

HYUNDAI HEAVY INDUSTRIES CO., LTD.

Condensed Separate 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 separate interim financial statements of Hyundai Heavy Industries Co., Ltd. (the "Company"), which comprise the condensed separate statement of financial position as of June 30, 2014, the condensed separate statements of comprehensive income (loss) for the three-month and six-month periods ended June 30, 2014 and 2013, the condensed separate statements of changes in equity and cash flows for the six-month periods ended June 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 separate interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No.1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

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

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

Conclusion

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

Other matters

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

The separate statement of financial position of the Company as of December 31, 2013, and the related separate 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 separate statement of financial position of the Company 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 separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

(In thousands of won)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Assets			
Cash and cash equivalents	36,37	₩ 871,098,185	730,673,768
Short-term financial assets	5,23,36,37	149,718,692	155,426,784
Trade and other receivables	7,28,36,37,40	3,649,782,062	3,646,761,996
Due from customers for contract work	7,28,36,37	4,636,676,921	5,129,773,456
Inventories	8	2,629,066,876	2,584,221,399
Derivative assets	23,36,37	603,520,659	352,985,099
Firm commitment assets	23	1,129,743	5,205,454
Other current assets	9	<u>2,585,576,003</u>	<u>2,210,689,649</u>
Total current assets		<u>15,126,569,141</u>	<u>14,815,737,605</u>
Investments in subsidiaries, associates and joint	10,11,12	6,489,121,640	6,777,957,105
Long-term financial assets	5,6,14,36,37	1,315,559,712	1,145,948,843
Long-term trade and other receivables	7,28,36,37,40	285,412,700	292,512,483
Investment property	15	410,992,295	439,997,862
Property, plant and equipment	16	8,143,393,850	8,062,509,717
Intangible assets	17	399,053,556	395,809,501
Derivative assets	23,36,37	306,040,306	200,579,565
Firm commitment assets	23	<u>525,122</u>	<u>673,467</u>
Total non-current assets		<u>17,350,099,181</u>	<u>17,315,988,543</u>
Total assets		<u>₩ 32,476,668,322</u>	<u>32,131,726,148</u>

See accompanying notes to the condensed separate interim financial statements.

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

(In thousands of won)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Liabilities			
Short-term financial liabilities	18,20,23,36,37,38	₩ 4,078,313,874	5,363,664,718
Trade and other payables	19,36,37,40	2,875,850,829	2,701,363,787
Advances from customers		846,389,454	772,614,459
Due to customers for contract work	28,38	5,431,421,983	4,365,624,000
Derivative liabilities	23,36,37	90,445,699	65,584,053
Firm commitment liabilities	23	374,666,629	202,711,015
Income tax payable		490,696	51,313,016
Total current liabilities		<u>13,697,579,164</u>	<u>13,522,875,048</u>
Long-term financial liabilities	18,20,36,37,38	3,163,309,746	2,034,144,291
Long-term trade and other payables	19,36,37,40	11,014,803	11,557,764
Liabilities for defined benefit plans	21	183,136,687	120,454,843
Long-term provisions	22	373,815,224	381,386,859
Derivative liabilities	23,36,37	21,856,951	26,847,146
Firm commitment liabilities	23	287,254,666	187,152,888
Deferred tax liabilities		17,501,751	266,995,798
Total non-current liabilities		<u>4,057,889,828</u>	<u>3,028,539,589</u>
Total liabilities		<u>17,755,468,992</u>	<u>16,551,414,637</u>
Equity			
Common stock	24	380,000,000	380,000,000
Capital surplus	24	1,044,516,633	1,044,516,633
Capital adjustments	25	(1,400,454,947)	(1,400,454,947)
Accumulated other comprehensive income	23,26	511,134,637	552,205,370
Retained earnings	27	14,186,003,007	15,004,044,455
Total equity		<u>14,721,199,330</u>	<u>15,580,311,511</u>
Total liabilities and equity		<u>₩ 32,476,668,322</u>	<u>32,131,726,148</u>

See accompanying notes to the condensed separate interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Condensed Separate Interim Statements of Comprehensive Income (Loss)
For the three 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
Sales	23,28,40	₩ 5,735,737,703	11,084,475,955	6,450,469,831	12,271,702,095
Cost of sales	8,17,23,30,40	6,269,824,246	11,443,484,785	5,673,104,756	10,959,187,918
Gross profit (loss)		(534,086,543)	(359,008,830)	777,365,075	1,312,514,177
Selling, general and administrative expenses	17,29,30,36	223,807,244	511,679,958	484,548,737	833,367,712
Operating profit (loss)		(757,893,787)	(870,688,788)	292,816,338	479,146,465
Finance income	23,31,36	829,573,749	994,438,348	223,401,838	541,458,702
Finance costs	23,31,36	(395,326,091)	(544,918,468)	(507,680,753)	(1,017,255,686)
Other non-operating income	23,32	56,049,618	74,763,757	289,852,925	585,553,615
Other non-operating expenses	23,32	(638,623,353)	(596,269,594)	(55,674,874)	(75,594,835)
Profit (loss) before income taxes		(906,219,864)	(942,674,745)	242,715,474	513,308,261
Income tax expense (income)	33	(220,080,407)	(247,210,177)	56,010,143	39,603,851
Profit (loss) for the period		₩ (686,139,457)	(695,464,568)	186,705,331	473,704,410
Other comprehensive income (loss) items that are or may be reclassified subsequently to profit or loss:	23,26,36				
Change in fair value of available-for-sale financial assets		₩ (77,968,251)	(25,835,517)	20,175	15,090,089
Effective portion of changes in fair value of cash flow hedges		(19,658,050)	(15,235,216)	7,889,262	16,342,442
Other comprehensive income (loss) for the period, net of income tax		(97,626,301)	(41,070,733)	7,909,437	31,432,531
Total comprehensive income (loss) for the period		₩ (783,765,758)	(736,535,301)	194,614,768	505,136,941
Earnings (losses) per share	34				
Basic and diluted earnings (losses) per share (in won)		₩ (11,195)	(11,347)	3,046	7,729

See accompanying notes to the condensed separate interim financial statements.

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

(In thousands of won)

	Common stock	Capital surplus	Capital adjustments	Gain and loss on valuation of available-for- sale financial assets	Gain and loss on valuation of derivatives	Retained earnings	Total equity
Balance at January 1, 2013	₩ 380,000,000	1,044,516,633	(1,400,454,947)	520,048,369	(21,444,917)	14,667,270,365	15,189,935,503
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	473,704,410	473,704,410
Change in fair value of available-for-sale financial assets	-	-	-	15,090,089	-	-	15,090,089
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	16,342,442	-	16,342,442
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	-	(153,221,100)	(153,221,100)
Balance at June 30, 2013	₩ <u>380,000,000</u>	<u>1,044,516,633</u>	<u>(1,400,454,947)</u>	<u>535,138,458</u>	<u>(5,102,475)</u>	<u>14,987,753,675</u>	<u>15,541,851,344</u>
Balance at January 1, 2014	₩ 380,000,000	1,044,516,633	(1,400,454,947)	581,649,402	(29,444,032)	15,004,044,455	15,580,311,511
Total comprehensive income (loss) for the period							
Loss for the period	-	-	-	-	-	(695,464,568)	(695,464,568)
Change in fair value of available-for-sale financial assets	-	-	-	(25,835,517)	-	-	(25,835,517)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(15,235,216)	-	(15,235,216)
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	-	(122,576,880)	(122,576,880)
Balance at June 30, 2014	₩ <u>380,000,000</u>	<u>1,044,516,633</u>	<u>(1,400,454,947)</u>	<u>555,813,885</u>	<u>(44,679,248)</u>	<u>14,186,003,007</u>	<u>14,721,199,330</u>

See accompanying notes to the condensed separate interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Condensed Separate Interim Statements of Cash Flows
For the six-month periods ended June 30, 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	₩	(695,464,568)	473,704,410
Adjustments		<u>1,485,579,639</u>	<u>892,277,954</u>
Cash generated from operations	35	790,115,071	1,365,982,364
Interest received		22,561,403	28,766,442
Interest paid		(91,073,172)	(95,372,410)
Dividends received		78,836,870	37,415,697
Income taxes paid		<u>(54,373,710)</u>	<u>(355,433,310)</u>
Net cash provided by operating activities		<u>746,066,462</u>	<u>981,358,783</u>
Cash flows from investing activities			
Proceeds from sale of short-term financial assets		80,500,000	-
Proceeds from collection of other receivables		-	4,300,000
Proceeds from sale of investments in subsidiaries, associates and joint venture		-	3,095,053
Proceeds from sale of long-term financial assets		862,254	464,597
Proceeds from collection of long-term other receivables		2,231,587	2,555,978
Proceeds from sale of property, plant and equipment		1,498,170	14,856,522
Proceeds from sale of intangible assets		153,400	1,450,909
Acquisition of short-term financial assets		(80,500,000)	-
Acquisition of other receivables		-	(2,300,000)
Acquisition of investments in subsidiaries, associates and joint venture		(85,704,500)	(81,772,523)
Acquisition of long-term financial assets		(254,610)	(3,975,791)
Acquisition of long-term other receivables		(2,222,622)	(1,898,960)
Acquisition of property, plant and equipment		(278,961,187)	(205,584,826)
Acquisition of intangible assets		(36,071,225)	(43,236,803)
Acquisition of other non-current assets		-	(4,875,557)
Net cash used in investing activities		<u>(398,468,733)</u>	<u>(316,921,401)</u>
Cash flows from financing activities			
Proceeds from short-term financial liabilities		4,473,036,806	3,912,093,745
Proceeds from long-term financial liabilities		1,748,392,800	1,455,179,220
Repayment of short-term financial liabilities		(6,303,777,146)	(5,128,809,871)
Repayment of long-term financial liabilities		-	(380,000,000)
Dividends paid		<u>(122,576,880)</u>	<u>(153,221,100)</u>
Net cash used in financing activities		<u>(204,924,420)</u>	<u>(294,758,006)</u>
Effects of exchange rate changes on cash and cash equivalents		<u>(2,248,892)</u>	<u>2,830,199</u>
Net increase in cash and cash equivalents		140,424,417	372,509,575
Cash and cash equivalents at January 1		<u>730,673,768</u>	<u>522,916,854</u>
Cash and cash equivalents at June 30	₩	<u>871,098,185</u>	<u>895,426,429</u>

See accompanying notes to the condensed separate interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Condensed Separate Interim Financial Statements
June 30, 2014
(Unaudited)

1. Reporting Entity

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

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

2. Basis of Preparation

(1) Statement of compliance

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

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

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

(2) Use of estimates and judgments

(i) Judgments and uncertainties of assumptions and estimation

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

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

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

2. Basis of Preparation, Continued

(2) Use of estimates and judgments, continued

(ii) Measurement of fair value

The Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company 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 Company Audit Committee.

When measuring the fair value of an asset or a liability, the Company 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 Company 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 37.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Condensed Separate Interim Financial Statements
June 30, 2014
(Unaudited)

3. Significant Accounting Policies

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

(1) Changes in accounting policies

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

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Condensed Separate Interim Financial Statements
June 30, 2014
(Unaudited)

3. Significant Accounting Policies, Continued

(1) Changes in accounting policies, continued

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

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

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

The Company 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.

4. Risk Management

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

The Company'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	₩ 17,755,469	16,551,415
Total equity	14,721,199	15,580,312
Cash and deposits(*1)	1,020,831	880,407
Borrowings(*2)	7,241,624	7,397,809
Liability to equity ratio	120.61%	106.23%
Net borrowing to equity ratio(*3)	42.26%	41.83%

(*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.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Condensed Separate Interim Financial Statements
June 30, 2014
(Unaudited)

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:

(In millions of won)

	2014		2013	
	Current	Non-current	Current	Non-current
Financial instruments	₩ 149,700	33	149,700	33
Financial assets at fair value through profit or loss	19	-	5,727	-
Available-for-sale financial assets	-	1,315,527	-	1,145,916
	₩ <u>149,719</u>	<u>1,315,560</u>	<u>155,427</u>	<u>1,145,949</u>

6. Restricted Financial Instruments

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

(In millions of won)

Description	Financial institutions	2014	2013	Restrictions
Long-term financial instruments	Korea Exchange Bank and others	₩ 33	33	Guarantee deposits for checking accounts

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

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

(In millions of won)

	2014		2013	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables	₩ 3,539,627	528,589	3,608,539	550,681
Allowance for doubtful accounts	(245,067)	(253,111)	(276,659)	(267,893)
	<u>3,294,560</u>	<u>275,478</u>	<u>3,331,880</u>	<u>282,788</u>
Other receivables:				
Other accounts receivable	512,320	-	519,539	-
Allowance for doubtful accounts	(185,542)	-	(215,778)	-
Accrued income	6,010	-	9,708	-
Loans	-	233	243	-
Guarantee deposits	22,434	9,702	1,170	9,724
	<u>355,222</u>	<u>9,935</u>	<u>314,882</u>	<u>9,724</u>
	₩ <u>3,649,782</u>	<u>285,413</u>	<u>3,646,762</u>	<u>292,512</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Condensed Separate Interim Financial Statements
June 30, 2014
(Unaudited)

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:

(In millions of won)

		<u>2014</u>	<u>2013</u>
Due from customers for contract work	₩	4,638,163	5,131,319
Allowance for doubtful accounts		(1,486)	(1,546)
	₩	<u>4,636,677</u>	<u>5,129,773</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:

(In millions of won)

		<u>2014</u>	<u>2013</u>
Beginning balance	₩	761,876	636,589
Impairment loss recognized		7,897	363,679
Reversal of impairment loss		(84,567)	(148,499)
Write-offs		-	(89,893)
Ending balance	₩	<u>685,206</u>	<u>761,876</u>

8. Inventories

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

(In millions of won)

		<u>2014</u>			<u>2013</u>		
		Acquisition cost	Provision for inventory valuation	Carrying amount	Acquisition cost	Provision for inventory valuation	Carrying amount
Merchandise	₩	83,029	(5,454)	77,575	85,414	(6,110)	79,304
Finished goods		148,218	(9,826)	138,392	233,105	(14,513)	218,592
Work-in-progress		1,199,537	(118,232)	1,081,305	1,121,896	(100,726)	1,021,170
Raw materials		889,568	(4,394)	885,174	823,647	(3,307)	820,340
Supplies		20,595	-	20,595	22,210	-	22,210
Materials-in-transit		426,026	-	426,026	422,605	-	422,605
	₩	<u>2,766,973</u>	<u>(137,906)</u>	<u>2,629,067</u>	<u>2,708,877</u>	<u>(124,656)</u>	<u>2,584,221</u>

The write-down of inventories amounting to ₩13,250 million and the reversal of write-down of inventories to net realizable value amounting to ₩15,788 million are included in cost of sales for the six-month periods ended June 30, 2014 and 2013, respectively.

9. Other Current Assets

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

(In millions of won)

		<u>2014</u>	<u>2013</u>
Advance payments	₩	2,303,234	1,877,319
Prepaid expenses		282,342	333,371
	₩	<u>2,585,576</u>	<u>2,210,690</u>

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10. Investments in Subsidiaries

Investments in subsidiaries as of June 30, 2014 and December 31, 2013 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Particulars	2014		2013	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Hyundai Samho Heavy Industries Co., Ltd.	Korea	Shipbuilding	94.92 ₩	1,817,690	94.92 ₩	1,817,690
Hyundai Oilbank Co., Ltd.	Korea	Manufacturing of petroleum products	91.13	2,954,745	91.13	2,954,745
Hyundai Heavy Material Service	Korea	Sale and manufacture of machinery equipment for shipbuilding	100.00	122,136	100.00	122,136
KOMAS Corporation	Korea	Shipping	100.00	116,635	100.00	116,635
Hyundai Energy & Resources Co., Ltd.	Korea	Services for crude oil and natural gas mining	40.00	20,000	40	20,000
Ulsan Hyundai Football Club Co., Ltd.	Korea	Football club	100.00	4,913	100.00	4,913
Hotel Hyundai Co., Ltd.	Korea	Hotel operation	100.00	2,807	100.00	2,807
Hyundai Finance Corporation	Korea	Granting of credit	67.49	90,726	67.49	90,726
LS Leading Solution Private Security Investment Trust 22 (Equity)	Korea	Other financial business	100.00	80,155	100.00	80,155
LS Leading Solution Private Security Investment Trust 35 (Equity)	Korea	Other financial business	100.00	15,759	100.00	15,759
Eastspring Private Global Asset allocation & Mining & Gold Fund of Funds Investment Trust A-1	Korea	Other financial business	100.00	12,709	100.00	12,709
HHI China Investment Co., Ltd.	China	Holding company	100.00	286,425	100.00	286,425
Hyundai Financial Leasing Co., Ltd. (*)	China	Financial and operating leases	41.26	67,403	41.26	67,403
Hyundai (Shandong) Heavy Industries Machinery Co., Ltd.	China	Sale and manufacture of wheel loaders	100.00	48,810	100.00	48,810
Hyundai Vinashin Shipyard	Vietnam	Ship repair	10.00	20,149	10.00	20,149
Hyundai Construction Equipment India Pvt. Ltd.	India	Sale and manufacture of machinery equipment for construction	100.00	53,741	100.00	53,741
Hyundai Transformers And Engineering India PVT, Ltd.	India	Sale and manufacture of transformers	100.00	227	100.00	227
Hyundai Construction Equipment Americas, Inc.	America	Sale of machinery equipment for construction	100.00	-	100.00	-
Hyundai Power Transformers USA, INC.	America	Sale and manufacture of industrial electric equipment	100.00	61,448	100.00	61,448
Hyundai Ideal Electric Co.	America	Sale and manufacture of industrial electric equipment	100.00	25,494	100.00	25,494
PHECO Inc.	America	Design services for offshore facilities	100.00	237	100.00	237
HHI Battery CO., Ltd.	Canada	Manufacturing	100.00	6,350	100.00	20,256
Hyundai Heavy Industries Brasil- Real Estate Developments	Brazil	Real estate development	97.09	30,443	100.00	31,355

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10. Investments in Subsidiaries, Continued

(In millions of won, except percentage of ownership)

Company	Location	Particulars	2014		2013	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Brazil	Manufacture, trade and repair of heavy equipment	97.09	147,810	100.00	69,204
Hyundai Heavy Industries Miraflores Power Plant Inc.	Panama	Manufacturing	100.00	-	100.00	-
Vladivostok Business Center	Russia	Hotel operation	100.00	-	100.00	-
Hyundai Khorol Agro Ltd.	Russia	Agriculture	95.24	16,105	95.24	16,105
Hyundai Mikhailovka Agro	Russia	Agriculture	100.00	17,255	100.00	17,255
Hyundai Electrosystems Co., Ltd.	Russia	Manufacture of high-voltage circuit breakers	100.00	44,403	100.00	44,403
Hyundai Heavy Industries Europe N.V..	Belgium	Sale of machinery equipment for construction	100.00	10,322	100.00	10,322
Hyundai Heavy Industries Co. Bulgaria	Bulgaria	Sale and manufacture of transformers	99.09	46,768	99.09	46,768
Hyundai Technologies Center Hungary Kft.	Hungary	Research and development of technology	100.00	26	100.00	26
Hyundai Heavy Industries France SAS	France	Manufacturing	100.00	52	100.00	52
Jahnel-Kestermann Getriebewerke GmbH	Germany	Designing and manufacture of gearboxes	100.00	-	100.00	-
HHI MAURITIUS LIMITED	Mauritius	Manufacturing	100.00	-	100.00	-
Hyundai West Africa Limited	Nigeria	Manufacture of other transport equipment	100.00	70	100.00	70
Hyundai Arabia Company LLC.	Saudi Arabia	Industrial plant construction	70.00	2,032	70.00	2,032
				<u>₩ 6,123,845</u>		<u>₩ 6,060,057</u>

(*) As the Company and subsidiaries owns more than half of the entity directly and indirectly, the Company has determined that the Company and subsidiaries controls the entity and has classified the stock as subsidiaries.

Changes in the six-month period June 30, 2014 are caused by increase in capital stock, stock exchange and impairment.

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11. Investments in Associates

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

(In millions of won, except percentage of ownership)

Company	Location	Particulars	2014		2013	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
New Korea Country Club	Korea	Country club	40.00	₩ 31,545	40.00	₩ 31,545
Hyundai Merchant Marine Co., Ltd.(*1)	Korea	Shipping	0.00	-	13.84	360,634
Taebaek Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	35.00	5,299	35.00	5,299
Muju Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	45.00	5,130	45.00	5,130
Pyeongchang Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	23.00	3,566	35.00	893
Jinan Jangsu Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	32.00	128	32.00	128
Changjuk Wind Power Co., Ltd.	Korea	Sale and manufacture of facilities for wind power generation	43.00	5,448	43.00	5,448
Hyundai Corporation	Korea	Exporting	22.36	105,134	22.36	105,134
Daesung Win-Win Fund (*2)	Korea	Investment service in culture contents field	16.67	7,000	16.67	7,000
Qinhuangdao Shouqin Metal Materials Co., Ltd.	China	Thick plate-oriented comprehensive iron manufacturing	20.00	80,555	20.00	80,555
PT. Hyundai Machinery Indonesia	Indonesia	Import and wholesale of machinery equipment for construction	20.83	155	20.83	155
Hyundai Primorye Ltd.	Russia	Farmland leasing service	49.99	6,338	49.99	6,338
Hyundai Green Industries Co., W.L.L.	Kuwait	Education	49.00	992	49.00	992
				₩ 251,290		₩ 609,251

(*1) 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 Company has no significant influence in Hyundai Merchant Marine Co., Ltd. and its securities have been reclassified to available-for-sale financial asset.

(*2) As the Company and subsidiaries owns more than half of the entity directly and indirectly, the Company and subsidiaries has determined that the Company and subsidiaries controls the entity and has classified the stock as associates.

Changes in the six-month period June 30, 2014 are caused by increase in capital, stock exchange and impairment

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12. Investments in Joint Ventures

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)

Company	Location	Particulars	2014		2013	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Wärtsilä-Hyundai Engine Company Ltd.	Korea	Manufacture, assemble and test of marine engines and parts	50.00	₩ 40,496	50.00	₩ 40,496
Hyundai Cummins Engine Company	Korea	Manufacture of engines	50.00	33,719	50.00	33,719
Hyundai-Avancis Co., Ltd.	Korea	Sale and manufacture of solar module	50.00	34,142	50.00	34,142
Grand China Hyundai Shipping Co., Ltd.	Hong Kong	Acquiring, renting, leasing and chartering of bulk carrier	50.00	292	50.00	292
BMC Hyundai S.A.	Brazil	Sale of machinery equipment for construction	30.00	5,338	-	-
				₩ 113,987		₩ 108,649

Change in the six-month period June 30, 2014 is stock exchange.

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 Company 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 Company 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
Listed equity securities	₩ 1,247,373	1,066,453
Unlisted equity securities	57,006	73,131
Beneficiary certificates	1,116	1,139
Investments in capital	10,032	5,193
	₩ 1,315,527	1,145,916

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14. Available-for-sale Financial Assets, Continued

During the six-month period ended June 30, 2014, the Company'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 Company 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.

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	₩ 231,929	208,069	439,998
Acquisition and other	(16,748)	(9,262)	(26,010)
Disposals	-	-	-
Depreciation	-	(2,996)	(2,996)
Ending balance	₩ 215,181	195,811	410,992
Acquisition cost	215,181	235,958	451,139
Accumulated depreciation	-	(40,147)	(40,147)

(In millions of won)

	2013		
	Land	Buildings	Total
Beginning balance	₩ 205,894	107,175	313,069
Acquisition and other	26,035	107,239	133,274
Disposals	-	-	-
Depreciation	-	(6,345)	(6,345)
Ending balance	₩ 231,929	208,069	439,998
Acquisition cost	231,929	250,077	482,006
Accumulated depreciation	-	(42,008)	(42,008)

- (2) Fair value evaluation was performed by independent appraiser as of January 1, 2010 when the K-IFRS was adopted. As the Company has determined that changes in the fair value after the evaluation date is not important, doesn't perform 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						
	Machinery and Construction						Total
	Land	Buildings	Structures	equipment	in-progress	Others	
Beginning balance	₩ 2,895,105	1,924,915	1,234,653	1,335,069	200,506	472,262	8,062,510
Acquisitions and other	21,454	20,113	29,317	51,910	87,613	94,564	304,971
Disposals	(480)	(994)	(63)	(514)	(167)	(267)	(2,485)
Depreciation	-	(32,975)	(20,062)	(94,078)	-	(74,487)	(221,602)
Ending balance	₩ 2,916,079	1,911,059	1,243,845	1,292,387	287,952	492,072	8,143,394
Acquisition cost	2,916,079	2,602,482	1,623,361	3,818,174	287,952	2,010,971	13,259,019
Accumulated depreciation	-	(691,423)	(379,516)	(2,442,752)	-	(1,517,686)	(5,031,377)
Accumulated impairment	-	-	-	(83,035)	-	(1,213)	(84,248)

(In millions of won)

	2013						
	Machinery and Construction						Total
	Land	Buildings	Structures	equipment	in-progress	Others	
Beginning balance	₩ 2,872,150	2,018,885	1,228,559	1,413,223	192,845	420,202	8,145,864
Acquisitions and other	31,676	(21,717)	45,220	126,120	13,058	202,008	396,365
Disposals	(8,721)	(7,129)	(2)	(912)	(5,397)	(367)	(22,528)
Depreciation	-	(65,124)	(39,124)	(203,362)	-	(149,581)	(457,191)
Ending balance	₩ 2,895,105	1,924,915	1,234,653	1,335,069	200,506	472,262	8,062,510
Acquisition cost	2,895,105	2,579,085	1,594,129	3,773,559	200,506	1,930,457	12,972,841
Accumulated depreciation	-	(654,170)	(359,476)	(2,355,455)	-	(1,456,982)	(4,826,083)
Accumulated impairment	-	-	-	(83,035)	-	(1,213)	(84,248)

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

17. Intangible Assets

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

(In millions of won)

	2014	2013
Beginning balance	₩ 336,523	312,356
Acquisition and other	34,106	83,131
Amortization	(31,564)	(58,964)
Ending balance	₩ 339,065	336,523
Acquisition cost	837,180	803,074
Accumulated amortization	(497,056)	(465,492)
Accumulated impairment	(1,059)	(1,059)

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17. Intangible Assets, Continued

(2) Other intangible assets include usable and profitable donation assets to Maritime Affairs and Port Office and intangible assets with indefinite useful lives. Changes in other intangible assets for the six-month period ended June 30, 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	₩	59,287	61,397
Acquisition and other		1,965	2,956
Disposals		(153)	(2,847)
Amortization		(1,110)	(2,219)
Ending balance(*)	₩	<u>59,989</u>	<u>59,287</u>
Acquisition cost		95,135	93,323
Accumulated amortization		(35,146)	(34,036)

(*) The carrying amount of intangible assets with indefinite useful lives is ₩47,906 million and ₩46,094 million as of June 30, 2014 and December 31, 2013, respectively.

(3) Research costs amounting to ₩16,956 million and ₩10,920 million, and ordinary development costs amounting to ₩77,481 million and ₩67,393 million are included in selling, general and administrative expenses for the six-month periods ended June 30, 2014 and 2013, respectively. Amortized development costs of ₩31,564 million and ₩27,445 million are included in the manufacturing cost for the six-month periods ended June 30, 2014 and 2013, respectively.

18. 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:

<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>
Borrowings	₩	3,578,733	1,663,588	5,363,665	522,200
Debentures		500,000	1,504,320	-	1,516,590
Discount on debentures		(419)	(4,598)	-	(4,646)
	₩	<u>4,078,314</u>	<u>3,163,310</u>	<u>5,363,665</u>	<u>2,034,144</u>

19. Trade and Other Payables

Trade and other payables 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>
Trade payables	₩	1,918,937	-	1,926,234	-
Other accounts payable		340,281	-	358,228	-
Accrued expenses		616,633	-	416,902	-
Deposits received		-	11,015	-	11,558
	₩	<u>2,875,851</u>	<u>11,015</u>	<u>2,701,364</u>	<u>11,558</u>

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20. 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	China Construction Bank Corporation and others	3.40~3.50	₩	300,000	-
Commercial paper	SHINHAN BANK and others	2.85		300,000	1,000,000
Invoice loan	Mizuho Coporate Bank and others	0.73~1.18		650,746	912,159
Usance L/C	Korea Exchange Bank and others	0.48~1.29		977,987	701,506
Pre-shipment credit	Export-Import Bank of Korea	3.30~3.40		500,000	1,470,000
				2,728,733	4,083,665
Current portion of long-term borrowings				850,000	1,280,000
			₩	3,578,733	5,363,665

(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	The Korea Development Bank and others	3.00~3.85	₩	450,000	200,000
Commercial paper	SK Securities Co., Ltd. and others	3.04~3.59		650,000	950,000
General loan in foreign currency	Hana Bank	2.18		202,880	211,060
Business loan(*)	Korea National Oil Corporation	0.75~3.75		10,708	11,140
Pre-shipment credit	Export-Import Bank of Korea and others	3.30~3.60		1,200,000	430,000
Current portion				(850,000)	(1,280,000)
			₩	1,663,588	522,200

(*) As of June 30, 2014, the consortium that included the Company 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.

(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
113 rd debenture	2015.02.17	3.96	₩	500,000	500,000
114 st -1 debenture	2015.07.24	3.23		300,000	300,000
114 st -2 debenture	2017.07.24	3.35		400,000	400,000
116 st -1 debenture	2017.02.26	3.14		200,000	-
116 st -2 debenture	2019.02.26	3.45		300,000	-
Foreign currency bond	2016.06.10	1.14		304,320	316,590
			₩	2,004,320	1,516,590
Discount on debentures				(5,017)	(4,646)
Current portion				(500,000)	-
Discount on current portion				419	-
			₩	1,499,722	1,511,944

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20. Borrowings and Debentures, Continued

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

(In millions of won)

Periods	2014		
	Borrowings	Debentures	Total
2014.07.01~2015.06.30	₩ 3,578,733	500,000	4,078,733
2015.07.01~2019.06.30	1,652,880	1,504,320	3,157,200
2019.07.01 and thereafter	10,708	-	10,708
	₩ 5,242,321	2,004,320	7,246,641

(In millions of won)

Periods	2013		
	Borrowings	Debentures	Total
2014.01.01~2014.12.31	₩ 5,363,665	-	5,363,665
2015.01.01~2018.12.31	511,060	1,516,590	2,027,650
2019.01.01 and thereafter	11,140	-	11,140
	₩ 5,885,865	1,516,590	7,402,455

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

(In millions of won)

	Currency	Annual interest rate (%)	Face value	Carrying amount	Maturity
Beginning balance	KRW		7,402,455	7,397,809	
Issues	KRW	3.35~3.60	1,400,000	1,400,000	2014~2016
	USD and others	0.48~1.29	3,473,037	3,473,037	2014~2015
	KRW	2.85~3.85	500,000	498,393	2015~2017
	KRW	2.85~3.85	850,000	850,000	2015~2017
			6,223,037	6,221,430	
Repayment	KRW	3.40~3.75	(1,600,000)	(1,600,000)	
	USD and others	0.33~2.86	(3,403,777)	(3,403,777)	
	KRW	2.77~3.76	(1,300,000)	(1,300,000)	
			(6,303,777)	(6,303,777)	
The effects of changes in foreign exchange rates			(75,074)	(75,074)	
Amortization of bond discounts			-	1,236	
			7,246,641	7,241,624	

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21. Employee Benefits

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

<i>(In millions of won)</i>	<u>2014</u>	<u>2013</u>
Present value of defined benefit obligations	₩ 1,142,462	1,068,756
Fair value of plan assets	(959,325)	(948,301)
	<u>₩ 183,137</u>	<u>120,455</u>

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

<i>(In millions of won)</i>	<u>2014</u>	<u>2013</u>
Retirement pension	₩ 946,957	935,792
Transfer to National Pension Fund	12,368	12,509
	<u>₩ 959,325</u>	<u>948,301</u>

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

<i>(In millions of won)</i>	<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>
Current service costs	₩ 31,958	63,917	32,741	65,482
Interest on obligations	9,584	19,167	8,040	16,080
Expected return on plan assets	(9,115)	(18,230)	(7,060)	(14,119)
	<u>₩ 32,427</u>	<u>64,854</u>	<u>33,721</u>	<u>67,443</u>

- (4) Changes in the present value of the defined benefit obligations for 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	₩ 1,068,756	1,000,373
Current service costs	63,917	135,119
Interest on obligations	19,167	34,192
Benefits paid	(9,400)	(53,823)
Transfers from related parties	22	2,684
Actuarial losses in other comprehensive income		
Demographic assumption	-	(160)
Financial assumption	-	(75,498)
Experience adjustment	-	25,869
Ending balance	<u>₩ 1,142,462</u>	<u>1,068,756</u>

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21. Employee Benefits, Continued

(5) Changes in the fair value of plan assets for six-month periods 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	₩	948,301	827,700
Benefits paid		(7,206)	(28,411)
Contributions paid into the plan		-	120,000
Expected return on plan assets		18,230	28,236
Actuarial gains in other comprehensive income		-	776
Ending balance	₩	<u>959,325</u>	<u>948,301</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.

(In millions of won)

		<u>2013</u>	
		<u>Increase</u>	<u>Decrease</u>
Discount rate (1% change)	₩	(65,278)	75,222
Future salary increase rate (1% change)		65,875	(58,192)

22. 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)

		<u>2014</u>		
		<u>Provision for construction warranty</u>	<u>Provision for product warranty</u>	<u>Total</u>
Beginning balance	₩	312,818	68,569	381,387
Additions		16,663	62,263	78,926
Reversals		(33,496)	(28)	(33,524)
Utilization		(23,820)	(29,154)	(52,974)
Ending balance	₩	<u>272,165</u>	<u>101,650</u>	<u>373,815</u>

(In millions of won)

		<u>2013</u>		
		<u>Provision for construction warranty</u>	<u>Provision for product warranty</u>	<u>Total</u>
Beginning balance	₩	188,450	64,057	252,507
Additions		146,468	83,369	229,837
Reversals		(3,183)	(2,102)	(5,285)
Utilization		(18,917)	(76,755)	(95,672)
Ending balance	₩	<u>312,818</u>	<u>68,569</u>	<u>381,387</u>

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23. Derivative Financial Instruments

The Company has entered into derivative instrument contracts related to foreign currency forward with 24 banks, including Korea Exchange Bank, to hedge the changes in foreign exchange rates. Derivatives are measured at fair value by using forward exchange rate presented by the contract counterparty.

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

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

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

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

Description	Currency		Contract amount	Number of contracts	Weighted average exchange rate	Average maturities
	Sell	Buy				
Fair value hedge	EUR	KRW	3,526	4	1,480.79	2015-08-09
	USD	KRW	11,619,960	1,875	1,104.28	2015-07-23
Cash flow hedge	EUR	KRW	27,409	10	1,452.31	2014-11-05
	KRW	EUR	6,235	7	1,520.66	2015-11-02
	KRW	USD	1,331,617	123	1,109.88	2015-03-02
	USD	CHF	1,691	14	1.11	2015-03-11
	USD	EUR	415,234	117	0.75	2014-12-31
	USD	GBP	622	5	0.61	2015-08-17
	USD	JPY	109,720	19	93.17	2015-06-27
	USD	KRW	1,018,269	70	1,063.81	2014-12-16
	USD	NOK	61,585	14	6.03	2014-10-03
For trading	USD	KRW	320	1	1,078.85	2014-10-31

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

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

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23. Derivative Financial Instruments, Continued

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

(In millions of won)

Description	Derivatives				Financial assets or liabilities at fair value 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	₩ 554,785	300,316	727	525	-	-	-	-	1,130	525	374,667	287,255
Cash flow hedge	48,736	5,724	89,719	21,332	-	-	-	-	-	-	-	-
For trading	-	-	-	-	19	-	-	-	-	-	-	-
	₩ 603,521	306,040	90,446	21,857	19	-	-	-	1,130	525	374,667	287,255

(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	Increase (decrease) to sales	Increase (decrease) to cost of sales	Increase to finance income	Increase to finance costs	Increase to other non-operating income	Increase to other non-operating expenses	Accumulated other comprehensive loss
Fair value hedge	₩ 229,332	-	630,261	32,697	7,800	532,390	-
Cash flow hedge	34,965	(38,107)	-	-	-	-	(20,099)
For trading	-	-	1,503	2,671	-	-	-
	₩ 264,297	(38,107)	631,764	35,368	7,800	532,390	(20,099)

For the six-month period ended June 30, 2014, the Company applies cash flow hedge accounting, out of which the Company accounted for the effective portion of the hedge amounting to ₩(-)15,235 million, net of tax of ₩4,864 million, as gain on valuation of derivatives in accumulated other comprehensive income.

The expected period of exposure to cash flow risk, where cash flow hedge accounting is applied, is approximately within 50 months.

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24. Capital and Capital Surplus

(1) Capital stock

The Company 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 composed of paid-in capital in excess of par value and other capital surplus. There have been no changes in the capital surplus for the six-month period ended June 30, 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

25. Treasury Stock

Treasury stock 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	2,603,946	14,711,560	₩ 1,400,455	3,780,871

26. 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 ₩	555,814	581,649
Effective portion of changes in fair value of cash flow hedges	(44,679)	(29,444)
	<u>₩ 511,135</u>	<u>552,205</u>

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26. Accumulated Other Comprehensive Income, Continued

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

(In millions of won)

	2014					
	Before tax amount		Tax effect		After tax amount	
	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period
Change in fair value of available-for-sale financial assets	₩ (102,861)	(34,084)	24,893	8,248	(77,968)	(25,836)
Effective portion of changes in fair value of cash flow hedges	(25,934)	(20,099)	6,276	4,864	(19,658)	(15,235)
	<u>₩ (128,795)</u>	<u>(54,183)</u>	<u>31,169</u>	<u>13,112</u>	<u>(97,626)</u>	<u>(41,071)</u>

(In millions of won)

	2013					
	Before tax amount		Tax effect		After tax amount	
	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period
Change in fair value of available-for-sale financial assets	₩ 27	19,908	(7)	(4,818)	20	15,090
Effective portion of changes in fair value of cash flow hedges	10,408	21,560	(2,519)	(5,218)	7,889	16,342
	<u>₩ 10,435</u>	<u>41,468</u>	<u>(2,526)</u>	<u>(10,036)</u>	<u>7,909</u>	<u>31,432</u>

27. Retained Earnings

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

(In millions of won)

	2014	2013
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	(695,464)	489,995
	<u>₩ 14,186,003</u>	<u>15,004,044</u>

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28. Outstanding Contracts

(1) Sales for the three 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	₩ 3,759,724	7,485,883	4,219,027	7,954,441
Goods sold	1,927,609	3,506,770	2,180,116	4,194,311
Services	48,405	91,823	51,327	122,950
	₩ 5,735,738	11,084,476	6,450,470	12,271,702

The foreign sales accounting to ₩10,000,148 million, and domestic sales accounting to ₩1,084,328 million for the six-month periods ended June 30, 2014.

(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(*)	₩ 14,914,600	20,336,978	35,251,578
Increase during the period	4,396,540	8,063,059	12,459,599
Recognized as revenue	(4,702,027)	(6,382,449)	(11,084,476)
Ending balance	₩ 14,609,113	22,017,588	36,626,701

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

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

(3) Accumulated profit and loss of construction and others connected with construction in progress as of June 30, 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	₩ 8,618,270	8,749,430	(131,160)	267,727	3,607,183	2,399,084
Others	15,755,822	14,870,498	885,324	548,079	1,029,494	3,032,338
	₩ 24,374,092	23,619,928	754,164	815,806	4,636,677	5,431,422

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

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29. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three 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	₩ 76,143	153,125	76,791	156,646
Post-employment benefit costs	4,616	9,429	4,981	10,134
Employee welfare	19,346	42,355	18,979	40,176
Depreciation	9,107	18,248	9,131	18,455
Bad debt expenses (reversal of bad debt allowance)	(37,243)	(51,414)	180,648	244,675
Ordinary development costs	40,279	77,481	37,426	67,393
Advertising	13,043	28,530	10,892	21,018
Printing	416	1,023	386	962
Compensation	20	37	68	110
Warranty expenses (reversal of warranty)	(4,225)	36,174	33,807	63,924
Insurance	512	1,012	590	1,212
Supplies	1,356	2,406	1,105	2,403
Utilities	490	873	373	685
Repairs	171	610	140	219
Travel	4,585	8,349	5,374	9,054
Research	8,939	16,596	5,849	10,920
Training	3,418	6,151	2,026	3,292
Transportation	25,100	48,294	39,705	76,336
Rent	4,312	8,321	3,446	6,452
Data processing	5,092	7,621	4,224	6,693
Entertainment	451	963	538	1,047
Taxes and dues	398	724	356	647
Service charges	23,013	43,589	18,887	38,286
Automobile maintenance	1,680	3,449	1,747	3,553
Communications	1,287	2,979	1,832	3,504
Sales commissions	12,744	26,832	17,102	29,858
Others	8,757	17,923	8,146	15,714
	₩ <u>223,807</u>	<u>511,680</u>	<u>484,549</u>	<u>833,368</u>

30. Nature of Expenses

The classification of expenses by nature for the three 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	₩ 184,708	(44,845)	(34,583)	68,718
Purchase of inventories	3,650,061	7,153,609	4,053,636	7,731,039
Depreciation	112,592	224,598	115,345	231,183
Amortization	16,168	32,674	14,405	28,555
Labor cost	513,574	1,032,761	512,539	1,034,605
Other expenses	2,016,529	3,556,368	1,496,311	2,698,456
	₩ <u>6,493,632</u>	<u>11,955,165</u>	<u>6,157,653</u>	<u>11,792,556</u>

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

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31. Finance Income and Finance Costs

Finance income and finance costs for the three 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	₩ 8,987	18,912	15,214	28,453
Gain on valuation of financial instruments at fair value through profit or loss	34	19	58	58
Gain on disposal of financial instruments at fair value through profit or loss	734	1,484	336	1,295
Gain on disposal of available-for-sale security	-	314	-	-
Dividend income	-	78,837	239	37,416
Gain on foreign currency translation	27,600	109,740	76,527	248,571
Gain on foreign currency transactions	76,310	154,871	128,512	215,810
Gain on derivatives transactions	603,209	513,407	-	702
Gain on valuation of derivatives	112,700	116,854	2,516	9,154
	₩ <u>829,574</u>	<u>994,438</u>	<u>223,402</u>	<u>541,459</u>
Finance costs:				
Interest expense	₩ 19,354	43,539	29,190	57,451
Loss on valuation of financial instruments at fair value through profit or loss	-	-	4,323	8,813
Loss on disposal of financial instruments at fair value through profit or loss	1,112	2,671	699	1,801
Loss on disposal of available-for-sale financial assets	6	15	6	13
Impairment loss on available-for-sale financial assets	156,989	158,021	5	278
Loss on foreign currency translation	126,457	162,124	64,375	127,845
Loss on foreign currency transactions	90,645	145,851	102,420	167,704
Loss on derivatives transactions	-	2,111	232,942	538,060
Loss on valuation of derivatives	763	30,586	73,721	115,291
	₩ <u>395,326</u>	<u>544,918</u>	<u>507,681</u>	<u>1,017,256</u>

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

Other non-operating income and other non-operating expenses for the three and six-month periods ended June 30, 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:				
Reversal of allowance for other doubtful accounts	₩ 25,256	25,256	-	-
Gain on disposal of Subsidiaries, Associates and Joint venture	-	-	1,185	1,185
Gain on disposal of property, plant and equipment	581	773	826	1,066
Gain on disposal of intangible assets	-	-	-	118
Gain on valuation of firm commitments	-	7,800	268,279	551,481
Miscellaneous income	30,213	40,935	19,563	31,704
	₩ 56,050	74,764	289,853	585,554
Other non-operating expenses:				
Service charges	₩ 1,981	4,037	4,070	6,971
Subsidiaries, Associates and Joint venture loss on impairment	-	13,906	-	1,989
Loss on disposal of property, plant and equipment	1,495	1,759	541	798
Loss on disposition of Intangible assets	-	-	-	183
Loss on valuation of firm commitments	610,614	532,390	1,156	3,684
Donation	14,789	23,781	5,030	9,922
Miscellaneous expenses	9,745	20,397	44,878	52,048
	₩ 638,624	596,270	55,675	75,595

33. Income Tax Expense (income)

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

(In millions of won)

	2014	2013
Current tax expense	₩ -	199,990
Adjustment for prior periods	(10,828)	(75,832)
Origination and reversal of temporary differences	(249,494)	(74,518)
Income tax recognized in other comprehensive income	13,112	(10,036)
Total income tax expense (income)	₩ (247,210)	39,604
Effective tax rate	(*)	7.72%

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

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34. Earnings (losses) per Share

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

	2014		2013	
	Three-month period	Six-month period	Three-month period	Six-month period
Profit (loss) for the period <i>(In millions of won)</i>	₩ (686,139)	(695,465)	186,705	473,704
Weighted average number of ordinary shares outstanding <i>(In thousands of shares)</i>	61,288	61,288	61,288	61,288
Earnings (losses) per share <i>(In won)</i>	₩ <u>(11,195)</u>	<u>(11,347)</u>	<u>3,046</u>	<u>7,729</u>

(2) 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>	Number of shares outstanding	Weighted average	Weighted average number of shares outstanding
Beginning balance	61,288,440	Six-month: 181/181	61,288,440

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

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35. Cash flow from Operations

Cash generated (used) from operations 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>
Profit (loss) for the period	₩ (695,465)	473,704
Adjustments for:		
Post-employment benefit costs	64,854	67,443
Depreciation	224,598	231,183
Amortization	32,674	28,555
Bad debt expenses (reversal of bad debt allowance)	(51,414)	244,675
Reversal of allowance for other doubtful accounts	(25,256)	-
Finance income	(721,229)	(315,200)
Finance costs	417,423	771,586
Other non-operating income	(8,573)	(553,850)
Other non-operating expenses	548,202	7,030
Income tax expenses (income)	(247,210)	39,604
Changes in assets and liabilities:		
Trade receivables	(60,737)	(9,868)
Other receivables	(19,097)	(207,873)
Due from customers for contract work	493,156	(1,129,639)
Inventories	(44,845)	68,718
Derivatives	160,799	205,011
Firm commitments	(248,308)	9,958
Other current assets	(360,894)	363,550
Long-term trade receivables	(99)	(64,636)
Trade payables	12,742	302,712
Other payables	189,319	360,921
Advances from customers	73,775	(118,181)
Due to customers for contract work	1,065,798	565,436
Long-term other payables	(354)	(300)
Benefits paid	(9,400)	(12,550)
Succession of Benefits	22	630
Plan assets	7,206	8,308
Long-term provisions	(7,572)	29,055
	₩ <u>790,115</u>	<u>1,365,982</u>

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36. 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	Financial	Available-	Loans and	Derivative	Financial	
		cash	assets at	for-sale	receivables	assets	liabilities	
		equivalents	fair value	financial			measured at	Derivative
			through	assets			amortized	liabilities
			profit or loss				cost	
Cash and cash								
equivalents	₩	871,098	-	-	-	-	-	-
Short-term financial								
assets		-	19	-	149,700	-	-	-
Trade and other								
receivables		-	-	-	3,649,782	-	-	-
Due from customers								
for contract work		-	-	-	4,636,677	-	-	-
Derivative assets								
(current)		-	-	-	-	603,521	-	-
Long-term financial								
assets		-	-	1,315,527	33	-	-	-
Long-term trade and								
other receivables		-	-	-	285,413	-	-	-
Derivative assets (non-								
current)		-	-	-	-	306,040	-	-
Short-term financial								
liabilities		-	-	-	-	-	4,078,314	-
Trade and other								
payables		-	-	-	-	-	2,875,851	-
Derivative liabilities								
(current)		-	-	-	-	-	-	90,446
Long-term financial								
liabilities		-	-	-	-	-	3,163,310	-
Long-term trade and								
other liabilities		-	-	-	-	-	11,015	-
Derivative liabilities								
(non-current)		-	-	-	-	-	-	21,857
	₩	871,098	19	1,315,527	8,721,605	909,561	10,128,490	112,303

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

(In millions of won)

	2013						
	Cash and cash equivalents	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Financial liabilities measured at amortized cost	Derivative liabilities
Cash and cash equivalents	₩ 730,674	-	-	-	-	-	-
Short-term financial assets	-	5,727	-	149,700	-	-	-
Trade and other receivables	-	-	-	3,646,762	-	-	-
Due from customers for contract work	-	-	-	5,129,773	-	-	-
Derivative assets (current)	-	-	-	-	352,985	-	-
Long-term financial assets	-	-	1,145,916	33	-	-	-
Long-term trade and other receivables	-	-	-	292,512	-	-	-
Derivative assets (non-current)	-	-	-	-	200,580	-	-
Short-term financial liabilities	-	-	-	-	-	5,363,665	-
Trade and other payables	-	-	-	-	-	2,701,364	-
Derivative liabilities (current)	-	-	-	-	-	-	65,584
Long-term financial liabilities	-	-	-	-	-	2,034,144	-
Long-term trade and other liabilities	-	-	-	-	-	11,558	-
Derivative liabilities (non-current)	-	-	-	-	-	-	26,847
	₩ 730,674	5,727	1,145,916	9,218,780	553,565	10,110,731	92,431

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36. 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:

(In millions of won)

	2014							
	Net income		Other comprehensive loss		Interest income and interest expense(*)		Impairment loss	
	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period
Cash and cash equivalents	₩ (28,552)	(7,618)	-	-	4,054	7,915	-	-
Financial assets at fair value through profit or loss	(344)	(1,168)	-	-	-	-	-	-
Available-for-sale financial assets	(156,996)	(148,573)	(77,968)	(25,836)	-	-	(156,989)	(158,021)
Loans and receivables	(183,020)	(81,857)	-	-	4,933	10,997	62,499	76,670
Financial liabilities measured at amortized cost	128,170	48,368	-	-	(47,455)	(95,151)	-	-
Derivatives	709,718	595,839	(19,658)	(15,235)	-	-	-	-

(*) It was included interest income and interest expense arising from effective interest rate amortization.

(In millions of won)

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

(*) It was included interest income and interest expense arising from effective interest rate amortization.

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37. Risk of Financial Instruments

(1) Currency risk

The Company'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	₩	193,107	700	3	297	86,920	281,027
Loans and receivables		7,522,467	185,367	11,986	6,940	530,708	8,257,468
Trade and other payables		(1,296,988)	(98,452)	(631)	(10,464)	(145,331)	(1,551,866)
Borrowings		(1,840,782)	(210,803)	-	(90,806)	(4,250)	(2,146,641)
Gross statement of financial position exposure		4,577,804	(123,188)	11,358	(94,033)	468,047	4,839,988
Derivative contracts		795,900	10,927	-	(8,310)	(1,240)	797,277
Net exposure	₩	<u>5,373,704</u>	<u>(112,261)</u>	<u>11,358</u>	<u>(102,343)</u>	<u>466,807</u>	<u>5,637,265</u>

(In millions of won)

		2013					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	209,997	447	-	234	22,909	233,587
Loans and receivables		8,030,320	183,770	44,777	6,415	477,935	8,743,217
Trade and other payables		(1,292,946)	(124,674)	(1,238)	(4,942)	(91,840)	(1,515,640)
Borrowings		(1,816,180)	(261,479)	-	(70,001)	(4,794)	(2,152,454)
Gross statement of financial position exposure		5,131,191	(201,936)	43,539	(68,294)	404,210	5,308,710
Derivative contracts		466,002	18,271	-	(16,279)	(1,133)	466,861
Net exposure	₩	<u>5,597,193</u>	<u>(183,665)</u>	<u>43,539</u>	<u>(84,573)</u>	<u>403,077</u>	<u>5,775,571</u>

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37. 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:				
Financial assets at fair value through profit or loss	₩ 19	19	5,727	5,727
Available-for-sale financial assets(*)	1,315,527	1,315,527	1,145,916	1,145,916
Derivative assets	909,561	909,561	553,565	553,565
	<u>₩ 2,225,107</u>	<u>2,225,107</u>	<u>1,705,208</u>	<u>1,705,208</u>
Cash and cash equivalents	₩ 871,098	871,098	730,674	730,674
Assets carried at amortized cost:				
Loans and receivables	₩ 8,721,605	8,721,605	9,218,780	9,218,780
Liabilities carried at fair value:				
Derivative liabilities	₩ 112,303	112,303	92,431	92,431
Liabilities carried at amortized cost:				
Unsecured bank loans	₩ 5,242,321	5,242,321	5,885,865	5,885,865
Unsecured bond issues	1,696,927	1,696,927	1,197,794	1,197,794
Secured bond issues	302,376	302,376	314,150	314,150
Trade and other payables	2,886,866	2,886,866	2,712,922	2,712,922
	<u>₩ 10,128,490</u>	<u>10,128,490</u>	<u>10,110,731</u>	<u>10,110,731</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 ₩23,415 million and ₩34,701 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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37. Risk of Financial Instruments, Continued

(2) Fair values, continued

(ii) Fair value hierarchy, 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)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2014				
Financial assets at fair value through profit or loss	₩ -	19	-	19
Available-for-sale financial assets	1,247,373	1,116	43,623	1,292,112
Derivative assets	-	909,561	-	909,561
Derivative liabilities	-	112,303	-	112,303
2013				
Financial assets at fair value through profit or loss	-	5,727	-	5,727
Available-for-sale financial assets	1,066,453	-	44,762	1,111,215
Derivative assets	-	553,565	-	553,565
Derivative liabilities	-	92,431	-	92,431

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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37. 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
Available-for-sale financial assets:				
Korea Investment Private Korea Exim bank Carbon Special Asset Trust I	1,116	-	Market approach	CER future price, discount rate and others
Derivatives (Foreign currency forward):				
Financial assets or liabilities at fair value through profit or loss	19	5,727	Cash flow discount model	Currency forward price, discount rate and others
Derivative assets	909,561	553,565	Cash flow discount model	Currency forward price, discount rate and others
Derivative liabilities	112,303	92,431	Cash flow discount model	Currency forward price, discount rate and others

(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	2013
	Available-for-sale financial assets:	Available-for-sale financial assets:
Beginning balance	₩ 44,762	14,698
Transfer to Level 3	-	14,512
Transfer from Level 3	(1,139)	-
Included profits in other comprehensive income	-	15,552
	₩ 43,623	44,762

(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
Available-for-sale financial assets:						
DOOSAN CAPITAL CO.,LTD.	₩ 10,348	10,348	Cash flow discount model	Discount rate	Discount rate	14.16%
Daehan Oil Pipeline Corporation	33,275	33,275	Cash flow discount model	Discount rate	Discount rate	7.83%
	₩ 43,623	43,623				

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37. Risk of Financial Instruments, Continued

(4) Level 3 fair values, continued

(ii) Effects by changes in unobservable input variables on fair value measurement of financial assets and liabilities as of June 30, 2014 are as follows:

(In millions of won)

	Unobservable input variables	Effects by changes in unobservable input variables on fair value measurement	Measuring methods of the effect of changes	Effects of changes in fair value			
				Profit (loss) for the year		Other comprehensive income (loss)	
				Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Available-for-sale financial assets:							
DOOSAN CAPITAL CO.,LTD.	Discount rate	Fair value decrease by discount rate increase	Measuring fair value changes by 1% discount rate increase or decrease	₩ -	-	449	(393)
Daehan Oil Pipeline Corporation	Discount rate	Fair value decrease by discount rate increase	Measuring fair value changes by 1% discount rate increase or decrease	-	-	5,366	(4,135)
				₩ -	-	5,815	(4,528)

(5) Transfers of financial assets

There is no transferred financial assets of June 30, 2014 and December 31, 2013

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37. Risk of Financial Instruments, Continued

(6) Offsetting of financial assets and financial liabilities

The details of financial assets and 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	Net amount
Financial assets					
Trade and other receivables	₩	23,054	(16,289)	6,765	6,765
Financial liabilities					
Trade and other payables		45,713	(16,289)	29,424	29,424

(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	Net amount
Financial assets					
Trade and other receivables	₩	25,857	(14,454)	11,403	11,403
Financial liabilities					
Trade and other payables		44,283	(14,454)	29,829	29,829

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38. Commitments and Contingencies

- (1) As of June 30, 2014, the Company has entered into bank overdraft agreements with seven banks amounting to ~~₩~~228,000 million and general loan agreements with nine banks amounting to ~~₩~~1,190,000 million and USD 200,000 thousand.
- (2) As of June 30, 2014, the Company has entered into credit facilities agreements such as letters of credit with various banks for the Company's exports and imports totaling USD 4,769,562 thousand.
- (3) As of June 30, 2014, the Company has entered into credit facilities agreements such as pre-shipment credit with various banks totaling ~~₩~~4,750,000 million and USD 18,883 thousand.
- (4) As of June 30, 2014, seven bank notes and one check have been provided to customers as collaterals for the Company's borrowings from the customers and construction contract performance guarantees.
- (5) As of June 30, 2014, the Company is contingently liable for loan guarantees of its foreign subsidiaries amounting to USD 925,962 thousand. The Company has provided performance guarantees in relation to Jazan Refinery and Terminal Project Package 2 (contract amount: USD 286,240 thousand) which is being built by Hyundai Arabia Company LLC., one of the Company's subsidiaries. The Company also provided performance guarantees in relation to Moho Nord Tension Leg Platform Project (contract amount: USD 720,587 thousand) and Moho Nord Floating Production Unit Project (contract amount: USD 1,247,656 thousand) which are being built by HHI France SAS and HHI Mauritius Ltd., one of the Company's subsidiaries. The Company has also provided certain performance guarantees for bareboat charter amounting to USD 206,108 thousand to ship owners on behalf of Hyundai Merchant Marine Co., Ltd., and Hyundai Merchant Marine Co., Ltd has sold contract of bareboat charter to the IMM consortium. So, the rights and/or duties as charterer are transferred to HYUNDAI LNG SHIPPING CO., LTD that is joint venture between Hyundai Merchant Marine Co., Ltd and the IMM consortium. Also, the Company has also entered into joint shipbuilding contracts with Hyundai Samho Heavy Industries Co., Ltd., one of the Company's subsidiaries, for the construction of 11 ships at a contract amount of USD 1,472,999 thousand.
- (6) In connection with the Company's contract performance guarantees, the Company has been provided with guarantees amounting to ~~₩~~1,446,989 million and USD 12,506,464 thousand (maximum guarantees amounting to ~~₩~~4,896,559 million and USD 27,033,712 thousand, respectively) by various banking facilities, of which regarding ships advance from customers, the Company has also been provided with maximum guarantees amounting to USD 18,852,981 thousand by various banking facilities. Regarding this, the Company collateralizes its ships under construction and construction materials.
- (7) The Company entered into a consortium agreement on a resource development project with various organizations including Korea National Oil Corporation, and related other non-current assets as of June 30, 2014 and December 31, 2013 are as follows:

(In millions of won)

	<u>2014</u>	<u>2013</u>
Other non-current assets	₩ 63,307	63,307
Accumulated impairment losses	(63,307)	(63,307)
	<u>₩ -</u>	<u>-</u>

The Company recognized an impairment loss amounting to ~~₩~~63,307 million because the carrying amount of the investment exceeds its recoverable amount. The Company also obtained borrowings from Korea National Oil Corporation (see Note 20).

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39. 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 Company. The assessment resulted from the participation in the capital increase of Hyundai Space and Aircraft Co., Ltd. when Korea was experiencing a foreign currency exchange crisis in the late 1990s. The National Tax Service ruled this capital increase to be unfair financial support for the insolvent affiliate. The Company's appeal to the National Tax Tribunal was dismissed, but was partially successful. On April 27, 2009, the Company filed administrative litigation. However, the Company lost the first trial on January 5, 2011 and appealed on January 25, 2011. In relation to the intermediate appeal, the Company partially won the litigation on February 15, 2013 for the settlement of the claim amounting to ~~₩~~52,700 million. However, the Company and the National Tax Service did not accept the Court's decision and filed appeals on February 27, 2013 and February 28, 2013, respectively.
- (2) In connection with orders for submarine pipeline and equipment installation construction from PTT Public Company Limited. ("PTT") on June 25, 2011, the Company engaged subcontractor ("Britoil") that owned a tugboat. While the tugboat was moving a barge, for reasons unknown, an existing gas pipeline owned by PTT, was damaged resulting in a gas leak. At the request of the PTT, the Company worked on recovery and repair, which was completed in October 2011, and billed PTT for the cost of repairs. PTT in turn asked for compensations for damages related to the gas leak and loss of gas. The Company and PTT were unable to reach an agreement regarding the cause of accident, amount of damages, contractual limitations of liability, and distribution of insurance proceeds. On June 22, 2012, PTT filed a lawsuit in Thai court claiming damages amounting to USD 143 million against the Company, Britoil and PTT's insurer ("Dhipaya") as a co-defendants. The Company vigorously defended itself against that claim and filed a lawsuit requesting the cost of repairs against PTT on March 28, 2013 and requesting insurance against Dhipaya on February 11, 2013. The impact on the Company's financial statements, if any, cannot be reliably estimated.
- (3) On January 16, 2009, the Company 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 Company gave notice of the cancellation of a contract to WPC on January 25, 2013, and requested refunds 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 Company filed a lawsuit in Seoul Central District Court claiming guarantee insurance amounting to USD 91 million against SGI on April 5, 2013. The Company received that amount of money for provisional payment on June 21, 2013. The Company won the first trial on May 1, 2014 and SGI filed appeals on May 20, 2014.
- (4) The Korea Supreme Court made a ruling on scope of ordinary wage in June 30, 2014. The Company is currently a defendant the requested lawsuit of ordinary wages (amounting to ~~₩~~600 million). In consideration of the Company's facts and circumstances, the impact on the Company's financial statements, if any, cannot be reliably estimated.

In addition to the cases mentioned above, the Company is currently a defendant in 31 lawsuits involving claims totaling: ~~₩~~110,400 million. Currently, the impact on the Company's financial statements, if any, cannot be reliably estimated.

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40. Related Parties

(1) The Company is the ultimate controlling party and its subsidiaries as of June 30, 2014 are as follows:

Company	Main business
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding
Hyundai Mipo Dockyard Co., Ltd.	Shipbuilding
Hyundai Oilbank Co., Ltd.	Manufacturing of petroleum products
Hyundai Heavy Material Service	Sale and manufacture of machinery equipment for shipbuilding
KOMAS Corporation	Shipping
Hyundai Energy & Resources Co., Ltd.	Services for crude oil and natural gas mining
Hyundai Engineering Technology	Other engineering services
Ulsan Hyundai Football Club Co., Ltd.	Football club
Hotel Hyundai Co., Ltd.	Hotel operation
HI Investment & Securities Co., Ltd.	Securities brokerage
HI Asset Management Co., Ltd.	Asset management
Hyundai Finance Corporation	Granting of credit
Hyundai Venture Investment Corporation	Granting of credit
Hyundai Futures Corporation	Entrust and brokerage of futures transactions
Hyundai Investment Fund 1 on Patent Technology	Other financial business
LS Leading Solution Private Security Investment Trust 22 (Equity)	Other financial business
LS Leading Solution Private Security Investment Trust 35 (Equity)	Other financial business
Eastspring Private Global Asset Allocation & Mining & Gold Fund of Funds Investment Trust A-1	Other financial business
Hyundai Ship Private Fund 1	Other financial business
HI Himsen Private Funds Investment Trust 1	Other financial business
HI Global Panorama Asset Allocation Securities Feeder Investment Trust No.1	Other financial business
Hyundai Oil Terminal Co., Ltd.	Oil storage business
Hyundai and Shell Base Oil Co., Ltd.	Manufacturing of base oil
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
HHI China Investment Co., Ltd.	Holding company
Hyundai Financial Leasing Co., Ltd.	Finance and operating leases
Hyundai Heavy Industries (China) Electric Co., Ltd.	Sale and manufacture of switchboards for electric distribution
Yantai Hyundai Moon Heavy Industries Co., Ltd.	Sale and manufacture of industrial boilers
Changzhou Hyundai Hydraulic Machinery Co., Ltd.	Sale and manufacture of hydraulic cylinders for construction equipment
Hyundai (Shandong) Heavy Industries Machinery Co., Ltd.	Sale and manufacture of wheel loaders
Weihai Hyundai Wind Power Technology Co., Ltd.	Sale and manufacture of facilities for wind power generation
Hyundai Heavy Industries (Shanghai) R&D Co., Ltd.	Research and development of technology for construction machinery, engine and electric equipment
Hyundai Oilbank (Shanghai) Co., Ltd.	Trade petrochemical products

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40. Related Parties. Continued

- (1) The Company is the ultimate controlling party and its subsidiaries as of June 30, 2014 are as follows, continued:

Company	Main business
HDO Singapore Pte. Ltd.	Trade crude oil and petrochemical products, chartering
Hyundai Vinashin Shipyard	Ship repair
Hyundai Construction Equipment India Pvt., Ltd.	Sale and manufacture of machinery equipment for construction
Hyundai Transformers and Engineering India Pvt. Ltd.	Sale and manufacture of transformers
Hyundai Construction Equipment Americas, Inc.	Sale of machinery equipment for construction
Hyundai Power Transformers USA, INC	Sale and manufacture of industrial electric equipment
Hyundai Ideal Electric Co.	Sale and manufacture of industrial electric equipment
PHECO Inc.	Design services for offshore facilities
HHI Battery Co., Ltd.	Manufacturing
Hyundai Heavy Industries Brasil - Real Estate Developments	Real estate development
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Manufacture, trade and repair of heavy equipment
Hyundai Heavy Industries Miraflores Power Plant Inc.	Manufacturing
Vladivostok Business Center	Hotel operation
Hyundai Khorol Agro Ltd.	Agriculture
Hyundai Mikhailovka Agro	Agriculture
Hyundai Electrosystems Co., Ltd.	Manufacture of high-voltage circuit breakers
Hyundai Heavy Industries Europe N.V.	Sale of machinery equipment for construction
Hyundai Heavy Industries Co. Bulgaria	Sale and manufacture of transformers
Hyundai Technologies Center Hungary Kft	Research and development of technology
Hyundai Heavy Industries France SAS	Manufacturing
Jahnel-Kestermann Getriebewerke GmbH	Designing and manufacture of gearboxes
JaKe Service GmbH	Gearbox repair
HHI Mauritius Limited	Manufacturing
MS Dandy Ltd.	Ship rental service
Hyundai West Africa Limited	Manufacture of other transport equipment
Hyundai Arabia Company LLC.	Industrial plant construction
Grande Ltd.	Ship rental service
HI Global Dynamic Asset Allocation Private Securities Investment Trust	Other financial business

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40. Related Parties, Continued

(2) Transactions with related parties

1) Significant transactions for the periods ended June 30, 2014 and 2013 with related parties are as follows:

(In millions of won)

	2014					
	Sales and other		Purchases and other			
	Sales	Dividend income	Purchase of raw materials	Purchase of property, plant and equipment	Purchase of others	Dividends paid
Subsidiaries:						
Hyundai Samho Heavy Industries Co., Ltd.	₩ 185,927	7,593	31,030	62,997	72	-
Hyundai Mipo Dockyard Co., Ltd.	175,604	-	11,851	-	-	12,126
Hyundai Oilbank Co., Ltd.	40,529	-	64,198	-	380	-
Hyundai Heavy Material Service	3,268	19,980	65,819	330	3,060	-
Hotel Hyundai Co., Ltd.	100	-	16,281	-	933	-
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	22,322	-	-	-	303	-
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	15,800	-	527	-	64	-
Hyundai Heavy Industries (China) Electric Co., Ltd.	2,650	-	27,541	-	-	-
Yantai Hyundai Moon Heavy Industries Co., Ltd.	-	-	16,921	-	7	-
Hyundai Construction Equipment India Private Ltd.	30,691	-	11,772	-	432	-
Hyundai Construction Equipment Americas, Inc.	102,927	-	21	-	2,531	-
Hyundai Ideal Electric Co.	12,397	-	39	-	34	-
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	17,124	-	-	-	91	-
Hyundai Heavy Industries Europe N.V.	146,895	-	5	-	2,147	-
Others	4,690	9,041	46,508	-	10,270	-
	<u>760,924</u>	<u>36,614</u>	<u>292,513</u>	<u>63,327</u>	<u>20,324</u>	<u>12,126</u>
Associates(*):						
Wärtsilä-Hyundai Engine Company Ltd.	1,723	27,137	82,137	-	-	-
Hyundai Corporation	426,073	2,496	2,873	-	735	-
Others	4,132	3,440	3,822	-	11	-
	<u>431,928</u>	<u>33,073</u>	<u>88,832</u>	<u>-</u>	<u>746</u>	<u>-</u>
	<u>₩ 1,192,852</u>	<u>69,687</u>	<u>381,345</u>	<u>63,327</u>	<u>21,070</u>	<u>12,126</u>

(*) Including associates and joint ventures' subsidiaries.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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40. Related Parties, Continued

(2) Transactions with related parties, continued

1) Significant transactions for the periods ended June 30, 2014 and 2013 with related parties are as follows, continued:

(In millions of won)

	2013					
	Sales and other			Purchases and other		
	Sales	Dividend income	Purchase of raw materials	Purchase of property, plant and equipment	Purchase of others	Dividends paid
Subsidiaries:						
Hyundai Samho Heavy Industries Co., Ltd.	₩ 227,251	9,492	28	7,217	119	-
Hyundai Mipo Dockyard Co., Ltd.	149,377	-	9,136	19	-	15,158
Hyundai Oilbank Co., Ltd.	9,276	-	38	-	922	-
Hyundai Heavy Material Service	3,044	-	275,170	19,635	3,686	-
Hotel Hyundai Co., Ltd.	105	-	15,842	-	894	-
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	57,592	-	281	-	-	-
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	56,170	-	91	-	-	-
Hyundai Heavy Industries (China) Electric Co., Ltd.	3,043	-	37,930	-	-	-
Yantai Hyundai Moon Heavy Industries Co., Ltd.	5	-	42,338	-	-	-
Hyundai Construction Equipment India Private Ltd.	36,153	-	6,006	-	-	-
Hyundai Construction Equipment Americas, Inc.	256,785	-	1270	-	-	-
Hyundai Ideal Electric Co.	12,937	-	380	-	251	-
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	105,903	-	-	-	-	-
Hyundai Heavy Industries Europe N.V.	138,749	-	1493	-	1,614	-
Others	7,795	9,507	50,796	-	9,871	-
	<u>1,064,185</u>	<u>18,999</u>	<u>440,799</u>	<u>26,871</u>	<u>17,357</u>	<u>15,158</u>
Associates(*):						
Wärtsilä-Hyundai Engine Company Ltd.	831	6,611	43,115	-	-	-
Hyundai Corporation	556,082	2,496	2,927	-	2,095	-
Others	4,294	200	2	-	9	-
	<u>561,207</u>	<u>9,307</u>	<u>46,044</u>	<u>-</u>	<u>2,104</u>	<u>-</u>
Associates of subsidiaries:						
Hyundai Cosmo Petrochemical Co., Ltd.	34,041	-	-	-	-	-
	<u>₩ 1,659,433</u>	<u>28,306</u>	<u>486,843</u>	<u>26,871</u>	<u>19,461</u>	<u>15,158</u>

(*) Including associates and joint ventures' subsidiaries.

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40. Related Parties, Continued

(2) Transactions with related parties, continued

2) Outstanding balances for the years ended June 30, 2014 and December 31, 2013 with related parties are as follows:

(In millions of won)

	2014			
	Trade receivables and other receivables		Trade payables and other payables	
	Trade receivables	Other receivables	Trade payables	Other payables
Subsidiaries:				
Hyundai Samho Heavy Industries Co., Ltd.	₩ 162,556	55,233	23,858	99,731
Hyundai Mipo Dockyard Co., Ltd.	156,391	-	1,965	98,178
Hyundai Oilbank Co., Ltd.	2,137	-	12,808	4,727
Hyundai Heavy Material Service	1,871	8	32,488	-
Hotel Hyundai Co., Ltd.	11	-	1,825	-
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	6,503	6	-	26
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	7,050	183	-	-
Hyundai Heavy Industries (China) Electric Co., Ltd.	389	1,624	4,292	-
Yantai Hyundai Moon Heavy Industries Co., Ltd.	-	69,005	2,660	-
Hyundai Construction Equipment India Private Ltd.	43,821	315	2,070	-
Hyundai Construction Equipment Americas, Inc.	76,734	336	-	-
Hyundai Ideal Electric Co.	6,563	8	4	-
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	189,931	1,064	13	-
Hyundai Heavy Industries Europe N.V.	64,981	1	5	364
Others	9,965	23,381	7,968	2,141
	<u>728,903</u>	<u>151,164</u>	<u>89,956</u>	<u>205,167</u>
Associates(*):				
Wärtsilä-Hyundai Engine Company Ltd.	704	21,305	-	-
Hyundai Corporation	254,373	-	45	37,457
Others	579	1,329	1,183	9,845
	<u>255,656</u>	<u>22,634</u>	<u>1,228</u>	<u>47,302</u>
	<u>984,559</u>	<u>173,798</u>	<u>91,184</u>	<u>252,469</u>

(*) Including associates and joint ventures' subsidiaries.

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40. Related Parties, Continued

(2) Transactions with related parties, continued

2) Outstanding balances for the years ended June 30, 2014 and December 31, 2013 with related parties are as follows, continued:

(In millions of won)

	2013			
	Trade receivables and other receivables		Trade payables and other payables	
	Trade receivables	Other receivables	Trade payables	Other payables
Subsidiaries:				
Hyundai Samho Heavy Industries Co., Ltd.	₩ 107,583	37,375	25,952	49,970
Hyundai Mipo Dockyard Co., Ltd.	111,629	310	2,369	70,144
Hyundai Oilbank Co., Ltd.	6,045	-	20,324	4,864
Hyundai Heavy Material Service	1,492	2,228	37,615	-
Hotel Hyundai Co., Ltd.	11	-	1,931	-
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	24,795	372	-	24
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	21,487	329	-	10
Hyundai Heavy Industries (China) Electric Co., Ltd.	35	3,041	4,007	-
Yantai Hyundai Moon Heavy Industries Co., Ltd.	4	58,025	-	-
Hyundai Construction Equipment India Private Ltd.	39,178	294	172	176
Hyundai Construction Equipment Americas, Inc.	120,264	121	-	345
Hyundai Ideal Electric Co.	10,381	10	35	-
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	193,530	530	-	45
Hyundai Heavy Industries Europe N.V.	68,036	56	349	1,114
Others	10,412	3,585	5,615	2,315
	<u>714,882</u>	<u>106,276</u>	<u>98,369</u>	<u>129,007</u>
Associates(*):				
Wärtsilä-Hyundai Engine Company Ltd.	1,024	35,063	-	-
Hyundai Corporation	223,529	143	35	35,637
Others	1,473	1,320	-	10,225
	<u>226,026</u>	<u>36,526</u>	<u>35</u>	<u>45,862</u>
Associates of subsidiaries:				
Hyundai Cosmo Petrochemical Co., Ltd.	163	-	-	-
	<u>₩ 941,071</u>	<u>142,802</u>	<u>98,404</u>	<u>174,869</u>

(*) Including associates and joint ventures' subsidiaries.

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40. Related Parties, Continued

(3) Details of guarantees which the Company had provided for related companies as of June 30, 2014 are as follows:

(In thousands of foreign currency)

<u>Guarantee recipient</u>	<u>Provider</u>	<u>Type of guarantees</u>	<u>Currency</u>	<u>Guaranteed amount</u>
Subsidiaries:				
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	Standard Chartered Bank	Payment	USD	15,600
Weihai Hyundai Wind Power Technology Co., Ltd.	Export-Import Bank of Korea	Payment	USD	25,000
Hyundai Construction Equipment India Private Ltd.	Standard Chartered Bank	Payment	USD	32,000
	HSBC Bank Plc	Payment	INR	2,000,000
Hyundai Construction Equipment Americas, Inc.	Hana Bank and others	Payment	USD	73,400
Hyundai Power Transformers USA, INC	Woori Bank and others	Payment	USD	113,500
	Liberty Mutual	Performance	USD	20,000
	Capine Corporation	Performance	USD	19,839
	Mizuho Corporate Bank Ltd, LA Branch	Payment	USD	10,000
Hyundai Ideal Electric Co.	Banco Nacional de Desenvolvimento Economico e Social (BNDES)	Payment	BRL	109,956
	HSBC Bank Plc	Payment	USD	30,000
Hyundai Heavy Industries Europe N.V.	Korea Exchange Bank and others	Payment	EUR	36,000
	BNP Paribas Fortis Bank, Belgium	Performance	EUR	250
Hyundai Heavy Industries Co. Bulgaria	BNP Paribas S.A., Sofia and others	Payment	USD	30,000
	Jahnel-Kestermann Getriebewerke GmbH	Payment	EUR	75,600
Hyundai Heavy Industries France SAS	Export-Import Bank of Korea and others	Performance	USD	250,194
	HHI MAURITIUS LIMITED	Export-Import Bank of Korea and others	Performance	USD
Hyundai Arabia Company L.L.C	Korea Exchange Bank	Performance	USD	27,173
			USD	689,917
			EUR	111,850
			INR	2,000,000
			BRL	109,956

Other than the guarantees above, the Company has provided performance guarantees in relation to Jazan Refinery and Terminal Project Package 2 (contract amount: USD 286,240 thousand) which is being built by Hyundai Arabia Company LLC., one of the Company's subsidiaries. The Company also provided performance guarantees in relation to Moho Nord Tension Leg Platform Project (contract amount: USD 720,587 thousand) and Moho Nord Floating Production Unit Project (contract amount: USD 1,247,656 thousand) which are being built by HHI France SAS and HHI Mauritius Ltd., one of the Company's subsidiaries.

(4) Compensation for key management of the Company for the six-month periods ended June 30, 2014 and 2013 is ₩1,550 million and ₩1,327 million, respectively. Key management is defined as directors and internal auditors who have important rights and responsibilities involving the planning, operation and control of the Company.