarding the cause of accident, amount of damages, contractual limitations of liability, and distribution of insurance proceeds. On June 22, 2012, PTT filed a lawsuit in Thai court claiming damages amounting to USD 143 million against the Group, Britoil and PTT's insurer ("Dhipaya") as a co-defendants. The Group vigorously defended itself against that claim and filed a lawsuit requesting the cost of repairs against PTT on March 28, 2013 and requesting insurance against Dhipaya on February 11, 2013. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

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43. Litigations, Continued

- (3) On January 16, 2009, the Group entered into a long-term agreement to buy polysilicon with Woongjin Polysilicon Co., Ltd. ("WPC"), and paid USD 91 million in advance. WPC halted facilities operation without any notice, and a creditor of WPC declared them in default on October 17, 2012. The Group gave notice of the cancellation of a contract to WPC on January 25, 2013, and requested refund of the prepaid payment to Seoul guarantee insurance company ("SGI") that guaranteed refund the repaid payment on February 7, 2013, but SGI did not accept the request for payment. The Group filed a lawsuit in Seoul Central District Court claiming guarantee insurance amounting to USD 91 million against SGI on April 5, 2013. The Group received that amount of money for provisional payment on June 21, 2013. The Group won the first trial on May 1, 2014 and SGI filed appeals on May 20, 2014.
- (4) The Fair Trade Commission imposed fines on two LPG importers and four domestic oil refinery companies including the Group for alleged collusive price-fixing on LPG prices from January 1, 2003 to December 31, 2008. A fine of ₩26,314 million was imposed on the Group, which it paid on June 29, 2010 and recognized as expense in the same year. However, the Group appealed to the Fair Trade Commission decision to Seoul High Court in May 2010. After losing the second trial, the Group appealed to the Supreme Court, where the case is currently pending.

Additionally, 117,613 private taxi drivers and others jointly filed a lawsuit against four domestic oil refinery companies including the Group and two LPG importers claiming damages of ₩10,600 million based on the Fair Trade Commission's decision. The case is currently pending. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

- (5) Hankook Shell Oil Co., Ltd. filed litigation in Seoul Central District Court in February 2012 against the Group, amounting to ₩14,800 million, for damages for contamination cleanup costs due to fuel spills at the Group's refinery on the site of the Hankook Shell Oil Co., Ltd.. The case is currently pending. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.
- (6) In February 2007, the Fair Trade Commission imposed a fine amounting to ₩9,300 million on the four domestic oil refinery companies, including the Group, for alleged collusive price-fixing. The Group paid the fine on July 16, 2007 and recorded the amount as profit or loss in the same year. With regard to the imposition, the Group filed an official appeal to the Fair Trade Commission in May 2007, but the Commission announced the rejection of the appeal in July 2007. The Group lost the second trial and the case is currently pending in the Supreme Court. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.
- (7) On September 16, 2011, the Fair Trade Commission ruled that the Group was in violation of anti-trust regulations by colluding with other three refineries. The employees of the four refineries, including sales personnel of the Group, conducted in a task force meeting held in March 2000 with regard to dealing with gas stations nationwide. The Fair Trade Commission imposed a fine amounting to ₩75,400 million, and brought criminal charges against the Group. The Group paid the fine which was recognized in profit or loss, and appealed the case. Seoul High Court ruled in favor of the Group in 2013, and the Fair Trade Commission appealed to the Supreme Court. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.
- (8) The Seoul Customs concluded that a part of a customs refund of crude oil imports is unjust. They imposed customs on the Group amount to ₩41,600 million in 2013, which was recognized as expenses in the same year. The Group filed litigation in Tax Tribunal in December 2013, for canceling the imposed customs. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

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43. Litigations, Continued

- (9) Korea National Oil Corporation ("KNOC") imposed a fine amounting to ~~₩~~9,700 million in regard to the refund of the excessive tax on oil imports. The Group filed litigation seeking the revocation of the administrative fine order to by KNOC. Suwon District Court ruled in favor of the Group in 2013, and KNOC appealed. Additionally, the Group charged refund amounting to ~~₩~~ 3,100 million to KNOC, but it has been denied. Regarding to this, the Group filed litigation in Suwon District Court in January, 2014. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.
- (10) The Defense Acquisition Program Administration ("DAPA") offset to payment of oil amounting to ~~₩~~9,300 million on the Group, for alleged collusive bidding for the supply of military fuel. With regard to the redemption, the Group filed a lawsuit against DAPA for non-payment of oil amounting to ~~₩~~9,300 million in December 2012. The Group won the first trial on January 10, 2014 and the DAPA appealed. The case is currently pending in the Seoul Central District Court. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.
- (11) The Group has a litigation in progress (amounting to ~~₩~~24,900 million) related to ordinary wages as a defendant. The Korea Supreme Court made a ruling on the scope of ordinary wage in December 2013. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

In addition to the cases mentioned above, the Group is currently a defendant in 64 lawsuits involving claims totaling: ~~₩~~114,600 million. Currently, the impact on the Group's financial statements, if any, cannot be reliably estimated.

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44. Related Parties

- (1) Significant transactions for the six-month periods ended June 30, 2014 and 2013 between the Parent company and associates or joint ventures are as follows:

(In millions of won)

	2014			
	Sales and other		Purchases and other	
	Sales	Dividends Income	Raw materials purchase	Others purchase
Associates:				
Hyundai Corporation	₩ 426,073	2,496	2,873	735
Wärtsilä-Hyundai Engine Company Ltd.	1,723	27,137	82,137	-
Others	4,132	3,439	3,822	11
	₩ <u>431,928</u>	<u>33,072</u>	<u>88,832</u>	<u>746</u>

(In millions of won)

	2013			
	Sales and other		Purchases and other	
	Sales	Dividends Income	Raw materials purchase	Others purchase
Associates:				
Hyundai Corporation	₩ 556,082	2,496	2,927	2,095
Wärtsilä-Hyundai Engine Company Ltd.	831	6,611	43,115	-
Hyundai Cosmo Petrochemical Co., Ltd.	34,041	-	-	-
Others	4,294	200	2	9
	₩ <u>595,248</u>	<u>9,307</u>	<u>46,044</u>	<u>2,104</u>

Including associates and joint ventures' subsidiaries.

- (2) Outstanding balances as of June 30, 2014 and December 31, 2013 between the Parent company and associates or joint venture are as follows:

(In millions of won)

	2014			
	Trade and other receivables		Trade and other payables	
	Trade Receivable	Other receivables	Trade Payables	other payables
Associates:				
Hyundai Corporation	₩ 254,373	-	45	37,457
Wärtsilä-Hyundai Engine Company Ltd.	704	21,305	-	-
Others	579	1,329	1,183	9,845
	₩ <u>255,656</u>	<u>22,634</u>	<u>1,228</u>	<u>47,302</u>

Including associates and joint ventures' subsidiaries.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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44. Related Parties, Continued

- (2) Outstanding balances as of June 30, 2014 and December 31, 2013 between the Parent company and associates or joint venture are as follows, continued:

(In millions of won)

	2013			
	Trade and other receivables		Trade and other payables	
	Trade Receivable	Other receivables	Trade Payables	other payables
Associates:				
Hyundai Corporation	₩ 223,529	143	35	35,637
Wärtsilä-Hyundai Engine Company Ltd.	1,024	35,063	-	-
Hyundai Cosmo Petrochemical Co., Ltd.	163	-	-	-
Others	1,473	1,320	-	10,225
	<u>₩ 226,189</u>	<u>36,526</u>	<u>35</u>	<u>45,862</u>

Including associates and joint ventures' subsidiaries.

- (3) Significant transactions for the six-month periods ended June 30, 2014 and 2013 between subsidiaries and associates or joint ventures are as follows:

(In millions of won)

		2014		
		Sales and other	Purchases and other Raw materials purchase	Others purchase
Subsidiaries	Associates and joint ventures			
Hyundai Samho Heavy Industries Co., Ltd.	Hyundai Corporation	₩ 1	66	-
	Wärtsilä-Hyundai Engine Company Ltd.	133	17,815	-
Hyundai Mipo Dockyard Co., Ltd.	Hyundai Corporation	-	-	150
Hyundai Oilbank Co., Ltd.	New Korea Country Club	55	-	-
	Hyundai Merchant Marine Co., Ltd.	33,600	-	14,521
	Hyundai Corporation	184,517	-	-
	Wärtsilä-Hyundai Engine Company Ltd.	964	-	-
	Hyundai Cummins Engine Company	194	-	-
	Hyundai Cosmo Petrochemical Co., Ltd.	1,009,884	630,330	-
Hyundai Energy & Resources Co., Ltd.	Hyundai Corporation	712	-	-
Hyundai Venture Investment Corporation	KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	96	-	-
	KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	354	-	-
Hyundai Oil Singapore Pte. Ltd.	Hyundai Corporation	40,811	-	-
Hyundai Oilbank (Shanghai) Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.	-	97,813	-
Hyundai Heavy Industries Co. Bulgaria	Hyundai Corporation	19	-	-
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	BMC Hyundai S.A.	128,408	-	-
Hyundai Heavy Industries Brasil - Real Estate Developments	BMC Hyundai S.A.	265	-	-
		<u>₩ 1,400,013</u>	<u>746,024</u>	<u>14,671</u>

Including associates and joint ventures' subsidiaries.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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44. Related Parties, Continued

- (3) Significant transactions for the six-month periods ended June 30, 2014 and 2013 between subsidiaries and associates or joint ventures are as follows, continued:

(In millions of won)

Subsidiaries	Associates and joint ventures		2013		
			Sales and other	Raw materials purchase	Others purchase
Hyundai Samho Heavy Industries Co., Ltd.	Hyundai Corporation	₩	1	474	-
	Wärtsilä-Hyundai Engine Company Ltd.		141	17,916	-
Hyundai Mipo Dockyard Co., Ltd.	Hyundai Corporation		-	1,022	-
	Hyundai Merchant Marine Co., Ltd.		-	-	30,731
Hyundai Oilbank Co., Ltd.	Hyundai Corporation		344,820	-	-
	Wärtsilä-Hyundai Engine Company Ltd.		994	-	-
	KAM Corporation		3	-	-
	Hyundai Cosmo Petrochemical Co., Ltd.		836,320	515,460	-
Hyundai Energy & Resources Co., Ltd.	Hyundai Corporation		600	-	-
Hyundai Venture Investment Corporation	KoFC-HVIC Pioneer Champ 2010-11 Venture Fund		184	-	-
	KoFC-HVIC Pioneer Champ 2011-7 Venture Fund		368	-	-
Hyundai Oilbank (Shanghai) Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.		-	126,509	-
Hyundai Heavy Industries Co. Bulgaria	Hyundai Corporation		-	-	783
		₩	<u>1,183,431</u>	<u>661,381</u>	<u>31,514</u>

Including associates and joint ventures' subsidiaries.

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44. Related Parties, Continued

- (4) Outstanding balances as of December 31, 2014 and 2013 between subsidiaries and associates or joint ventures are as follows:

(In millions of won)

Subsidiaries	Associates and joint ventures	2014				
		Trade and other receivables		Trade and other payables		
		Trade Receivable	Other receivables	Trade Payables	other payables	
Hyundai Samho Heavy Industries Co., Ltd.	Hyundai Corporation	₩	-	63	-	216
	Wärtsilä-Hyundai Engine Company Ltd.		29	24,899	132	-
Hyundai Oilbank Co., Ltd.	New Korea Country Club		9	-	-	-
	Hyundai Merchant Marine Co., Ltd.		30,443	-	-	-
	Wärtsilä-Hyundai Engine Company Ltd.		94	-	-	-
	Hyundai Cummins Engine Company		61	-	-	-
	Hyundai Cosmo Petrochemical Co., Ltd.		152,955	12	92,896	-
Hyundai Venture Investment Corporation	KoFC-HVIC Pioneer Champ 2010-11 Venture Fund		-	1,161	-	-
	KoFC-HVIC Pioneer Champ 2011-7 Venture Fund		-	173	-	-
Hyundai Oilbank (Shanghai) Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.		-	-	6,761	-
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	BMC Hyundai S.A.		125,303	-	-	-
Hyundai Heavy Industries Brasil - Real Estate Developments	BMC Hyundai S.A.		301	-	-	-
		₩	<u>309,195</u>	<u>26,308</u>	<u>99,789</u>	<u>216</u>

Including associates and joint ventures' subsidiaries.

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44. Related Parties, Continued

- (4) Outstanding balances as of December 31, 2014 and 2013 between subsidiaries and associates or joint ventures are as follows, continued:

(In millions of won)

Subsidiaries	Associates and joint ventures	2013			
		Trade and other receivables		Trade and other payables	
		Trade Receivable	Other receivables	Trade Payables	other payables
Hyundai Samho Heavy Industries Co., Ltd.	Hyundai Corporation	₩ 1	117	-	222
	Wärtsilä-Hyundai Engine Company Ltd.	19	30,241	-	-
Hyundai Mipo Dockyard Co., Ltd.	Hyundai Corporation	-	23	-	127
Hyundai Oilbank Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	11,855	-	6,159	-
	Hyundai Corporation	23,756	-	-	-
	Wärtsilä-Hyundai Engine Company Ltd.	98	-	-	-
	Hyundai Cosmo Petrochemical Co., Ltd.	158,290	29	130,208	-
Hyundai Venture Investment Corporation	KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	-	117	-	-
	KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	-	184	-	-
Hyundai Oilbank (Shanghai) Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.	-	-	37,432	-
Hyundai Heavy Industries Co. Bulgaria	Hyundai Corporation	-	-	373	-
		₩ 194,019	30,711	174,172	349

Including associates and joint ventures' subsidiaries.

- (5) Details of guarantees between the Group and associates or joint venture as of June 30, 2014 are as follows:

(In thousands of foreign currency)

Guarantee provider	Guarantee recipient	Provider	Type of guarantees	Currency	Guaranteed amount
Hyundai Oilbank Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.	Mizuho Corporate Bank	Payment	USD	30,000

- (6) Compensation for key management of the Group for the six-month periods ended June 30, 2014 and 2013 is ₩ 10,546 million and ₩ 11,039 million, respectively. Key management is defined as directors and internal auditors who have important roles and responsibilities involving the planning, operation and control of the Group.

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45. Share-based Payment

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

(In won, except share data)

	Shares	Number of shares	Exercise price	Periods	Financial institution	Note
Second trust securities	Common stock of Hyundai Mipo Dockyard Co., Ltd.	169,349	₩ 81,486	2010.11 ~ 2014.08	Korea Exchange Bank	Withdrawal is limited during the period. (Retiring employees are eligible to withdraw)

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

(In millions of won, except share data)

	Second trust securities	
	Number of stocks	Accrued expenses
Beginning balance	170,053	₩ 30,511
Expiration of options due to exercising the rights and others	(704)	(112)
Compensation expenses associated with stock option(*)	-	(5,546)
Ending balance	<u>169,349</u>	<u>₩ 24,853</u>

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

(In won)

	Fair value of stocks	Exercise price	Expected volatility in stock price	Expected dividend	Expected exercise period	Risk free rate
Second trust securities	₩ 146,757	81,486	13.15%	-	0.12 years	2.68%