

HYUNDAI HEAVY INDUSTRIES CO., LTD.

Condensed Separate Interim Financial Statements

June 30, 2015

(Unaudited)

(With Independent Auditors' Review Report Thereon)

Contents

	Page
Independent Auditors' Review Report	1
Condensed Separate Interim Statements of Financial Position	3
Condensed Separate Interim Statements of Comprehensive Loss	5
Condensed Separate Interim Statements of Changes in Equity	6
Condensed Separate Interim Statements of Cash Flows	7
Notes to the Condensed Separate Interim Financial Statements	8

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, 2015, the condensed separate statements of comprehensive loss for the three-month and six-month periods ended June 30, 2015 and 2014, the condensed separate statements of changes in equity and cash flows for the six-month periods ended June 2015 and 2014 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

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

Auditors' review responsibility

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

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial statements 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 Korean Standards on Auditing 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.

The separate statement of financial position of the Company as of December 31, 2014, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 19, 2015, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2014, presented for comparative purposes, is consistent, in all material respects, with the audited separate financial statements from which it has been derived.

Seoul, Korea
August 13, 2015

This report is effective as of August 13, 2015, 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, 2015 and December 31, 2014
(Unaudited)

(In thousands of won)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Assets			
Cash and cash equivalents	5,38,39	₩ 690,210,438	1,407,943,949
Short-term financial assets	6,38,39	149,700,000	149,731,816
Trade and other receivables	8,30,38,39,42	3,458,308,514	2,965,451,971
Due from customers for contract work	8,30,38,39	4,436,553,064	4,706,154,739
Inventories	9	2,665,151,578	3,111,765,221
Derivative assets	24,38,39	26,997,769	101,394,184
Firm commitment assets	24	120,250,339	59,425,040
Other current assets	10	1,550,787,214	2,276,862,547
Total current assets		<u>13,097,958,916</u>	<u>14,778,729,467</u>
Investments in subsidiaries, associates and joint ventures	11,12,13,42	6,196,601,450	6,315,714,090
Long-term financial assets	6,7,15,38,39	835,255,349	1,052,224,824
Long-term trade and other receivables	8,30,38,39,42	266,791,996	294,797,046
Investment property	16	425,623,247	410,791,189
Property, plant and equipment	17	8,304,832,202	8,255,085,223
Intangible assets	18	340,291,940	365,622,486
Derivative assets	24,38,39	1,087,053	16,383,248
Firm commitment assets	24	146,157,052	85,793,200
Deferred tax assets		592,030,782	424,218,092
Other non-current assets	10,40	38,976	-
Total non-current assets		<u>17,108,710,047</u>	<u>17,220,629,398</u>
Total assets		<u>₩ 30,206,668,963</u>	<u>31,999,358,865</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, 2015 and December 31, 2014
(Unaudited)

(In thousands of won)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Liabilities			
Short-term financial liabilities	19,21,38,39,40	₩ 4,221,746,078	3,643,119,149
Trade and other payables	20,38,39,42	3,263,750,942	3,686,939,733
Advances from customers		681,812,698	756,823,764
Due to customers for contract work	30	3,577,798,372	5,257,296,786
Derivative liabilities	24,38,39	202,305,765	145,513,550
Firm commitment liabilities	24	14,481,148	63,740,551
Income tax payable		-	665,762
Total current liabilities		<u>11,961,895,003</u>	<u>13,554,099,295</u>
Long-term financial liabilities	19,21,24,38,39,40	3,729,784,928	3,657,384,068
Long-term trade and other payables	20,38,39,42	11,015,907	11,581,151
Liabilities for defined benefit plans	22	512,757,201	442,146,969
Long-term provisions	23	493,443,641	460,316,383
Derivative liabilities	24,38,39	151,211,262	90,070,108
Firm commitment liabilities	24	386,080	10,556,077
Total non-current liabilities		<u>4,898,599,019</u>	<u>4,672,054,756</u>
Total liabilities		<u>16,860,494,022</u>	<u>18,226,154,051</u>
Equity			
Common stock	25	380,000,000	380,000,000
Capital surplus	25,27	1,075,318,131	1,044,516,633
Hybrid bonds	26	428,589,000	428,589,000
Capital adjustments	27	(1,285,372,604)	(1,400,454,947)
Accumulated other comprehensive income	24,28	204,343,853	306,094,650
Retained earnings	29	12,543,296,561	13,014,459,478
Total equity		<u>13,346,174,941</u>	<u>13,773,204,814</u>
Total liabilities and equity		<u>₩ 30,206,668,963</u>	<u>31,999,358,865</u>

See accompanying notes to the condensed separate interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Condensed Separate Interim Statements of Comprehensive Loss
For the three-month and six-month periods ended June 30, 2015 and 2014
(Unaudited)

(In thousands of won, except losses per share)

	Note	2015		2014	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	24,30,42	₩ 6,405,906,161	13,015,942,687	5,735,737,703	11,084,475,955
Cost of sales	9,18,24,32,42	6,268,223,900	12,679,842,779	6,269,824,246	11,443,484,785
Gross profit (loss)		137,682,261	336,099,908	(534,086,543)	(359,008,830)
Selling, general and administrative expenses	18,31,32,38	410,923,115	807,967,198	223,807,244	511,679,958
Operating Loss		(273,240,854)	(471,867,290)	(757,893,787)	(870,688,788)
Finance income	24,33,38	176,588,414	481,958,714	829,573,749	994,438,348
Finance costs	24,33,38	(432,354,162)	(657,813,925)	(395,326,091)	(544,918,468)
Other non-operating income	8,24,34,38	195,226,262	270,416,167	56,049,618	74,763,757
Other non-operating expenses	8,24,34,38	(130,549,618)	(226,741,686)	(638,623,353)	(596,269,594)
Loss before income taxes		(464,329,958)	(604,048,020)	(906,219,864)	(942,674,745)
Income tax benefit	35	(106,486,299)	(142,766,918)	(220,080,407)	(247,210,177)
Loss for the period		₩ (357,843,659)	(461,281,102)	(686,139,457)	(695,464,568)
Other comprehensive income (loss)	22,24,28,38				
Items that are or may be reclassified subsequently to profit or loss:					
Change in fair value of available-for-sale financial assets		₩ (104,829,220)	(122,669,687)	(77,968,251)	(25,835,517)
Effective portion of changes in fair value of cash flow hedges		15,873,203	20,918,890	(19,658,050)	(15,235,216)
Total items that are or may be reclassified subsequently to profit or loss		(88,956,017)	(101,750,797)	(97,626,301)	(41,070,733)
Items that will not be reclassified to profit or loss:					
Actuarial loss		-	(2,630,283)	-	-
Total items that will not be reclassified to profit or loss		-	(2,630,283)	-	-
Other comprehensive income (loss) for the period, net of income tax		(88,956,017)	(104,381,080)	(97,626,301)	(41,070,733)
Total comprehensive loss for the period		₩ (446,799,676)	(565,662,182)	(783,765,758)	(736,535,301)
Losses per share	36				
Basic and diluted losses per share (in won)		₩ (5,790)	(7,560)	(11,195)	(11,347)

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, 2015 and 2014
(Unaudited)

(In thousands of won)

	Common stock	Capital surplus	Hybrid bonds	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, 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>-</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>
Balance at January 1, 2015	₩ 380,000,000	1,044,516,633	428,589,000	(1,400,454,947)	365,085,962	(58,991,312)	13,014,459,478	13,773,204,814
Total comprehensive income (loss) for the period								
Loss for the period	-	-	-	-	-	-	(461,281,102)	(461,281,102)
Change in fair value of available-for-sale financial assets	-	-	-	-	(122,669,687)	-	-	(122,669,687)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	20,918,890	-	20,918,890
Actuarial gains and losses	-	-	-	-	-	-	(2,630,283)	(2,630,283)
Transactions with owners of the Company, recognized directly in equity								
Disposal of treasury stock	-	30,801,498	-	115,082,343	-	-	-	145,883,841
Interest for hybrid bonds	-	-	-	-	-	-	(7,251,532)	(7,251,532)
Balance at June 30, 2015	₩ <u>380,000,000</u>	<u>1,075,318,131</u>	<u>428,589,000</u>	<u>(1,285,372,604)</u>	<u>242,416,275</u>	<u>(38,072,422)</u>	<u>12,543,296,561</u>	<u>13,346,174,941</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, 2015 and 2014
(Unaudited)

(In thousands of won)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities			
Loss for the period	₩	(461,281,102)	(695,464,568)
Adjustments		<u>(482,245,067)</u>	<u>1,485,579,639</u>
Cash generated from operations	37	(943,526,169)	790,115,071
Interest received		11,784,146	22,561,403
Interest paid		(97,272,633)	(91,073,172)
Dividends received		63,914,243	78,836,870
Income taxes received (paid)		<u>3,011,360</u>	<u>(54,373,710)</u>
Net cash provided by (used in) operating activities		<u>(962,089,053)</u>	<u>746,066,462</u>
Cash flows from investing activities			
Proceeds from sale of short-term financial assets		80,500,000	80,500,000
Proceeds from sale of investments in subsidiaries, associates and joint ventures		75,256,815	-
Proceeds from sale of long-term financial assets		4,837,346	862,254
Proceeds from collection of long-term other receivables		3,855,279	2,231,587
Proceeds from sale of property, plant and equipment		11,704,140	1,498,170
Proceeds from sale of intangible assets		11,954,452	153,400
Acquisition of short-term financial assets		(80,500,000)	(80,500,000)
Acquisition of investments in subsidiaries, associates and joint ventures		(117,958,275)	(85,704,500)
Acquisition of long-term financial assets		(258,325)	(254,610)
Acquisition of long-term other receivables		(3,942,338)	(2,222,622)
Acquisition of property, plant and equipment		(302,086,998)	(278,961,187)
Acquisition of intangible assets		<u>(23,090,733)</u>	<u>(36,071,225)</u>
Net cash used in investing activities		<u>(339,728,637)</u>	<u>(398,468,733)</u>
Cash flows from financing activities			
Proceeds from short-term financial liabilities		6,394,254,983	4,473,036,806
Proceeds from long-term financial liabilities		1,792,249,998	1,748,392,800
Repayment of short-term financial liabilities		(7,404,068,298)	(6,303,777,146)
Repayment of long-term financial liabilities		(190,000,000)	-
Hybrid bonds interest paid		(10,500,000)	-
Dividends paid		-	(122,576,880)
Net cash provided by (used in) financing activities		<u>581,936,683</u>	<u>(204,924,420)</u>
Effects of exchange rate changes on cash and cash equivalents		<u>2,147,496</u>	<u>(2,248,892)</u>
Net increase (decrease) in cash and cash equivalents		<u>(717,733,511)</u>	<u>140,424,417</u>
Cash and cash equivalents at January 1		<u>1,407,943,949</u>	<u>730,673,768</u>
Cash and cash equivalents at June 30	₩	<u>690,210,438</u>	<u>871,098,185</u>

See accompanying notes to the condensed separate interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(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.

In August 1999, the Company was listed on the Korea Exchange. As of June 30, 2015, the Company's major shareholders 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, 2014. 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, 2014.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

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 39.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(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, 2014. 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, 2015.

(1) Changes in accounting policies

The Company has applied the following new standards and amendments, with a date of initial application of January 1, 2015.

The nature and effects of the changes are explained below.

Contributions (K-IFRS 1019 Employee benefits)

The Company has adopted amendments to K-IFRS 1019, 'Employee benefits', since July 1, 2014. For contributions from employees or third parties which meet the conditions set out in the formal terms of the plan, an entity may choose to reduce service cost in the period in which the related service is rendered.

Contributions which are linked to service should be included in calculations of net current service cost and defined benefit liabilities, and those contributions shall be attributed to periods of services either using the plan's contribution formula or on a straight-line basis.

In accordance with the transitional requirements of K-IFRS 1019, the Company applied the amendments retrospectively. The change in accounting policy had no impact on the separate financial statements.

(2) Emissions Rights

The Company accounts for greenhouse gases emission right and the relevant liability as below pursuant to the Act on Allocation and Trading of Greenhouse Gas Emission which became effective in 2015.

(i) Greenhouse Gases Emission Right

Greenhouse Gases Emission Right consists of emission allowances which are allocated from the government free of charge or purchased from the market. The cost includes any directly attributable costs incurred during the normal course of business.

Emission rights held for the purpose of performing the obligation are classified as an intangible asset and are initially measured at cost and after initial recognition, are carried at cost less accumulated impairment losses. Emission rights held for short-swing profits are classified as current asset and are measured at fair value with any changes in fair value recognized through profit or loss in the respective reporting period.

The Company derecognizes an emission right asset when the emission allowance is unusable, disposed or submitted to government in which the future economic benefits are no longer expected to be probable.

(ii) Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. Emission liability is recognized when there is a high possibility of outflows of resources in performing the obligation and the costs required to perform the obligation are reliably estimable. Emission liability is an amount of estimated obligations for emission rights to be submitted to the government for the performing period. The emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession and the unit price for such emission rights in the market at of the end of the reporting period.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

4. Risk Management

The Company's risk management objectives and policies are consistent with those disclosed in the separate financial statements as of and for the year ended December 31, 2014.

The Company's liability to equity ratio and net borrowing to equity ratio as of June 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of won, except ratio)</i>	<u>2015</u>	<u>2014</u>
Total liabilities	₩ 16,860,494	18,226,154
Total equity	13,346,175	13,773,205
Cash and deposits(*1)	839,943	1,557,677
Borrowings(*2)	7,913,976	7,300,503
Liability to equity ratio	126.33%	132.33%
Net borrowing to equity ratio(*3)	53.00%	41.70%

(*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.

The interest coverage ratio and basis of calculation for the six-month periods ended June 30, 2015 and December 31, 2014 are as follows.

<i>(In millions of won, except ratio)</i>	<u>2015</u>	<u>2014</u>
Operating loss	₩ (471,867)	(870,689)
Interest	33,302	43,539
Interest coverage ratio	(*)	(*)

(*) Due to Operating loss, the Company did not calculate the interest coverage ratio.

5. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2015 and December 31, 2014 are as follows:

<i>(In millions of won)</i>	<u>2015</u>	<u>2014</u>
Cash	₩ 507	300
Current deposit	19,357	6,940
Ordinary deposit	19,842	7,153
Others	650,504	1,393,551
	<u>₩ 690,210</u>	<u>1,407,944</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

6. Short-term and Long-term Financial Assets

Short-term and long-term financial assets as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

	2015		2014	
	Current	Non-current	Current	Non-current
Financial instruments	₩ 149,700	33	149,700	33
Financial assets at fair value through profit or loss	-	-	32	-
Available-for-sale financial assets	-	835,222	-	1,052,192
	₩ <u>149,700</u>	<u>835,255</u>	<u>149,732</u>	<u>1,052,225</u>

7. Restricted Financial Instruments

Financial instruments, which are restricted in use, as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

Description	Financial institutions	2015	2014	Restrictions
Long-term financial instruments	Korea Exchange Bank and others	₩ 33	33	Guarantee deposits for checking accounts

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

(1) Trade and other receivables as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

	2015		2014	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables	₩ 3,742,575	307,234	3,135,452	339,992
Allowance for doubtful accounts	(585,479)	(48,680)	(556,736)	(53,598)
	<u>3,157,096</u>	<u>258,554</u>	<u>2,578,716</u>	<u>286,394</u>
Other receivables:				
Other accounts receivable	486,490	-	570,338	-
Allowance for doubtful accounts	(192,670)	-	(190,306)	-
Accrued income	5,904	-	5,742	-
Loans	259	-	-	253
Guarantee deposits	1,230	8,238	962	8,150
	<u>301,213</u>	<u>8,238</u>	<u>386,736</u>	<u>8,403</u>
	₩ <u>3,458,309</u>	<u>266,792</u>	<u>2,965,452</u>	<u>294,797</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

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

- (2) Due from customers for contract work as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

		<u>2015</u>	<u>2014</u>
Due from customers for contract work	₩	4,438,131	4,706,501
Allowance for doubtful accounts		(1,578)	(346)
	₩	<u>4,436,553</u>	<u>4,706,155</u>

- (3) The movement in the allowance for impairment in respect of loans and receivables for the six-month period ended June 30, 2015 and the year ended December 31, 2014 are as follows:

(In millions of won)

		<u>2015</u>	<u>2014</u>
Beginning balance	₩	800,986	761,876
Impairment loss recognized		32,876	87,431
Reversal of impairment loss		(5,455)	(48,259)
Write-offs		-	(62)
Ending balance	₩	<u>828,407</u>	<u>800,986</u>

- (4) For the six-month periods ended June 30, 2015 and 2014, impairment losses and impairment reversals that occur in other receivables is recorded as other non-operating income and detail of this is as follows:

(In millions of won)

		<u>2015</u>		<u>2014</u>	
		<u>Three-month period</u>	<u>Six-month period</u>	<u>Three-month period</u>	<u>Six-month period</u>
Other bad debt expense	₩	60	-	-	-
Other allowance for bad debts reversal		-	(86)	(25,256)	(25,256)
	₩	<u>60</u>	<u>(86)</u>	<u>(25,256)</u>	<u>(25,256)</u>

9. Inventories

Inventories as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

		<u>2015</u>			<u>2014</u>		
		<u>Acquisition cost</u>	<u>Provision for inventory valuation</u>	<u>Carrying amount</u>	<u>Acquisition cost</u>	<u>Provision for inventory valuation</u>	<u>Carrying amount</u>
Merchandise	₩	140,450	(5,603)	134,847	132,808	(4,922)	127,886
Finished goods		187,046	(19,357)	167,689	177,097	(11,982)	165,115
Work-in-progress		1,126,307	(103,236)	1,023,071	1,263,052	(104,595)	1,158,457
Raw materials		899,322	(3,031)	896,291	910,867	(3,322)	907,545
Supplies		20,091	-	20,091	21,208	-	21,208
Materials-in-transit		423,163	-	423,163	731,554	-	731,554
	₩	<u>2,796,379</u>	<u>(131,227)</u>	<u>2,665,152</u>	<u>3,236,586</u>	<u>(124,821)</u>	<u>3,111,765</u>

The write-down of inventories amounting to ₩6,406 million and the write-down of inventories to net realizable value amounting to ₩13,250 million are included in cost of sales for the six-month periods ended June 30, 2015 and 2014, respectively.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

10. Other Current Assets

Other current assets as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

	2015		2014	
	Current	Non-current	Current	Non-current
Advance payments	₩ 1,341,424	-	2,015,224	-
Prepaid expenses	209,363	39	261,639	-
Others	7,117	63,307	7,117	63,307
Accumulated impairment	(7,117)	(63,307)	(7,117)	(63,307)
	₩ 1,550,787	39	2,276,863	-

11. Investments in Subsidiaries

Investments in subsidiaries as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Particulars	2015		2014	
			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	76,635	100.00	116,635
Hyundai Energy & Resources Co., Ltd.	Korea	Services for crude oil and natural gas mining	-	-	40.00	20,000
Ulsan Hyundai Football Club Co., Ltd.	Korea	Football club	100.00	4,913	100.00	4,913
Hotel Hyundai Co., Ltd.	Korea	Hotel operation	100.00	2,807	100.00	2,807
Hyundai Finance Corporation	Korea	Granting of credit	72.13	95,470	67.49	90,726
HHI China Investment Co., Ltd.	China	Holding company	100.00	286,425	100.00	286,425
Hyundai Financial Leasing Co., Ltd. (*1)	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	39,953	100.00	48,810
Hyundai Vinashin Shipyard	Vietnam	Ship repair	10.00	9,484	10.00	9,484
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 Private, 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	86,693	100.00	86,693

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

11. Investments in Subsidiaries, Continued

(In millions of won, except percentage of ownership)

Company	Location	Particulars	2015		2014	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
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	6,410	100.00	6,410
Hyundai Heavy Industries Brasil- Real Estate Developments	Brazil	Real estate development	97.09	30,443	100.00	30,443
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Brazil	Manufacture, trade and repair of heavy equipment	97.09	122,485	97.09	122,485
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	15,694	100.00	33,425
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	-	70.00	-
				<u>₩ 5,909,683</u>		<u>₩ 5,991,527</u>

(*1) 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, 2015 are caused by increase in capital stock, additional acquisition, disposal and impairment.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

12. Investments in Associates

Investments in associates as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Particulars	2015		2014	
			Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
New Korea Country Club	Korea	Country club	40.00	₩ 22,870	40.00	₩ 31,545
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.(*1)	Korea	Sale and manufacture of facilities for wind power generation	23.00	3,566	23.00	3,566
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	37,409	20.00	37,409
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
				₩ 199,469		₩ 208,144

(*1) As of June 30, 2015, the Company collateralized its equity securities for Pyeongchang Wind Power Co., Ltd., which is a related party(note 42).

(*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.

Change in the six-month period June 30, 2015 is caused by disposal of capital stock.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

13. Investments in Joint Ventures

Investments in joint ventures as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Particulars	2015		2014	
			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	7,181	50.00	35,775
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	30.00	5,338
				₩ 87,449		₩ 116,043

Change in the six-month period June 30, 2015 is caused by increase in capital stock and impairment.

14. Joint Operation

The joint operation as of June 30, 2015 and December 31, 2014 is summarized as follows:

Joint operation	Main Office	Main business	2015	2014
			Ownership (%)	Ownership (%)
FDH JV	Kuwait	Chemical plant	33.33	33.33

The Company holds a significant joint operation 'FDH JV' as of June 30, 2015 and December 31, 2014. FDH JV is a joint operation that the main purpose of arrangement is construction of Clean Fuels Project MAB2 EPC PKG ordered by Kuwait National Petroleum Company. The Company recognizes 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.

15. Available-for-sale Financial Assets

Available-for-sale financial assets as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

	2015	2014
Listed equity securities(*)	₩ 772,407	988,192
Unlisted equity securities	52,493	58,053
Beneficiary certificates	288	772
Investments in capital	10,034	5,175
	₩ 835,222	1,052,192

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

15. Available-for-sale Financial Assets, Continued

(*) During the six-month period ended June 30, 2015, the Company issued exchangeable bond that is exchangeable to common stocks of Hyundai Merchant Marine Co., Ltd. which are listed equity securities the Company holds. The total number of exchangeable stocks is 23,424,037 shares. Should the exchangeable bond be exchanged to common stocks of Hyundai Merchant Marine Co., Ltd. in full, the percentage of ownership in its investment in Hyundai Merchant Marine Co., Ltd. will decrease from 10.78% to 0.00%. Upon issuance of the exchangeable bond, the Company deposited common stocks of Hyundai Merchant Marine Co., Ltd. in Korea Securities Depository and disposal of the stocks is restricted.

Changes in the six-month period June 30, 2015 are caused by disposal, fair value evaluation and impairment.

16. Investment Property

(1) Changes in investment property for the six-month period ended June 30, 2015 and the year ended December 31, 2014 are as follows:

(In millions of won)

		2015		
		Land	Buildings	Total
Beginning balance	₩	213,116	197,675	410,791
Acquisition and other		2,997	14,932	17,929
Disposals		-	-	-
Depreciation		-	(3,097)	(3,097)
Ending balance	₩	<u>216,113</u>	<u>209,510</u>	<u>425,623</u>
Acquisition cost		216,113	261,789	477,902
Accumulated depreciation		-	(52,279)	(52,279)

(In millions of won)

		2014		
		Land	Buildings	Total
Beginning balance	₩	231,929	208,069	439,998
Acquisition and other		(18,813)	(4,321)	(23,134)
Disposals		-	-	-
Depreciation		-	(6,073)	(6,073)
Ending balance	₩	<u>213,116</u>	<u>197,675</u>	<u>410,791</u>
Acquisition cost		213,116	244,026	457,142
Accumulated depreciation		-	(46,351)	(46,351)

(2) Fair value of investment property for the six-month period ended June 30, 2015 and the year ended December 31, 2014 are as follows:

(In millions of won)

		2015		2014	
		Book value	Fair value	Book value	Fair value
Land	₩	216,113	355,312	213,116	302,765
Buildings		209,510	300,548	197,675	276,897
	₩	<u>425,623</u>	<u>655,860</u>	<u>410,791</u>	<u>579,662</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

16. Investment Property, Continued

- (2) Fair value of investment property for the six-month period ended June 30, 2015 and the year ended December 31, 2014 are as follows, continued:

The fair value of investment property was determined by an external, independent appraiser, having the appropriate professional qualifications and experience in relation to the assessment of real estate in the Republic of Korea as of January 1, 2010, date of transition to K-IFRS. The valuation is determined by using comparison methods to obtain the economic value based on marketability of the property. The Company estimated fair value of investment property as of June 30, 2015 and December 31, 2014 considering individual appraised value of land after the transition date.

17. Property, Plant and Equipment

- (1) Changes in property, plant and equipment for the six-month period ended June 30, 2015 and the year ended December 31, 2014 are as follows:

(In millions of won)

	2015						
	Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Beginning balance	₩ 2,924,450	1,887,572	1,236,403	1,276,686	421,872	508,102	8,255,085
Acquisitions and other	13,913	129,342	16,432	28,566	(210,661)	306,566	284,158
Disposals	(2,549)	(1,971)	(16)	(570)	-	(1,059)	(6,165)
Depreciation	-	(33,548)	(20,356)	(89,388)	-	(84,954)	(228,246)
Impairment	-	-	-	-	-	-	-
Ending balance	₩ 2,935,814	1,981,395	1,232,463	1,215,294	211,211	728,655	8,304,832
Acquisition cost	2,935,814	2,732,676	1,652,563	3,888,637	226,753	2,357,449	13,793,892
Accumulated depreciation	-	(751,281)	(420,100)	(2,590,308)	-	(1,627,581)	(5,389,270)
Accumulated impairment	-	-	-	(83,035)	(15,542)	(1,213)	(99,790)

(In millions of won)

	2014						
	Land	Buildings	Structures	Machinery and equipment	Construction in-progress	Others	Total
Beginning balance	₩ 2,895,105	1,924,915	1,234,653	1,335,069	200,506	472,262	8,062,510
Acquisitions and other	29,972	30,904	42,112	134,300	237,190	190,117	664,595
Disposals	(627)	(2,032)	(63)	(946)	(282)	(620)	(4,570)
Depreciation	-	(66,215)	(40,299)	(191,737)	-	(153,657)	(451,908)
Impairment	-	-	-	-	(15,542)	-	(15,542)
Ending balance	₩ 2,924,450	1,887,572	1,236,403	1,276,686	421,872	508,102	8,255,085
Acquisition cost	2,924,450	2,608,611	1,636,155	3,893,123	437,414	2,084,131	13,583,884
Accumulated depreciation	-	(721,039)	(399,752)	(2,533,402)	-	(1,574,816)	(5,229,009)
Accumulated impairment	-	-	-	(83,035)	(15,542)	(1,213)	(99,790)

- (2) Construction-in-progress is related to the construction of dormitory and development and construction of Ihwa Industrial Park as of June 30, 2015.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

17. Property, Plant and Equipment, Continued

- (3) The Company decided to participate in the capital increase of Hotel Hyundai co., Ltd., which is one of the Company's subsidiaries, as a contribution in kind and in cash method through board of directors in July 29, 2015. The purpose of capital increase is converting to direct operation system of Hotel Hyundai Co., Ltd. and the capital increase is scheduled for August, 2015. The object asset of the contribution in kind is property, plant and equipment of Hotel Hyundai Co., Ltd. (Ulsan, Gyeongju) which is one of the Company's subsidiaries and estimated size of the contribution in kind is ₩175,083 million (estimated book value: ₩171,203 million). Estimated size of the contribution in kind is ₩73,517 million.

18. Intangible Assets

- (1) Changes in development costs for the six-month period ended June 30, 2015 and the year ended December 31, 2014 are as follows:

(In millions of won)

	<u>2015</u>	<u>2014</u>
Beginning balance	₩ 309,801	336,523
Acquisition and other	20,696	56,752
Amortization	(35,814)	(63,796)
Impairment(*)	-	(19,678)
Ending balance	<u>₩ 294,683</u>	<u>309,801</u>
Acquisition cost	880,522	859,826
Accumulated amortization	(565,102)	(529,288)
Accumulated impairment	(20,737)	(20,737)

(*) During 2014, the Company recognized impairment loss for development subject that is interrupted.

- (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, 2015 and the year ended December 31, 2014 are as follows:

(In millions of won)

	<u>2015</u>	<u>2014</u>
Beginning balance	₩ 55,821	59,287
Acquisition and other	2,395	1,974
Disposals	(10,914)	(3,220)
Amortization	(1,110)	(2,220)
Impairment(* 1)	(583)	-
Ending balance(* 2)	<u>₩ 45,609</u>	<u>55,821</u>
Acquisition cost	83,558	92,077
Accumulated amortization	(37,366)	(36,256)
Accumulated impairment	(583)	-

(* 1) The Company recognized an impairment loss for a membership for which it is not probable the carrying amount will be recoverable for the six-month period ended June 30, 2015.

(* 2) The carrying amount of intangible assets with indefinite useful lives is ₩ 35,746 million and ₩ 44,848 million as of June 30, 2015 and December 31, 2014, respectively.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

18. Intangible Assets, Continued

- (3) Research costs amounting to ₩ 9,505 million and ₩ 16,596 million, and ordinary development costs amounting to ₩ 81,885 million and ₩ 77,481 million are included in selling, general and administrative expenses for the six-month periods ended June 30, 2015 and 2014, respectively. Amortized development costs amounting to ₩ 35,016 million and ₩ 798 million out of ₩ 35,814 million are included in the manufacturing cost and selling, general and administrative expenses for the six-month periods ended June 30, 2015, respectively. Amortized development costs of ₩ 31,564 million are included in the manufacturing cost for the six-month periods ended June 30, 2014.

19. Short-term and Long-term Financial Liabilities

Short-term and long-term financial liabilities as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

		2015		2014	
		Current	Non-current	Current	Non-current
Financial liability at fair value through profit or loss	₩	-	37,555	-	-
Borrowings		3,585,490	2,285,964	2,843,404	2,431,042
Debentures		637,230	1,200,000	800,000	1,229,760
Discount on debentures		(974)	(2,809)	(285)	(3,418)
Exchangeable bonds		-	249,101	-	-
Discount on exchangeable bonds		-	(2,471)	-	-
Conversion rights adjustment		-	(37,555)	-	-
	₩	<u>4,221,746</u>	<u>3,729,785</u>	<u>3,643,119</u>	<u>3,657,384</u>

20. Trade and Other Payables

Trade and other payables as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

		2015		2014	
		Current	Non-current	Current	Non-current
Trade payables	₩	2,065,018	-	2,319,655	-
Other accounts payable		422,122	-	462,949	-
Dividends Payable		-	-	933	-
Accrued expenses		776,611	-	903,403	-
Deposits received		-	11,016	-	11,581
	₩	<u>3,263,751</u>	<u>11,016</u>	<u>3,686,940</u>	<u>11,581</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

21. Borrowings and Debentures

(1) Short-term borrowings as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)		2015	2014
General loan	China Construction Bank Corporation and others	2.22~2.90	₩	350,000	300,000
Commercial paper	SHINHAN BANK and others	2.05~2.57		550,000	250,000
Invoice loan	Bank of Communications	0.78		7,272	538,372
Usance L/C	Korea Exchange Bank and others	0.28~1.16		1,013,398	1,230,091
Pre-shipment credit	Export-Import Bank of Korea	2.78~3.60		430,000	400,000
Other borrowings from Korea Exim Bank	Export-Import Bank of Korea	-		-	24,941
				<u>2,350,670</u>	<u>2,743,404</u>
Current portion of long-term borrowings				<u>1,234,820</u>	<u>100,000</u>
			₩	<u>3,585,490</u>	<u>2,843,404</u>

(2) Long-term borrowings as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

Type of borrowing	Lender	Annual interest rate (%)		2015	2014
General loan	The Korea Development Bank and others	2.70~3.30	₩	950,000	650,000
General loan in foreign currency	Hana Bank and others	1.48~2.43		1,348,920	769,440
Business loan(*)	Korea National Oil Corporation	0.75~3.75		11,864	11,602
Pre-shipment credit	Export-Import Bank of Korea and others	2.59~3.60		<u>1,210,000</u>	<u>1,100,000</u>
				<u>3,520,784</u>	<u>2,531,042</u>
Current portion				<u>(1,234,820)</u>	<u>(100,000)</u>
			₩	<u>2,285,964</u>	<u>2,431,042</u>

(*) During 2013, 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 (₩11,864 million and ₩11,602 million as of June 30, 2015 and December 31, 2014, respectively) from Korea National Oil Corporation are not readily determinable since the decision on the redemptions of these business loans are still being deliberated by the supervisory institution.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

21. Borrowings and Debentures, Continued

(3) Debentures as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

Description	Maturity	Annual interest rate (%)	2015	2014
113 rd debenture	2015.02.17	-	₩ -	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	200,000
116 ^{st-2} debenture	2019.02.26	3.45	300,000	300,000
117 ^{st-1} debenture	2018.03.03	2.45	180,000	-
117 ^{st-2} debenture	2020.03.03	2.65	50,000	-
117 ^{st-3} debenture	2022.03.03	3.05	70,000	-
Foreign currency bond	2016.06.10	1.14	337,230	329,760
			₩ 1,837,230	2,029,760
Discount on debentures			(3,783)	(3,703)
Current portion			(637,230)	(800,000)
Discount on current portion			974	285
			₩ 1,197,191	1,226,342

(4) Exchangeable bond

(i) Exchangeable bond as of June 30, 2015 is summarized as follows:

(In millions of won)

Description	Maturity	Annual interest rate (%)	2015	Guarantee
1 st Exchangeable bond	2020.06.29	0.00	₩ 249,101	Secured debenture
Discount on exchangeable bond			(2,471)	
Exchange rights adjustment			(37,555)	
			₩ 209,075	

(ii) Terms and conditions of the exchangeable bonds issued as of June 30, 2015 are as follows:

	Description
Type of debenture.....	1st secured foreign currency denominated exchangeable bond in foreign public offering
Total face value of debenture (USD).....	221,600,000
The name of overseas listing market.....	Singapore Stock Exchange
Interest rate of debenture	
Par interest rate (%).....	0.00
Interest rate of maturity (%).....	0.00
Maturity of debenture.....	2020.06.29
Interest payment method.....	No interest payments
Principal redemption method.....	Redemption at maturity: Lump sum redemption of principal and interest at maturity only if reasons for early redemption don't occur and exchange rights aren't exercised until maturity Early redemption: There are Company's early redemption right (Call option) and investors' early redemption right (Put option)

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

21. Borrowings and Debentures, Continued

(4) Exchangeable bond, continued

(ii) Terms and conditions of the exchangeable bond issued as of June 30, 2015 are as follows, continued:

	Description
Issue method of debenture.....	Private Placement
Details of exchange	
Exchange rate (%).....	100.00
Exchange price (in won per share).....	10,491
Determination method of exchange price...	The amount is determined by complying with 'Regulations on securities issuance and disclosure article 5-22 (decision of conversion price of conversion bonds)' and adding the exchange premium of 37.50% to the closing price of the Korea Exchange listed stocks at the time of exchange price is fixed
Exchange object.....	Common stocks of Hyundai Merchant Marine Co., Ltd.
Exercise period	
Start date.....	2015.08.10
End date.....	2020.06.18
Adjustments to exchange price.....	The amount is adjusted according to the terms and conditions of the debentures, in the event of a dilution reason such as stock split, share consolidation, change of par value, paid-in capital increase, issuance of additional stocks, company reorganization procedure, stock dividends and others
Guarantee institutions.....	The Korea Development Bank
Investors' early redemption right (Put Option).....	The early redemption rights can be exercised when following events occur - After three years from the date of payment (2018.6.29) - If the fluctuations in company's control has occurred - If stocks which the company issued is delisted or it is trading halt for more than 30 consecutive trading days
Company's early redemption right (Call Option).....	The early redemption is possible when following events occur - From 3 years after the date of payment (2018.6.29) to the 30 business days prior to maturity, 20 trading days closing price of 30 trading days exceeds 130% of the exchange price - If the balance of outstanding debentures is less than 10% of the total issued amount (Clean Up Call) - If the additional tax burden by amendments of the relevant laws and others has occurred
Share lending agreement.....	Hyundai Samho Heavy Industries Co., Ltd. has procured a lender under a share lending agreement to transfer to the initial purchase a certain number of the shares, subject to the terms of such share lending agreement. - Purpose: Derivative transactions - The number of stocks: 10,479,174 (it can lend up to 50% of the number of lending stocks per borrowers) - Lender: Hyundai Samho Heavy Industries Co., Ltd. - Borrowers: Merrill Lynch International, The Hong Kong and Shanghai Banking Corporation Limited - Loan conditions: Until 5 years after issuance of exchangeable bond or the date of all redemption or all exchange of exchangeable bond, borrowers can borrow the number of stocks that they want within the limit of lending stocks (designated transaction method through Daewoo Securities) - Redemption method: The same line of stocks - Connectivity of exchangeable bond issuance: Loan stocks are common stocks of Hyundai Merchant Marine Co., Ltd. - Loan charges: Annual 1.0%

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

21. Borrowings and Debentures, Continued

(4) Exchangeable bonds, continued

(ii) Terms and conditions of the exchangeable bonds issued as of June 30, 2015 are as follows, continued:

According to this transaction, the Company entered into loan transactions with Merrill Lynch International and The Hongkong and Shanghai Banking Corporation Limited in the limit of 10,479,174 of the common stocks of Hyundai Merchant Marine Co., Ltd. that Hyundai Samho Heavy Industries Co., Ltd., one of the Company's subsidiaries holds (in the limit of 50% of the number of lending stocks per borrowers). The number of stocks Hyundai Samho Heavy Industries Co., Ltd. lent is 6,386,023 as of June 30, 2015. According to this stock lending contracts, stocks Hyundai Samho Heavy Industries Co., Ltd. lent are restricted to voting rights and disposal.

(iii) Characteristics of the exchange rights, investors and the Company' early redemption rights given to the above exchangeable bonds are not closely related to economic specifics and risks of the host contract, therefore they are classified as embedded derivative instruments separately from the host contract. Thus, the Company recorded a financial liability at fair value through profit or loss of ₩37,555 million, which is the value of the exchange rights and others as of June 30, 2015. The Company measures the fair value at each period ending and records the gain/loss in profit or loss.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

21. Borrowings and Debentures, Continued

- (5) Aggregate maturities of the Company's borrowings and debentures as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

Periods	2015			
	Borrowings	Debentures	Exchangeable bond	Total
2015.07.01~2016.06.30	₩ 3,585,490	637,230	-	4,222,720
2016.07.01~2020.06.30	2,274,100	1,130,000	249,101	3,653,201
2020.07.01 and thereafter	11,864	70,000	-	81,864
	₩ 5,871,454	1,837,230	249,101	7,957,785

(In millions of won)

Periods	2014		
	Borrowings	Debentures	Total
2015.01.01~2015.12.31	₩ 2,843,404	800,000	3,643,404
2016.01.01~2019.12.31	2,419,440	1,229,760	3,649,200
2020.01.01 and thereafter	11,602	-	11,602
	₩ 5,274,446	2,029,760	7,304,206

- (6) Issues and repayments during the six-month period ended June 30, 2015:

(In millions of won)

	Currency	Annual interest rate (%)	Face value	Carrying amount	Maturity
Beginning balance	KRW		7,304,206	7,300,503	
Issues	KRW	2.80~3.60	1,100,000	1,100,000	2015~2018
	KRW	3.45~3.05	300,000	298,755	2018~2022
	USD	0.00	247,106	207,080	2020
	KRW and others	0.28~3.85	6,543,115	6,543,115	2015~2018
			8,190,221	8,148,950	
Repayment	KRW	2.83~3.60	(960,000)	(960,000)	
	KRW	3.96	(500,000)	(500,000)	
	KRW	2.70	(24,941)	(24,941)	
	KRW and others	0.36~3.60	(6,109,128)	(6,109,128)	
			(7,594,069)	(7,594,069)	
The effects of changes in foreign exchange rates			57,427	57,427	
Amortization of bond discounts			-	1,165	
			7,957,785	7,913,976	

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

22. Employee Benefits

- (1) Recognized liabilities for defined benefit obligations as of June 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

	<u>2015</u>	<u>2014</u>
Present value of defined benefit obligations	₩ 1,309,573	1,361,484
Fair value of plan assets	(796,816)	(919,337)
	<u>₩ 512,757</u>	<u>442,147</u>

- (2) Plan assets as of June 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

	<u>2015</u>	<u>2014</u>
Retirement pension(*)	₩ 787,522	908,456
Transfer to National Pension Fund	9,294	10,881
	<u>₩ 796,816</u>	<u>919,337</u>

(*) The retirement pension is invested in principal and interest guaranteed instrument as of June 30, 2015 and December 31, 2014.

- (3) Expenses recognized in profit or loss for three-month and six-month periods ended June 30, 2015 and 2014 are as follows:

(In millions of won)

	<u>2015</u>		<u>2014</u>	
	<u>Three-month period</u>	<u>Six-month period</u>	<u>Three-month period</u>	<u>Six-month period</u>
Current service costs	₩ 35,924	69,897	31,958	63,917
Gain or loss on adjustment	-	(1,139)	-	-
Interest on obligations	8,900	18,040	9,584	19,167
Expected return on plan assets	(6,196)	(12,635)	(9,115)	(18,230)
	<u>₩ 38,628</u>	<u>74,163</u>	<u>32,427</u>	<u>64,854</u>

The Company introduced a voluntary retirement in the six-month period ended June 30, 2015. ₩156,820 million was recorded as additional retirement benefits in selling and administrative expenses.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

22. Employee Benefits, Continued

- (4) Changes in the present value of the defined benefit obligations for six-month period ended June 30, 2015 and the year ended December 31, 2014 are as follows:

<i>(In millions of won)</i>	2015	2014
Beginning balance	₩ 1,361,484	1,068,756
Current service costs	69,897	151,203
Past service costs	-	109,059
Gain or loss on adjustment	(1,139)	-
Interest on obligations	18,040	40,340
Benefits paid	(46,614)	(146,651)
Increase or decrease due to reduced	(94,636)	-
Transfers from related parties	2,683	2,947
Actuarial losses in other comprehensive income (loss) :		
Demographic assumption	-	6,530
Financial assumption	1,603	95,541
Experience adjustment	(1,745)	33,759
Ending balance	₩ <u>1,309,573</u>	<u>1,361,484</u>

- (5) Changes in the fair value of plan assets for six-month periods ended June 30, 2015 and the year ended December 31, 2014 are as follows:

<i>(In millions of won)</i>	2015	2014
Beginning balance	₩ 919,337	948,301
Benefits paid	(36,908)	(128,993)
Increase or decrease due to reduced	(94,636)	-
Contributions paid into the plan	-	75,000
Expected return on plan assets	12,635	36,459
Actuarial gains in other comprehensive income (loss)	(3,612)	(11,430)
Ending balance	₩ <u>796,816</u>	<u>919,337</u>

The Company reviews the level of the fund each year, and takes the policy to preserve fund in the event of a loss to the fund.

- (6) Principal actuarial assumptions as of June 30, 2015 and December 31, 2014 are as follows:

<i>(In percentage)</i>	2015	2014
Discount rate	2.71	3.08
Future salary growth	3.00	3.00
Future mortality (Males, at age 45)	0.25	0.25

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

23. Long-term Provisions

Changes in long-term provisions for the six-month period ended June 30, 2015 and the year ended December 31, 2014 are as follows:

(In millions of won)

	2015			
	Provision for construction warranty	Provision for product warranty	Other Provision(*)	Total
Beginning balance	₩ 253,666	122,449	84,201	460,316
Additions	52,477	99,787	20,501	172,765
Reversals	(24,274)	(3,767)	(54,282)	(82,323)
Utilization	(14,650)	(42,664)	-	(57,314)
Ending balance	₩ <u>267,219</u>	<u>175,805</u>	<u>50,420</u>	<u>493,444</u>

(*) It is recognized as a financial liability related to constructive obligation due to liquidation of a subsidiary.

(In millions of won)

	2014			
	Provision for construction warranty	Provision for product warranty	Other Provision(*)	Total
Beginning balance	₩ 312,818	68,569	-	381,387
Additions	54,321	131,818	84,201	270,340
Reversals	(38,358)	(8,696)	-	(47,054)
Utilization	(75,115)	(69,242)	-	(144,357)
Ending balance	₩ <u>253,666</u>	<u>122,449</u>	<u>84,201</u>	<u>460,316</u>

(*) It is recognized as a financial liability related to the financial guarantee contract of a subsidiary.

24. Derivative Financial Instruments

The Company has entered into derivative instrument contracts related to foreign currency forward with 25 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. Also, the Company measured the exchange right and others given to the exchangeable bond at fair value as it meets the definition of embedded derivatives instruments which needs to be separated from the host contract.

(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

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

24. Derivative Financial Instruments, Continued

(2) Terms of derivative contracts as of June 30, 2015 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	1,763	2	1,488.84	2016-01-07
	USD	KRW	9,663,333	2,486	1,101.23	2016-06-19
Cash flow hedge	EUR	KRW	25,730	8	1,239.29	2015-10-20
	KRW	EUR	8,205	10	1,440.41	2016-05-20
	KRW	USD	343,326	45	1,101.16	2015-12-15
	USD	CHF	8,005	6	1.13	2016-01-04
	USD	EUR	147,377	74	0.77	2015-12-08
	USD	GBP	373	3	0.61	2015-11-16
	USD	JPY	59,032	5	95.83	2015-09-20
	USD	KRW	718,707	142	1,099.00	2015-12-16
For trading	KRW	KRW	249,101	1	-	2020-06-18

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

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

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

24. Derivative Financial Instruments, Continued

(3) Book value related to derivatives as of June 30, 2015 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	₩ 18,130	738	146,259	148,496	-	-	-	-	120,250	146,157	14,481	386
Cash flow hedge	8,868	349	56,047	2,715	-	-	-	-	-	-	-	-
For trading	-	-	-	-	-	-	-	37,555	-	-	-	-
	₩ 26,998	1,087	202,306	151,211	-	-	-	37,555	120,250	146,157	14,481	386

(4) Gain and loss on valuation and transaction of derivatives for the six-month period ended June 30, 2015 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	₩ 26,204	-	55,944	246,299	208,061	22,349	-
Cash flow hedge	(17,972)	41,670	-	-	-	-	27,597
For trading	-	-	1,650	2,181	-	-	-
	₩ 8,232	41,670	57,594	248,480	208,061	22,349	27,597

For the six-month period ended June 30, 2015, the Company applies cash flow hedge accounting, for which the Company accounted for the effective portion of the hedge amounting to ₩20,919 million, net of tax of ₩6,678 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 38 months.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

25. 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, 2015 and December 31, 2014, 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, 2015.

(2) Capital surplus

Capital surplus is composed of paid-in capital in excess of par value and other capital surplus. Changes in the capital surplus for the six-month period ended June 30, 2015 and the year ended December 31, 2014 are as follows:

(In millions of won)

	<u>2015</u>	<u>2014</u>
Beginning	₩ 1,044,517	1,044,517
Gains on disposal of treasury stocks	30,801	-
	<u>₩ 1,075,318</u>	<u>1,044,517</u>

(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, 2015 and 2014 are as follows:

(In millions of won)

	<u>2015</u>	<u>2014</u>
₩ per common stock (₩2,000 for 2014)	₩ -	122,577

26. Hybrid Bonds

(1) Hybrid bonds classified as capital as of June 30, 2015 and December 31, 2014 are as follows:

<u>Description</u>	<u>Issue</u>	<u>Maturity</u>	<u>Annual interest rate (%)</u>		<u>2015</u>	<u>2014</u>
1 st -1 Hybrid bond	2014-12-15	2044-12-15	4.90	₩	360,000	360,000
1 st -2 Hybrid bond	2014-12-15	2044-12-15	4.80		70,000	70,000
					<u>430,000</u>	<u>430,000</u>
Issuance costs					(1,411)	(1,411)
				₩	<u>428,589</u>	<u>428,589</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

26. Hybrid Bonds, continued

(2) Terms and conditions of the hybrid bonds issued as of June 30, 2015 are as follows:

(In millions of won)

	1 st -1 Hybrid bond	1 st -2 Hybrid bond
Amount Issued	KRW 360,000	KRW 70,000
Maturity	30years(At maturity, it can be extended in accordance with the Company's decision)	
Interest Rate	Issue date ~ 2019-12-15 : Fixed rate 4.90% Re-calculated and applied every 5 years, 5-year treasury bond yield + annual 2.55% + annual 2.00% (Step-up clauses)	Issue date ~ 2019-12-15 : Fixed rate 4.80% Re-calculated and applied every 5 years, 5-year treasury bond yield + annual 2.45% + annual 2.00% (Step-up clauses)
Interest payment condition	3 months deferred payment, selective payment postpone is possible	
Other	Depending on the Company's choice, the Company can redeem at the date 5 th anniversary after issuance and every interest payment thereafter.	

The Company has an unconditional option to extend the maturity of hybrid bonds at maturity. Also payment of interest on the bonds can be postponed at the discretion of the Company. If the payment of interest is postponed, the Company cannot pay any dividend of common stock until the deferred interest is paid in full. The Company classifies hybrid bonds as equity because the Company holds unconditional rights to avoid contractual obligation to deliver cash or other financial assets to the holder. In case of liquidation, the hybrid bonds is subordinated bonds which have priority over common stocks.

27. Treasury Stock

Treasury stock as of June 30, 2015 and December 31, 2014 is summarized as follows:

(In millions of won, except share data)

	2015			2014		
	Number of shares	Acquisition cost	Fair value	Number of shares	Acquisition cost	Fair value
Treasury stock	13,502,638	₩ 1,285,373	1,498,793	14,711,560	₩ 1,400,455	1,691,829

Due to the wage negotiation agreements, the number of 1,208,922 treasury stocks has been distributed as wage to the Company's employees for the six-month period June 30, 2015. The Company accounted for the gain on disposal of treasury stock amounting to ₩ 30,801 million, after netting off deferred tax effect ₩ 9,834 million, as capital surplus.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

28. Accumulated Other Comprehensive Income (Loss)

- (1) Accumulated other comprehensive income (loss) as of June 30, 2015 and December 31, 2014 is summarized as follows:

(In millions of won)

		<u>2015</u>	<u>2014</u>
Change in fair value of available-for-sale financial assets	₩	242,416	365,086
Effective portion of changes in fair value of cash flow hedges		(38,072)	(58,991)
	₩	<u>204,344</u>	<u>306,095</u>

- (2) Other comprehensive income (loss) for the three-month and six-month periods ended June 30, 2015 and 2014 is as follows:

(In millions of won)

	<u>2015</u>					
	<u>Before tax amount</u>		<u>Tax effect</u>		<u>After tax amount</u>	
	<u>Three-month period</u>	<u>Six-month period</u>	<u>Three-month period</u>	<u>Six-month period</u>	<u>Three-month period</u>	<u>Six-month period</u>
Change in fair value of available-for-sale financial assets	₩ (138,297)	(161,833)	33,468	39,163	(104,829)	(122,670)
Effective portion of changes in fair value of cash flow hedges	20,940	27,597	(5,067)	(6,678)	15,873	20,919
Defined benefit plan actuarial losses, net of tax	-	(3,470)	-	840	-	(2,630)
	₩ <u>(117,357)</u>	<u>(137,706)</u>	<u>28,401</u>	<u>33,325</u>	<u>(88,956)</u>	<u>(104,381)</u>

(In millions of won)

	<u>2014</u>					
	<u>Before tax amount</u>		<u>Tax effect</u>		<u>After tax amount</u>	
	<u>Three-month period</u>	<u>Six-month period</u>	<u>Three-month period</u>	<u>Six-month period</u>	<u>Three-month period</u>	<u>Six-month period</u>
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)
Defined benefit plan actuarial losses, net of tax	-	-	-	-	-	-
	₩ <u>(128,795)</u>	<u>(54,183)</u>	<u>31,169</u>	<u>13,112</u>	<u>(97,626)</u>	<u>(41,071)</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

29. Retained Earnings

Retained earnings as of June 30, 2015 and December 31, 2014 are summarized as follows:

<i>(In millions of won)</i>	<u>2015</u>	<u>2014</u>
Legal reserves:		
Legal appropriated retained earnings	₩ 190,000	190,000
Reserve for corporate development	30,000	30,000
Asset revaluation surplus	1,800,414	1,800,414
	<u>2,020,414</u>	<u>2,020,414</u>
Voluntary reserves:		
Reserve for business rationalization	87,277	87,277
Reserve for facilities	78,270	78,270
Reserve for research and human development	456,667	626,667
Others	10,371,831	12,068,839
	<u>10,994,045</u>	<u>12,861,053</u>
Unappropriated retained earnings	<u>(471,162)</u>	<u>(1,867,008)</u>
	₩ <u>12,543,297</u>	<u>13,014,459</u>

30. Outstanding Contracts

(1) Sales for the three-month and six-month periods ended June 30, 2015 and 2014 are as follows:

<i>(In millions of won)</i>	<u>2015</u>		<u>2014</u>	
	<u>Three-month period</u>	<u>Six-month period</u>	<u>Three-month period</u>	<u>Six-month period</u>
Construction contracts	₩ 4,424,277	9,118,098	3,759,724	7,485,883
Goods sold	1,922,056	3,796,567	1,927,609	3,506,770
Services	59,573	101,278	48,405	91,823
	₩ <u>6,405,906</u>	<u>13,015,943</u>	<u>5,735,738</u>	<u>11,084,476</u>

The foreign sales accounting to ₩11,784,726 million, and domestic sales accounting to ₩1,231,217 million for the six-month periods ended June 30, 2015.

(2) Changes in outstanding contracts for the six-month period ended June 30, 2015 are as follows:

<i>(In millions of won)</i>	<u>Shipbuilding</u>	<u>Others</u>	<u>Total</u>
Beginning balance(*)	₩ 13,600,733	24,986,053	38,586,786
Increase during the period	3,567,393	4,562,737	8,130,130
Recognized as revenue	(4,547,887)	(8,468,056)	(13,015,943)
Ending balance	₩ <u>12,620,239</u>	<u>21,080,734</u>	<u>33,700,973</u>

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

As of June 30, 2015, 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.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

30. Outstanding Contracts, Continued

- (3) Accumulated profit and loss of construction and others connected with construction in progress as of June 30, 2015 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	₩ 8,478,570	8,813,555	(334,985)	114,609	3,275,565	1,541,695
Others	22,075,997	22,834,573	(758,576)	671,720	1,160,988	2,036,103
	<u>₩ 30,554,567</u>	<u>31,648,128</u>	<u>(1,093,561)</u>	<u>786,329</u>	<u>4,436,553</u>	<u>3,577,798</u>

Among the receivables on construction contracts, the amount of retentions according to the contract terms is ₩402,308 million.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

31. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three-month and six-month periods ended June 30, 2015 and 2014 are as follows:

(In millions of won)

		2015		2014	
		Three-month period	Six-month period	Three-month period	Six-month period
Salaries	₩	78,816	151,467	76,143	153,125
Post-employment benefit costs		34,302	167,142	4,616	9,429
Employee welfare		19,731	38,909	19,346	42,355
Depreciation		9,511	19,105	9,107	18,248
Amortization		399	798	-	-
Bad debt expenses (reversal of bad debt allowance)		15,940	27,507	(37,243)	(51,414)
Ordinary development costs		42,809	81,885	40,279	77,481
Advertising		10,095	18,120	13,043	28,530
Printing		348	969	416	1,023
Compensation		83	273	20	37
Warranty expenses (reversal of warranty)		106,899	120,444	(4,225)	36,174
Insurance		186	1,166	512	1,012
Supplies		518	1,111	1,356	2,406
Utilities		333	540	490	873
Repairs		152	292	171	610
Travel		3,856	7,073	4,585	8,349
Research		4,647	9,505	8,939	16,596
Training		2,346	3,945	3,418	6,151
Transportation		21,929	48,235	25,100	48,294
Rent		4,339	8,674	4,312	8,321
Data processing		6,571	9,110	5,092	7,621
Entertainment		436	861	451	963
Taxes and dues		354	766	398	724
Service charges		16,567	34,189	23,013	43,589
Automobile maintenance		1,358	2,773	1,680	3,449
Communications		915	1,794	1,287	2,979
Sales commissions		16,581	30,805	12,744	26,832
Others		10,902	20,509	8,757	17,923
	₩	<u>410,923</u>	<u>807,967</u>	<u>223,807</u>	<u>511,680</u>

32. Nature of Expenses

The classification of expenses by nature for the three-month and six-month periods ended June 30, 2015 and 2014 is as follows:

(In millions of won)

		2015		2014	
		Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	₩	138,297	446,614	184,708	(44,845)
Purchase of inventories		4,112,015	8,335,053	3,650,061	7,153,609
Depreciation		116,878	231,343	112,592	224,598
Amortization		18,681	36,924	16,168	32,674
Labor cost		627,730	1,335,812	513,574	1,032,761
Other expenses		1,665,546	3,102,064	2,016,529	3,556,368
	₩	<u>6,679,147</u>	<u>13,487,810</u>	<u>6,493,632</u>	<u>11,955,165</u>

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

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

33. Finance Income and Finance Costs

Finance income and finance costs for the three-month and six-month periods ended June 30, 2015 and 2014 are as follows:

(In millions of won)

	2015		2014	
	Three-month period	Six-month period	Three-month period	Six-month period
Finance income:				
Interest income	₩ 4,627	11,901	8,987	18,912
Gain on valuation of financial instruments at fair value through profit or loss	-	-	34	19
Gain on disposal of financial instruments at fair value through profit or loss	367	1,650	734	1,484
Gain on disposal of available-for-sale security	-	3,490	-	314
Dividend income	336	63,914	-	78,837
Gain on foreign currency translation	38,525	99,818	27,600	109,740
Gain on foreign currency transactions	94,694	190,960	76,310	154,871
Gain on valuation of derivatives	-	1,343	603,209	513,407
Gain on derivatives transactions	38,039	54,601	112,700	116,854
Reversal of other provision	-	54,282	-	-
	₩ <u>176,588</u>	<u>481,959</u>	<u>829,574</u>	<u>994,438</u>
Finance costs:				
Interest expense	₩ 17,720	33,302	19,354	43,539
Loss on valuation of financial instruments at fair value through profit or loss	19	-	-	-
Loss on disposal of financial instruments at fair value through profit or loss	1,212	2,181	1,112	2,671
Loss on disposal of available-for-sale financial assets	1,009	1,109	6	15
Impairment loss on available-for-sale financial assets	52,938	52,938	156,989	158,021
Loss on foreign currency translation	39,165	101,884	126,457	162,124
Loss on foreign currency transactions	99,778	199,600	90,645	145,851
Loss on valuation of derivatives	173,285	205,319	-	2,111
Loss on derivatives transactions	26,727	40,980	763	30,586
Provision for others addition	20,501	20,501	-	-
	₩ <u>432,354</u>	<u>657,814</u>	<u>395,326</u>	<u>544,918</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

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

Other non-operating income and other non-operating expenses for the three-month and six-month periods ended June 30, 2015 and 2014 are as follows:

(In millions of won)

	2015		2014	
	Three-month period	Six-month period	Three-month period	Six-month period
Other non-operating income:				
Reversal of allowance for other doubtful accounts	₩ -	86	25,256	25,256
Gain on disposal of Subsidiaries, Associates and Joint venture	-	7,350	-	-
Gain on disposal of property, plant and equipment	3,732	6,171	581	773
Gain on disposal of intangible assets	32	1,851	-	-
Gain on valuation of firm commitments	163,388	208,061	-	7,800
Miscellaneous income	28,074	46,897	30,213	40,935
	₩ <u>195,226</u>	<u>270,416</u>	<u>56,050</u>	<u>74,764</u>
Other non-operating expenses:				
Service charges	₩ 3,690	5,617	1,981	4,037
Subsidiaries, Associates and Joint venture loss on impairment	114,510	168,396	-	13,906
Impairment loss on intangible assets	-	583	-	-
Loss on investments in subsidiaries and associates	-	768	-	-
Loss on disposal of property, plant and equipment	202	633	1,495	1,759
Loss on disposition of Intangible assets	20	811	-	-
Loss on valuation of firm commitments	9,485	22,349	610,614	532,390
Donation	2,583	3,866	14,789	23,781
Other bad debt expenses	60	-	-	-
Miscellaneous expenses	-	23,719	9,745	20,397
	₩ <u>130,550</u>	<u>226,742</u>	<u>638,624</u>	<u>596,270</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

35. Income Tax Expense (income)

The components of income tax expense (income) for the six-month periods ended June 30, 2015 and 2014 are as follows:

<i>(In millions of won)</i>		<u>2015</u>	<u>2014</u>
Current tax expense	₩	-	-
Adjustment for prior periods		(760)	(10,828)
Origination and reversal of temporary differences		(167,813)	(249,494)
Income tax recognized in other comprehensive income		25,806	13,112
Total income tax expense (income)	₩	<u>(142,767)</u>	<u>(247,210)</u>
Effective tax rate		(*)	(*)

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

36. Loss per Share

(1) Basic loss per share for the three-month and six-month periods ended June 30, 2015 and 2014 are as follows:

		<u>2015</u>		<u>2014</u>	
		<u>Three-month period</u>	<u>Six-month period</u>	<u>Three-month period</u>	<u>Six-month period</u>
Loss for the period <i>(In millions of won)</i>	₩	(357,844)	(461,281)	(686,139)	(695,465)
Interest for hybrid bonds		(3,980)	(7,252)	-	-
Weighted average number of ordinary shares outstanding <i>(In thousands of shares)</i>		<u>62,494</u>	<u>61,972</u>	<u>61,288</u>	<u>61,288</u>
Loss per share <i>(In won)</i>	₩	<u>(5,790)</u>	<u>(7,560)</u>	<u>(11,195)</u>	<u>(11,347)</u>

(2) Weighted average number of ordinary shares for the three-month and six-month periods ended June 30, 2015 is as follows:

		<u>2015</u>		
<i>(In shares)</i>		<u>Number of shares outstanding</u>	<u>Weighted average</u>	<u>Weighted average number of shares outstanding</u>
Beginning balance	61,288,440		181 /181	61,288,440
Disposal of treasury shares	1,167,690		103 /181	664,487
Disposal of treasury shares	41,232		84 /181	19,135
Weighted average number of ordinary shares outstanding	62,497,362			61,972,062

		<u>2014</u>		
<i>(In shares)</i>		<u>Number of shares outstanding</u>	<u>Weighted average</u>	<u>Weighted average number of shares outstanding</u>
Beginning balance	61,288,440		181 /181	61,288,440

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

36. Loss per Share, Continued

(3) Since there are no potentially dilutive common shares for the three-month and six-month periods ended June 30, 2015 and 2014, diluted earnings per share have not been calculated.

37. Cash flow from Operations

(1) Cash generated (used) from operations for the six-month periods ended June 30, 2015 and 2014 are as follows:

<i>(In millions of won)</i>	<u>2015</u>	<u>2014</u>
Loss for the period	₩ (461,281)	(695,465)
Adjustments for:		
Post-employment benefit costs	74,163	64,854
Depreciation	231,343	224,598
Amortization	36,924	32,674
Bad debt expenses (reversal of bad debt allowance)	27,507	(51,414)
Reversal of allowance for other doubtful accounts	(86)	(25,256)
Finance income	(234,748)	(721,229)
Finance costs	476,968	417,423
Other non-operating income	(223,433)	(8,573)
Other non-operating expenses	193,817	548,202
Income tax expenses (income)	(142,767)	(247,210)
Compensation expenses (income) associated with stock options	14,529	-
Changes in assets and liabilities:		
Trade receivables	(505,057)	(60,737)
Other receivables	87,421	(19,097)
Due from customers for contract work	268,370	493,156
Inventories	446,614	(44,845)
Derivatives	31,279	160,799
Firm commitments	5,094	(248,308)
Other current assets	722,398	(360,894)
Long-term trade receivables	-	(99)
Other non-current assets	(39)	-
Trade payables	(268,076)	12,742
Other payables	(29,274)	189,319
Advances from customers	(75,011)	73,775
Due to customers for contract work	(1,679,498)	1,065,798
Long-term other payables	(568)	(354)
Benefits paid	(141,250)	(9,400)
Succession of Benefits	2,683	22
Plan assets	131,544	7,206
Non-current liabilities	66,908	(7,572)
	₩ <u>(943,526)</u>	<u>790,115</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

37. Cash flow from Operations, Continued

(2) Significant transactions that do not involve cash inflows and outflows as of June 30, 2015 and 2014 are as follows:

(In millions of won)

		<u>2015</u>	<u>2014</u>
Reclassification of construction-in-progress	₩	402,564	77,818
Reclassification of current portion of long-term borrowings		1,234,820	100,000
Reclassification of current portion of bonds		328,815	499,417
Increase (decrease) of change in fair value of available-for-sale financial assets		(122,670)	(25,836)
Reclassification of accrued expense and treasury stocks due to payment of treasury stocks in accordance with wage and collective bargaining		141,189	-

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

(1) Categories of financial instruments as of June 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

		<u>2015</u>							
		<u>Cash and cash equivalents</u>	<u>Available-for-sale financial assets</u>	<u>Loans and receivables</u>	<u>Derivative assets</u>	<u>Financial liabilities at fair value through profit or loss</u>	<u>Financial liabilities measured at amortized cost</u>	<u>Derivative liabilities</u>	<u>Other Provision</u>
Cash and cash equivalents	₩	690,210	-	-	-	-	-	-	-
Short-term financial assets		-	-	149,700	-	-	-	-	-
Trade and other receivables		-	-	3,458,309	-	-	-	-	-
Due from customers for contract work		-	-	4,436,553	-	-	-	-	-
Derivative assets (current)		-	-	-	26,998	-	-	-	-
Long-term financial assets		-	835,222	33	-	-	-	-	-
Long-term trade and other receivables		-	-	266,792	-	-	-	-	-
Derivative assets (non-current)		-	-	-	1,087	-	-	-	-
Short-term financial liabilities		-	-	-	-	-	4,221,746	-	-
Trade and other payables		-	-	-	-	-	3,263,751	-	-
Derivative liabilities (current)		-	-	-	-	-	-	202,306	-
Long-term financial liabilities		-	-	-	-	37,555	3,692,230	-	-
Long-term trade and other liabilities		-	-	-	-	-	11,016	-	-
Derivative liabilities (non-current)		-	-	-	-	-	-	151,211	-
Other provision		-	-	-	-	-	-	-	50,420
	₩	<u>690,210</u>	<u>835,222</u>	<u>8,311,387</u>	<u>28,085</u>	<u>37,555</u>	<u>11,188,743</u>	<u>353,517</u>	<u>50,420</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

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

(1) Categories of financial instruments as of June 30, 2015 and December 31, 2014 are summarized as follows, continued:

(In millions of won)

	2014							
	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	Other Provision
Cash and cash equivalents	₩ 1,407,944	-	-	-	-	-	-	-
Short-term financial assets	-	32	-	149,700	-	-	-	-
Trade and other receivables	-	-	-	2,965,452	-	-	-	-
Due from customers for contract work	-	-	-	4,706,155	-	-	-	-
Derivative assets (current)	-	-	-	-	101,394	-	-	-
Long-term financial assets	-	-	1,052,192	33	-	-	-	-
Long-term trade and other receivables	-	-	-	294,797	-	-	-	-
Derivative assets (non-current)	-	-	-	-	16,383	-	-	-
Short-term financial liabilities	-	-	-	-	-	3,643,119	-	-
Trade and other payables	-	-	-	-	-	3,686,940	-	-
Derivative liabilities (current)	-	-	-	-	-	-	145,514	-
Long-term financial liabilities	-	-	-	-	-	3,657,384	-	-
Long-term trade and other liabilities	-	-	-	-	-	11,581	-	-
Derivative liabilities (non-current)	-	-	-	-	-	-	90,070	-
Other provision	-	-	-	-	-	-	-	84,201
	₩ 1,407,944	32	1,052,192	8,116,137	117,777	10,999,024	235,584	84,201

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

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

(2) Financial instruments income and costs by categories for the three-month and six-month periods ended June 30, 2015 and 2014 are as follows:

(In millions of won)

	2015							
	Net income		Other comprehensive income (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	₩ 9,920	22,004	-	-	1,715	5,093	-	-
Financial assets at fair value through profit or loss	344	1,605	-	-	-	-	-	-
Available-for-sale financial assets	(53,947)	(37,203)	(104,829)	(122,670)	-	-	(52,938)	(52,938)
Loans and receivables	50,396	16,106	-	-	2,912	6,808	(16,000)	(27,421)
Financial liabilities at fair value through profit or loss	(1,208)	(2,136)	-	-	-	-	-	-
Financial liabilities measured at amortized cost	(125,754)	(159,553)	-	-	(48,081)	(95,216)	-	-
Derivatives	(161,713)	(190,356)	15,873	20,919	-	-	-	-
Other provision	(20,501)	33,781	-	-	-	-	-	-

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

(In millions of won)

	2014							
	Net income		Other comprehensive income (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 at fair value through profit or loss	-	-	-	-	-	-	-	-
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.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

39. Risk of Financial Instruments

(1) Currency risk

The Company's exposure to foreign currency risk based on notional amounts as of June 30, 2015 and December 31, 2014 is as follows:

(In millions of won)

		2015					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	345,468	310	6,634	317	88,981	441,710
Loans and receivables		7,270,524	133,583	9,532	447	531,664	7,945,750
Trade and other payables		(1,320,181)	(116,058)	(1,325)	(8,306)	(223,547)	(1,669,417)
Borrowings and bonds		(2,738,633)	(147,520)	-	(80,761)	(871)	(2,967,785)
Other provision		-	(50,420)	-	-	-	(50,420)
Gross statement of financial position exposure		3,557,178	(180,105)	14,841	(88,303)	396,227	3,699,838
Derivative contracts		(289,013)	(22,398)	-	(14,302)	281	(325,432)
Net exposure	₩	<u>3,268,165</u>	<u>(202,503)</u>	<u>14,841</u>	<u>(102,605)</u>	<u>396,508</u>	<u>3,374,406</u>

(In millions of won)

		2014					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	427,391	8,477	997	239	79,261	516,365
Loans and receivables		6,442,679	121,198	15,011	3,136	454,919	7,036,943
Trade and other payables		(1,234,826)	(119,393)	(7,236)	(10,881)	(209,382)	(1,581,718)
Borrowings and bonds		(2,552,651)	(232,470)	-	(94,122)	(22)	(2,879,265)
Other provision		-	(84,201)	-	-	-	(84,201)
Gross statement of financial position exposure		3,082,593	(306,389)	8,772	(101,628)	324,776	3,008,124
Derivative contracts		(69,750)	(20,814)	-	(26,806)	(405)	(117,775)
Net exposure	₩	<u>3,012,843</u>	<u>(327,203)</u>	<u>8,772</u>	<u>(128,434)</u>	<u>324,371</u>	<u>2,890,349</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

39. Risk of Financial Instruments, Continued

(2) Fair values

(i) Fair values versus carrying amounts

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

(In millions of won)

	2015		2014	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Assets carried at fair value:				
Financial assets at fair value through profit or loss	₩ -	-	32	32
Available-for-sale financial assets(*)	835,222	835,222	1,052,192	1,052,192
Derivative assets	28,085	28,085	117,777	117,777
	<u>₩ 863,307</u>	<u>863,307</u>	<u>1,170,001</u>	<u>1,170,001</u>
Cash and cash equivalents	₩ 690,210	690,210	1,407,944	1,407,944
Assets carried at amortized cost:				
Loans and receivables	8,311,387	8,311,387	8,116,137	8,116,137
Financial assets total	<u>₩ 9,864,904</u>	<u>9,864,904</u>	<u>10,694,082</u>	<u>10,694,082</u>
Liabilities carried at fair value:				
Financial liabilities at fair value through profit or loss	₩ 37,555	37,555	-	-
Derivative liabilities	353,517	353,517	235,584	235,584
	<u>₩ 391,072</u>	<u>391,072</u>	<u>235,584</u>	<u>235,584</u>
Liabilities carried at amortized cost:				
Unsecured bank loans	₩ 5,871,454	5,871,454	5,274,446	5,274,446
Unsecured bond issues	1,497,172	1,497,172	1,697,737	1,697,737
Secured bond issues	336,275	336,275	328,320	328,320
Secured exchangeable bond issues	209,075	209,075	-	-
Trade and other payables	3,274,767	3,274,767	3,698,521	3,698,521
Other provision	50,420	50,420	84,201	84,201
	<u>₩ 11,239,163</u>	<u>11,239,163</u>	<u>11,083,225</u>	<u>11,083,225</u>
Financial liabilities total	<u>₩ 11,630,235</u>	<u>11,630,235</u>	<u>11,318,809</u>	<u>11,318,809</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, 2015 and December 31, 2014 are ₩23,196 million and ₩23,897 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).

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

39. 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, 2015 and December 31, 2014 are as follows:

(In millions of won)

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2015					
Available-for-sale financial assets	₩	772,407	288	39,331	812,026
Derivative assets		-	28,085	-	28,085
Financial liabilities at fair value through profit or loss		-	37,555	-	37,555
Derivative liabilities		-	353,517	-	353,517
2014					
Financial assets at fair value through profit or loss		-	32	-	32
Available-for-sale financial assets		988,192	772	39,331	1,028,295
Derivative assets		-	117,777	-	117,777
Derivative liabilities		-	235,584	-	235,584

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.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

39. 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, 2015 and December 31, 2014 are as follows:

(In millions of won)

	2015	2014	Valuation techniques	Input variables
Available-for-sale financial assets:				
Korea Investment Private Korea Exim bank Carbon Special Asset Trust I	288	772	Market approach	CER future price, discount rate and others
Financial liabilities at fair value through profit or loss (Exchange rights to exchangeable bond):				
	37,555	-	Binomial model	Variability of stock price, discount rate and others
Derivatives (Foreign currency forward):				
Financial assets or liabilities at fair value through profit or loss	-	32	Cash flow discount model	Currency forward price, discount rate and others
Derivative assets	28,085	117,777	Cash flow discount model	Currency forward price, discount rate and others
Derivative liabilities	353,517	235,584	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, 2015 and the year ended December 31, 2014 are as follows:

(In millions of won)

	2015	2014
	Available-for-sale financial assets:	Available-for-sale financial assets:
Beginning balance	₩ 39,331	44,762
Transfer from Level 3	-	(1,139)
Included profits in other comprehensive income	-	(4,292)
	₩ 39,331	39,331

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

39. Risk of Financial Instruments, Continued

(4) Level 3 fair values, continued

(ii) The valuation techniques and input variables used in measuring Level 3 fair values as of June 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

	<u>2015</u>	<u>2014</u>	<u>Valuation techniques</u>	<u>Input variables</u>	<u>Significant unobservable input variables</u>	<u>Ranges of significant unobservable input variables</u>
Available-for-sale financial assets:						
DOOSAN CAPITAL CO.,LTD.	₩ 6,214	6,214	Market comparison technique	Market multiple	Market multiple	0.83
Daehan Oil Pipeline Corporation	33,117	33,117	Cash flow discount model	Discount rate	Discount rate	8.16%
	<u>₩ 39,331</u>	<u>39,331</u>				

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

39. Risk of Financial Instruments, Continued

(4) Level 3 fair values, continued

(iii) Effects by changes in unobservable input variables on fair value measurement of financial assets and liabilities as of June 30, 2015 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.	Stock price multiple	Fair value increase by stock price multiple increase	Measuring fair value changes by 10% stock price multiple increase or decrease	₩ -	(4,536)	748	3,786
Daehan Oil Pipeline Corporation	Discount rate	Fair value decrease by discount rate increase	Measuring fair value changes by 1% discount rate increase or decrease	-	-	4,208	(3,305)
				₩ -	(4,536)	4,956	481

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

39. Risk of Financial Instruments, Continued

(4) Level 3 fair values, continued

(iii) Effects by changes in unobservable input variables on fair value measurement of financial assets and liabilities as of December 31, 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.	Stock price multiple	Fair value increase by stock price multiple increase	Measuring fair value changes by 10% stock price multiple increase or decrease	₩ -	(4,536)	748	3,786
Daehan Oil Pipeline Corporation	Discount rate	Fair value decrease by discount rate increase	Measuring fair value changes by 1% discount rate increase or decrease	-	-	4,208	(3,305)
				₩ -	(4,536)	4,956	481

(5) Transfers of financial assets

(i) There is no transferred financial assets of June 30, 2015 and December 31, 2014

(ii) The Company has entered into financial asset transfer agreements amounting to USD 318,860 thousand on July 6, 2015 in order to sell guarantee deposits of Jeddah South construction which the Company has been proceeding with HSBC Bank Plc. According to this agreements, the Company sold the guarantee deposits of the construction amounting to USD 180,519 thousand on July 7, 2015.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

39. 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, 2015 and December 31, 2014 are as follows:

(In millions of won)

		2015			
		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	₩	22,444	(15,903)	6,541	6,541
Financial liabilities					
Trade and other payables		57,929	(15,903)	42,026	42,026

(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	₩	27,991	(18,676)	9,315	9,315
Financial liabilities					
Trade and other payables		54,753	(18,676)	36,077	36,077

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

40. Commitments and Contingencies

- (1) As of June 30, 2015, the Company has entered into bank overdraft agreements with seven banks amounting to ₩228,000 million and general loan agreements with nineteen banks amounting to ₩1,540,000 million and USD 1,100,000 thousand.
- (2) As of June 30, 2015, 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 4,446,683 thousand.
- (3) As of June 30, 2015, the Company has entered into credit facilities agreements such as pre-shipment credit with various banks totaling ₩3,045,000 million and USD 10,555 thousand.
- (4) As of June 30, 2015, six 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, 2015, the Company is contingently liable for loan guarantees of its foreign subsidiaries amounting to USD 910,742 thousand. The Company has provided performance guarantees in relation to Jazan Refinery and Terminal Project Package 2 (contract amount: USD 327,409 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 799,499 thousand, EUR 45,296 thousand) and Moho Nord Floating Production Unit Project (contract amount: USD 1,232,915 thousand) which are being built by HHI France SAS and HHI Mauritius Ltd., one of the Company's subsidiaries. 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 9 ships at a contract amount of USD 1,195,099 thousand.
- (6) In connection with the Company's contract performance guarantees, the Company has been provided with guarantees amounting to ₩1,424,396 million and USD 14,256,371 thousand (maximum guarantees amounting to ₩4,900,621 million and USD 23,260,807 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 13,320,835 thousand by various banking facilities. Regarding this, the Company provides as collateral 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, 2015 and December 31, 2014 are as follows:

(In millions of won)

	<u>2015</u>	<u>2014</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 for the year ended December 31, 2013 because the carrying amount of the investment exceeds its recoverable amount. The Company also obtained borrowings from Korea National Oil Corporation (see Note 21).

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

41. 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 compensation 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 Company and PTT are undertaking mediation on the court's guidelines, signed a MOU for the agreement on the December 29, 2014. Currently, the impact on the Company's consolidated financial statements, if any, cannot be reliably estimated.
- (3) On January 16, 2009, the Company entered into a long-term contract for purchasing 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 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 of the prepaid 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. SGI filed appeals on May 20, 2014 but the Seoul High Court announced the rejection of the appeals of SGI on July 17, 2015. SGI filed appeals in the Supreme Court on August 3, 2015 and the case is currently pending.
- (4) The Company partially lost the first trial of ordinary wage lawsuit (amounting to ~~₩~~600 million) on February 12, 2015. The court ruled that the 800% regular bonus should be considered ordinary wages, and the ruling would apply retroactively for three years (estimated additional payment: Hyundai Heavy Industry ~~₩~~ 629,500 million). The Company appealed on March 2, 2015 and the case is currently pending. The Company did not recognize provision related to lawsuit on the consolidated financial statements because the Company believes it is more likely than not it will win as of June 30, 2015.

In addition to the cases mentioned above, the Company is currently a defendant in 33 lawsuits involving claims totaling: ~~₩~~152,500 million. Currently, the impact on the Company's financial statements, if any, cannot be reliably estimated.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

42. Related Parties

(1) The Company is the ultimate controlling party and its subsidiaries as of June 30, 2015 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 E&T Co., Ltd.	Other engineering services
Ulsan Hyundai Football Club Co., Ltd.	Football club
Hotel Hyundai Co., Ltd.	Hotel operation
HI Investment & Securities Co., Ltd.	Securities brokerage
HI Asset Management Co., Ltd.	Asset management
Hyundai Finance Corporation	Granting of credit
Hyundai Venture Investment Corporation	Granting of credit
Hyundai Futures Corporation	Entrust and brokerage of futures transactions
Hyundai Ship Private Fund 1	Other financial business
Hyundai Oil Terminal Co., Ltd.	Oil storage business
Hyundai and Shell Base Oil Co., Ltd.	Manufacturing of base oil
Hyundai Chemical Co., Ltd.	Crude oil refining business
HI Himsen Multi Strategy Private Funds Investment Trust 1	Other financial business
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

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

42. Related Parties, Continued

- (1) The Company is the ultimate controlling party and its subsidiaries as of June 30, 2015 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

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

42. Related Parties, Continued

(2) Transactions with related parties

(i) Significant transactions for the six-month periods ended June 30, 2015 and 2014 with related parties are as follows:

(In millions of won)

	2015					
	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.	₩ 150,518	-	79,636	22,246	50	-
Hyundai Mipo Dockyard Co., Ltd.	195,680	-	12,343	-	-	-
Hyundai Oilbank Co., Ltd.	12,914	-	44,274	-	57	-
Hyundai Heavy Material Service	4,765	-	83,080	-	115	-
Hotel Hyundai Co., Ltd.	118	-	18,997	-	1,235	-
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	17,662	-	8	-	143	-
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	16,146	-	-	-	103	-
Hyundai Heavy Industries (China) Electric Co., Ltd.	4,690	-	29,260	-	-	-
Yantai Hyundai Moon Heavy Industries Co., Ltd.	16	-	79,567	-	-	-
Hyundai Construction Equipment India Private Ltd.	43,535	-	21,260	-	452	-
Hyundai Construction Equipment Americas, Inc.	107,936	-	758	-	2,039	-
Hyundai Ideal Electric Co.	17,571	-	199	-	169	-
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	9,518	-	135	-	148	-
Hyundai Heavy Industries Europe N.V.	144,426	-	-	-	3,106	-
Others	6,766	12,635	48,963	2	10,695	-
	<u>732,261</u>	<u>12,635</u>	<u>418,480</u>	<u>22,248</u>	<u>18,312</u>	<u>-</u>
Associates(*):						
Wärtsilä-Hyundai Engine Company Ltd.	1,148	35,229	31,018	-	1	-
Hyundai Corporation	353,149	2,496	459	-	3,529	-
Others	11,640	200	22,174	-	2	-
	<u>365,937</u>	<u>37,925</u>	<u>53,651</u>	<u>-</u>	<u>3,532</u>	<u>-</u>
	₩ <u>1,098,198</u>	<u>50,560</u>	<u>472,131</u>	<u>22,248</u>	<u>21,844</u>	<u>-</u>

(*) Including associates and joint ventures' subsidiaries.

In addition to the above transactions, the Company has sold its entire equity interest in its subsidiary, Hyundai Energy & Resources Co., Ltd., to Hyundai Corporation which is a related party for the ₩19,232 million.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

42. Related Parties, Continued

(2) Transactions with related parties, continued

(i) Significant transactions for the six-month periods ended June 30, 2015 and 2014 with related parties are as follows, continued:

(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.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

42. Related Parties, Continued

(2) Transactions with related parties, continued

(ii) Outstanding balances as of June 30, 2015 and December 31, 2014 with related parties are as follows:

(In millions of won)

	2015			
	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.	₩ 103,960	99	3,493	175,207
Hyundai Mipo Dockyard Co., Ltd.	124,293	-	2,631	106,423
Hyundai Oilbank Co., Ltd.	11	-	7,507	25,902
Hyundai Heavy Material Service	1,014	15	39,716	-
Hotel Hyundai Co., Ltd.	13	-	2,357	-
Hyundai (Jiangsu) Construction Machinery Co., Ltd.	1,362	16	47	-
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	10,122	11	-	-
Hyundai Heavy Industries (China) Electric Co., Ltd.	1,101	-	5,903	-
Yantai Hyundai Moon Heavy Industries Co., Ltd.	-	17,170	7,419	-
Hyundai Construction Equipment India Private Ltd.	61,565	399	4,130	-
Hyundai Construction Equipment Americas, Inc.	50,360	9	-	-
Hyundai Ideal Electric Co.	11,966	16	-	-
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	154,551	2,763	138	-
Hyundai Heavy Industries Europe N.V.	72,261	33	-	423
Others	13,604	2,284	8,339	2,373
	<u>606,183</u>	<u>22,815</u>	<u>81,680</u>	<u>310,328</u>
Associates(*):				
Wärtsilä-Hyundai Engine Company Ltd.	-	14,398	1	239
Hyundai Corporation	234,268	1,665	226	28,914
Others	3,511	268	1,272	11,816
	<u>237,779</u>	<u>16,331</u>	<u>1,499</u>	<u>40,969</u>
₩	<u>843,962</u>	<u>39,146</u>	<u>83,179</u>	<u>351,297</u>

(*) Including associates and joint ventures' subsidiaries.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

42. Related Parties, Continued

(2) Transactions with related parties, continued

(ii) Outstanding balances as of June 30, 2015 and December 31, 2014 with related parties are as follows, continued:

(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.	₩	126,791	96	19,066	142,081
Hyundai Mipo Dockyard Co., Ltd.		121,426	10	2,338	75,233
Hyundai Oilbank Co., Ltd.		3,368	-	13,173	-
Hyundai Heavy Material Service		674	9	33,776	-
Hotel Hyundai Co., Ltd.		14	-	1,999	-
Hyundai (Jiangsu) Construction Machinery Co., Ltd.		6,822	177	-	1,512
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.		9,416	94	-	1,312
Hyundai Heavy Industries (China) Electric Co., Ltd.		582	46	9,532	81
Yantai Hyundai Moon Heavy Industries Co., Ltd.		-	50,647	10,058	-
Hyundai Construction Equipment India Private Ltd.		51,673	321	-	65
Hyundai Construction Equipment Americas, Inc.		81,831	11	-	412
Hyundai Ideal Electric Co.		14,261	29	505	-
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment		159,743	2,138	-	1,884
Hyundai Heavy Industries Europe N.V.		48,244	1	5	1,233
Others		14,409	3,736	8,059	4,208
		<u>639,254</u>	<u>57,315</u>	<u>98,511</u>	<u>228,021</u>
Associates(*):					
Wärtsilä-Hyundai Engine Company Ltd.		540	12,135	-	-
Hyundai Corporation		265,391	1,665	6,451	37,615
Others		491	661	1,644	11,395
		<u>266,422</u>	<u>14,461</u>	<u>8,095</u>	<u>49,010</u>
	₩	<u>905,676</u>	<u>71,776</u>	<u>106,606</u>	<u>277,031</u>

(*) Including associates and joint ventures' subsidiaries.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

42. Related Parties, Continued

- (3) Details of guarantees which the Company had provided for related companies as of June 30, 2015 are as follows:

(In thousands of foreign currency)

Guarantee recipient	Provider	Type of guarantees	Currency	Guaranteed amount
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	12,500
Hyundai Construction Equipment India Private Ltd.	Standard Chartered Bank	Payment	USD	80,000
	HSBC Bank Plc	Payment	INR	740,000
Hyundai Construction Equipment Americas, Inc.	Hana Bank and others	Payment	USD	70,400
Hyundai Power Transformers USA, INC	Woori Bank and others	Payment	USD	109,000
	Liberty Mutual	Performance	USD	20,000
	Capine Corporation	Performance	USD	49,839
	Mizuho Corporate Bank Ltd, LA Branch	Payment	USD	10,000
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Banco Nacional de Desenvolvimento Economico e Social (BNDES)	Payment	BRL	109,956
	Standard Chartered Bank	Payment	USD	30,000
Hyundai Heavy Industries Europe N.V.	Korea Exchange Bank and others	Payment	EUR	34,000
	BNP Paribas Fortis Bank, Belgium	Performance	EUR	250
Hyundai Heavy Industries Co. Bulgaria	BNP Paribas S.A., Sofia and others	Payment	USD	50,000
	Jahnel-Kestermann Getriebewerke GmbH	Payment	EUR	30,000
Hyundai Heavy Industries France SAS	Export-Import Bank of Korea and others	Performance	USD	250,194
			USD	43,211
HHI MAURITIUS LIMITED	Export-Import Bank of Korea and others	Performance	USD	43,211
Hyundai Arabia Company L.L.C	Korea Exchange Bank	Performance	USD	51,073
			USD	791,817
			EUR	64,250
			INR	740,000
			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 327,409 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 799,499 thousand, EUR 45,296 thousand) and Moho Nord Floating Production Unit Project (contract amount: USD 1,232,915 thousand) which are being built by HHI France SAS and HHI Mauritius Ltd., one of the Company's subsidiaries.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
June 30, 2015
(Unaudited)

42. Related Parties, Continued

(4) Details of guarantee which the Company provided for the related parties as of June 30, 2015 are as follows:

(In millions of won)

	<u>Pledged asset</u>	<u>Book value</u>	<u>Amount</u>	<u>Provider</u>
Associate:				
Pyeongchang wind power Co.Ltd	Investments in associates - Pyeongchang wind power Co. Ltd	₩ 3,566	62,000	Woori bank and others

(5) Compensation for key management of the Company for the six-month periods ended June 30, 2015 and 2014 is ₩831 million and ₩1,550 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.