

**HYUNDAI HEAVY INDUSTRIES CO., LTD.
AND SUBSIDIARIES**

Condensed Consolidated Interim Financial Statements

June 30, 2012

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

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

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of Hyundai Heavy Industries Co., Ltd. and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position as of June 30, 2012, the condensed consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2012 and 2011, the condensed consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2012 and 2011 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

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

Auditors' review responsibility

Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our reviews. We did not review the financial statements of certain consolidated subsidiaries, whose financial statements reflect total combined assets of ₩ 25,747,903 million and ₩ 24,848,609 million as of June 30, 2012 and December 31, 2011, and total combined revenues of ₩ 16,661,927 million and ₩ 11,010,643 million for the six-month periods ended June 30, 2012 and 2011, respectively. Other auditors reviewed those financial statements and our report, insofar as it relates to the subsidiary, is based solely on the report of other auditors.

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

Conclusion

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

Other matters

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

The consolidated statement of financial position of the Group as of December 31, 2011, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us and our report thereon, dated March 8, 2012, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2011, presented for comparative purposes, is not different from that audited by us in all material respects.

Seoul, Korea
August 24, 2012

This report is effective as of August 24, 2012, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Financial Position
As of June 30, 2012 and December 31, 2011

<i>(In thousands of won)</i>	<i>Note</i>	2012	2011
Assets			
Cash and cash equivalents	37,38	₩ 2,231,177,777	1,609,979,453
Short-term financial assets	5,6,12,16,23,28,37,38,41	2,147,493,463	2,188,261,278
Trade and other receivables	6,7,8,16,28,29,37,38,41	7,406,149,363	5,748,433,314
Due from customers for contract work	7,29,37,38	3,635,338,886	4,181,091,074
Inventories	9,16,28	6,611,438,938	6,478,092,980
Derivative assets	23,37,38	108,596,688	146,052,887
Firm commitment assets	23	305,969,372	496,421,602
Prepaid income taxes		17,835,716	14,083,278
Other current assets	10,28	2,509,924,761	2,213,954,234
Total current assets		<u>24,973,924,964</u>	<u>23,076,370,100</u>
Investments in associates	11	1,024,065,041	972,857,274
Long-term financial assets	5,6,12,23,37,38	3,860,859,521	3,697,005,167
Long-term trade and other receivables	7,8,37,38,41	1,685,365,936	2,385,789,828
Long-term due from customers for contract work	7,29,37,38	-	50,649,454
Investment property	13,30	323,250,452	327,272,561
Property, plant and equipment	14,16,28,30,41	15,539,997,197	15,564,732,167
Intangible assets	15,28,30	2,312,767,495	2,323,669,491
Derivative assets	23,37,38	27,117,052	53,844,171
Firm commitment assets	23	246,274,128	231,983,141
Deferred tax assets		79,397,766	79,161,115
Other non-current assets	10,39	213,102,147	237,481,629
Total non-current assets		<u>25,312,196,735</u>	<u>25,924,445,998</u>
Total assets		<u>₩ 50,286,121,699</u>	<u>49,000,816,098</u>

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Financial Position, Continued
As of June 30, 2012 and December 31, 2011

<i>(In thousands of won)</i>	<i>Note</i>	2012	2011
Liabilities			
Short-term financial liabilities	<i>16,17,20,23,28,37,38,39</i>	₩ 9,885,998,756	8,478,567,847
Trade and other payables	<i>18,28,37,38,41</i>	6,853,790,272	6,330,231,675
Advances from customers		980,699,096	939,659,423
Due to customers for contract work	<i>16,29,39</i>	6,970,625,244	8,686,004,506
Derivative liabilities	<i>23,37,38</i>	173,634,726	285,899,035
Firm commitment liabilities	<i>23</i>	95,390,449	138,316,003
Income tax payable		364,998,957	599,307,248
Other current liabilities	<i>19</i>	30,924,646	32,765,218
Total current liabilities		<u>25,356,062,146</u>	<u>25,490,750,955</u>
Long-term financial liabilities	<i>16,17,20,23,37,38,39</i>	3,826,649,213	2,943,925,653
Long-term trade and other payables	<i>18,37,38,41,42</i>	227,144,252	246,929,901
Liabilities for defined benefit plans	<i>21</i>	251,591,699	155,392,494
Long-term provisions	<i>22</i>	292,780,935	309,939,020
Derivative liabilities	<i>23,37,38</i>	246,400,262	250,397,356
Firm commitment liabilities	<i>23</i>	10,292,562	29,697,197
Deferred tax liabilities		1,321,413,266	1,340,445,233
Other non-current liabilities	<i>19</i>	56,908,038	56,819,222
Total non-current liabilities		<u>6,233,180,227</u>	<u>5,333,546,076</u>
Total liabilities		<u>31,589,242,373</u>	<u>30,824,297,031</u>
Equity			
Common stock	<i>24</i>	380,000,000	380,000,000
Capital surplus	<i>24</i>	1,099,792,874	1,099,792,874
Capital adjustments	<i>25</i>	(1,797,036,283)	(1,797,036,283)
Accumulated other comprehensive income	<i>23,26</i>	1,376,708,477	1,296,943,571
Retained earnings	<i>27</i>	15,792,717,171	15,399,437,474
Equity attributable to owners of the Company		<u>16,852,182,239</u>	<u>16,379,137,636</u>
Non-controlling interests		<u>1,844,697,087</u>	<u>1,797,381,431</u>
Total equity		<u>18,696,879,326</u>	<u>18,176,519,067</u>
Total liabilities and equity		<u>₩ 50,286,121,699</u>	<u>49,000,816,098</u>

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Comprehensive Income
For the three and six-month periods ended June 30, 2012 and 2011

(In thousands of won, except earnings per share)

	Note	2012		2011	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	23,29,30,41	₩ 13,700,403,164	27,638,733,819	13,394,682,418	26,095,763,049
Cost of sales	9,15,23,32,41	12,739,417,999	25,145,206,311	11,771,551,948	22,184,283,572
Gross profit		<u>960,985,165</u>	<u>2,493,527,508</u>	<u>1,623,130,470</u>	<u>3,911,479,477</u>
Selling, general and administrative expenses	15,31,32	602,408,238	1,165,679,520	592,807,221	1,170,282,977
Operating income	30	<u>358,576,927</u>	<u>1,327,847,988</u>	<u>1,030,323,249</u>	<u>2,741,196,500</u>
Finance income	23,33	288,438,286	680,223,563	887,613,533	1,682,499,051
Finance costs	23,33	544,231,836	825,879,243	335,352,167	749,999,612
Other non-operating income	23,34	195,701,523	188,600,822	51,802,775	199,145,030
Other non-operating expenses	15,23,34	41,703,905	262,017,314	517,883,878	900,754,594
Share of profit (loss) of equity accounted investees	11	(48,170,356)	(135,040,001)	5,661,138	(12,876,444)
Profit before income taxes		<u>208,610,639</u>	<u>973,735,815</u>	<u>1,122,164,650</u>	<u>2,959,209,931</u>
Income taxes	35	74,473,869	316,578,589	334,676,686	752,893,401
Profit for the period	30	<u>₩ 134,136,770</u>	<u>657,157,226</u>	<u>787,487,964</u>	<u>2,206,316,530</u>
Other comprehensive income (loss)	26,37	<u>(88,093,843)</u>	<u>71,062,026</u>	<u>(11,436,837)</u>	<u>180,503,753</u>
Total comprehensive income		<u>₩ 46,042,927</u>	<u>728,219,252</u>	<u>776,051,127</u>	<u>2,386,820,283</u>
Profit attributable to:					
Owners of the Company		132,155,965	627,844,652	710,458,115	1,989,765,355
Non-controlling interests		<u>1,980,805</u>	<u>29,312,574</u>	<u>77,029,849</u>	<u>216,551,175</u>
		<u>₩ 134,136,770</u>	<u>657,157,226</u>	<u>787,487,964</u>	<u>2,206,316,530</u>
Total comprehensive income attributable to:					
Owners of the Company		55,488,583	707,609,558	728,397,638	2,207,871,615
Non-controlling interests		<u>(9,445,656)</u>	<u>20,609,694</u>	<u>47,653,489</u>	<u>178,948,668</u>
		<u>₩ 46,042,927</u>	<u>728,219,252</u>	<u>776,051,127</u>	<u>2,386,820,283</u>
Earnings per share					
Basic and diluted earnings per share (won)	36	<u>₩ 2,393</u>	<u>11,369</u>	<u>12,865</u>	<u>36,030</u>

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Changes in Equity
For the six-month periods ended June 30, 2012 and 2011

<i>(In thousands of won)</i>	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Balance at January 1, 2011 (Unaudited)	₩ 380,000,000	1,099,792,874	(1,796,194,398)	1,260,906,459	13,347,529,398	1,730,888,691	16,022,923,024
Total comprehensive income for the period							
Profit for the period	-	-	-	-	1,989,765,355	216,551,175	2,206,316,530
Change in fair value of available-for-sale financial assets	-	-	-	346,550,062	-	(17,707,550)	328,842,512
Effective portion of changes in fair value of cash flow hedges	-	-	-	(11,914,406)	-	(961,271)	(12,875,677)
Exchange differences on translating foreign operations	-	-	-	(17,254,788)	-	(16,577,758)	(33,832,546)
Change in equity of equity method investments	-	-	-	(99,274,608)	-	(2,355,928)	(101,630,536)
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	(429,019,080)	(71,587,849)	(500,606,929)
Others	-	-	723,383	-	-	6,586,975	7,310,358
Balance at June 30, 2011	<u>₩ 380,000,000</u>	<u>1,099,792,874</u>	<u>(1,795,471,015)</u>	<u>1,479,012,719</u>	<u>14,908,275,673</u>	<u>1,844,836,485</u>	<u>17,916,446,736</u>
Balance at January 1, 2012	₩ 380,000,000	1,099,792,874	(1,797,036,283)	1,296,943,571	15,399,437,474	1,797,381,431	18,176,519,067
Total comprehensive income for the period							
Profit for the period	-	-	-	-	627,844,652	29,312,574	657,157,226
Change in fair value of available-for-sale financial assets	-	-	-	87,714,589	-	(8,372,970)	79,341,619
Effective portion of changes in fair value of cash flow hedges	-	-	-	21,771,889	-	(264,874)	21,507,015
Exchange differences on translating foreign operations	-	-	-	(15,813,379)	-	(1,264,272)	(17,077,651)
Change in equity of equity method investments	-	-	-	(13,908,193)	-	1,199,236	(12,708,957)
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	(234,564,955)	(15,005,825)	(249,570,780)
Others	-	-	-	-	-	41,711,787	41,711,787
Balance at June 30, 2012	<u>₩ 380,000,000</u>	<u>1,099,792,874</u>	<u>(1,797,036,283)</u>	<u>1,376,708,477</u>	<u>15,792,717,171</u>	<u>1,844,697,087</u>	<u>18,696,879,326</u>

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Cash Flows
For the six-month periods ended June 30, 2012 and 2011

<i>(In thousands of won)</i>	2012	2011
Cash flows from operating activities		
Profit for the period	₩ 657,157,226	2,206,316,530
Adjustments for:		
Post-employment benefit costs	105,628,590	103,297,550
Depreciation	462,601,160	383,720,763
Amortization	41,877,777	37,679,893
Bad debt expenses	74,871,782	76,087,714
Finance income	(893,427)	1,718,354
Finance costs	(219,829,098)	(1,035,420,219)
Other non-operating income	372,854,187	276,523,069
Other non-operating expenses	(114,727,235)	(29,569,569)
Income tax expense	135,226,407	882,572,711
Share of profit of equity accounted investees	135,040,001	12,876,444
Income tax expense	316,578,589	752,893,401
Finance income (sales)	(124,708,242)	(62,202,657)
Finance costs (cost of sales)	60,670,716	50,278,271
	1,245,191,207	1,450,455,725
Changes in assets and liabilities:		
Short-term financial assets	(19,589,710)	5,113,822
Trade receivables	(576,881,735)	(978,678,366)
Other receivables	(467,997,442)	(416,486,059)
Due from customers for contract work	596,464,532	968,078,749
Inventories	(150,590,328)	(1,151,422,956)
Derivatives	(100,179,316)	(502,590,108)
Firm commitments	108,705,650	(31,620,657)
Other current assets	(282,241,897)	(293,740,969)
Long-term financial assets	(222,877)	-
Long-term trade receivables	7,223,242	(319,755,521)
Long-term due from customers for contract work	-	(32,930,244)
Other non-current assets	19,252,537	(16,379,189)
Short-term financial liabilities	(22,233,573)	-
Trade payables	(202,092,348)	530,233,087
Other payables	753,378,740	721,346,902
Advances from customers	47,065,402	186,801,298
Due to customers for contract work	(1,716,442,268)	(114,451,296)
Other current liabilities	(1,196,920)	1,077,219
Long-term other payables	(17,731,891)	32,568,498
Benefits paid	(20,611,496)	(94,489,495)
Succession of benefits	78,913	1,867,059
Plan assets	11,511,987	33,641,824
Long-term provisions	(16,197,288)	30,145,204
Other non-current liabilities	97,069	2,834,013
Cash generated (used) from operations	(148,082,584)	2,217,935,070
Interest received	202,851,226	175,941,758
Interest paid	(250,365,013)	(171,666,450)
Dividends received	50,524,455	108,206,913
Income taxes paid	(620,885,260)	(1,059,371,380)
Net cash provided by (used in) operating activities	(765,957,176)	1,271,045,911

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Cash Flows, Continued
For the six-month periods ended June 30, 2012 and 2011

<i>(In thousands of won)</i>	2012	2011
Cash flows from investing activities		
Proceeds from sale of short-term financial assets	₩ 190,522,030	866,214,927
Proceeds from collection of other receivables	182,160	2,790,874
Proceeds from sale of investments in associates	-	20,201,275
Proceeds from sale of investments in subsidiaries	25,188,503	64,924,649
Proceeds from sale of long-term financial assets	64,852,502	1,305,834
Proceeds from collection of long-term other receivables	57,977,888	52,035,717
Proceeds from sale of property, plant and equipment	22,872,208	43,197,008
Proceeds from sale of intangible assets	2,328,213	3,539,368
Proceeds from government grants	259,140	-
Acquisition of short-term financial assets	(255,600,707)	(643,753,579)
Acquisition of other receivables	(5,726,904)	-
Acquisition of investments in associates	(200,905,320)	(9,069,513)
Acquisition of investments in subsidiaries	-	(2)
Acquisition of long-term financial assets	(21,623,553)	(294,115,282)
Acquisition of long-term other receivables	(70,046,317)	-
Acquisition of Investment property	(75,785)	-
Acquisition of property, plant and equipment	(489,360,171)	(899,323,205)
Acquisition of intangible assets	(42,301,065)	(54,189,939)
Acquisition of other non-current assets	(11,439,832)	(18,064,519)
Net cash used in investing activities	(732,897,010)	(864,306,387)
Cash flows from financing activities		
Proceeds from short-term financial liabilities	14,230,358,655	3,028,453,000
Proceeds from long-term financial liabilities	1,586,185,547	1,827,191,909
Capital contribution from non-controlling interests	44,492,537	15,482,833
Repayment of short-term financial liabilities	(13,484,533,738)	(2,916,952,606)
Repayment of long-term financial liabilities	(4,303,212)	(1,374,961,069)
Dividends paid	(234,564,955)	(429,019,080)
Dividend and distribution to non-controlling interests	(15,455,825)	(73,458,502)
Net cash provided by financing activities	2,122,179,009	76,736,485
Effects of exchange rate changes on cash and cash equivalents	(2,126,499)	(5,382,089)
Net increase in cash and cash equivalents	621,198,324	478,093,920
Cash and cash equivalents at 1 January	1,609,979,453	1,878,801,076
Cash and cash equivalents at 30 June	₩ 2,231,177,777	2,356,894,996

See accompanying notes to the condensed consolidated interim financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2012

1. Reporting Entity

(1) Description of the controlling company

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

On August 1999, the Company was listed on the Korea Exchange. As of June 30, 2012, the Company’s major stockholders consist of Mong-Joon Chung (10.15%) and Hyundai Mipo Dockyard Co., Ltd. (7.98%).

(2) Consolidated subsidiaries

Subsidiaries as of June 30, 2012 are summarized as follows:

Company	Business	Percentage of ownership (%)	Location	Fiscal year end
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding	94.92	Korea	December
Hyundai Mipo Dockyard Co., Ltd.(*1,2)	Shipbuilding	45.99	Korea	December
Hyundai Oilbank Co., Ltd.	Manufacturing of petroleum products	91.13	Korea	December
Hyundai Heavy Material Service	Sale and manufacture of machinery equipment for shipbuilding	100.00	Korea	December
KOMAS Corporation	Shipping	100.00	Korea	December
Hyundai Energy & Resources Co., Ltd.(*1)	Services for crude oil and natural gas mining	90.00	Korea	December
Mipo Engineering Co., Ltd.(*1)	Other engineering services	100.00	Korea	December
Ulsan Hyundai Football Club Co., Ltd.	Football club	100.00	Korea	December
Hotel Hyundai Co., Ltd.	Hotel operation	100.00	Korea	December
HI Investment & Securities Co., Ltd.(*1)	Securities brokerage	83.24	Korea	March
HI Asset Management Co., Ltd.(*1)	Asset management	99.99	Korea	March
Hyundai Finance Corporation	Granting of credit	67.49	Korea	December
Hyundai Venture Investment Corporation(*1)	Granting of credit	68.38	Korea	December
Hyundai Futures Corporation(*1)	Entrust and brokerage of futures transactions	65.22	Korea	March
Hyundai Investment Fund 1 on Patent Technology(*1)	Other financial business	50.00	Korea	December
LS Leading Solution Private Security Investment Trust 22 (Equity)	Other financial business	100.00	Korea	December
LS Leading Solution Private Security Investment Trust 35 (Equity)	Other financial business	100.00	Korea	December
Eastspring Private Global Asset allocation & Mining & Gold Fund of Funds Investment Trust A-1(*3)	Other financial business	100.00	Korea	December
HI Gold Ocean Ship Private Special Assets Investment Trust No.2 (Beneficiary Right)(*1)	Other financial business	100.00	Korea	March
HI Dynamic Asia Private Securities Investment Trust 1 (Stock)(*1)	Other financial business	100.00	Korea	March
Hyundai Ship Private Fund 1(*1)	Other financial business	100.00	Korea	March

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2012

1. Reporting Entity, Continued

(2) Consolidated subsidiaries, continued

Company	Business	Percentage of ownership (%)	Location	Fiscal year end
HI Gold Index Linked Private Securities Investment Trust 1(*1)	Other financial business	100.00	Korea	March
HI GOLD OCEAN KMARIN NO.8 SHIP INVESTMENT COMPANY(*1)	Ship investment	52.25	Korea	December
Hyundai Oil Terminal Co., Ltd.(*1)	Oil storage business	100.00	Korea	December
Hyundai and Shell Base Oil Co., Ltd.(*1)	Manufacturing of Base oil	60.00	Korea	December
Hyundai Jiangsu Construction Machinery Co., Ltd.(*1)	Sale and manufacture of machinery equipment for construction	60.00	China	December
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.(*1)	Sale and manufacture of machinery equipment for construction	60.00	China	December
HHI China Investment Co., Ltd.	Holding company	100.00	China	December
Hyundai Financial Leasing Co., Ltd.(*1)	Financial and operating leases	88.02	China	December
Hyundai Heavy Industries (China) Electric Co., Ltd.(*1)	Sale and manufacture of switchboards for electric distribution	100.00	China	December
Yantai Hyundai Moon Heavy Industries Co., Ltd.(*1)	Sale and manufacture of industrial boilers	55.00	China	December
Changzhou Hyundai Hydraulic Machinery Co., Ltd.(*1)	Sale and manufacture of hydraulic cylinders for construction equipment	100.00	China	December
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	Sale and manufacture of wheel loaders	100.00	China	December
Weihai Hyundai Wind Power Technology Co., Ltd.(*1)	Sale and manufacture of facilities for wind power generation	80.00	China	December
Hyundai Heavy Industries (Shanghai) R&D Co., Ltd.(*1)	Research and development of technology for construction machinery, engine and electric equipment	100.00	China	December
HDO Singapore Pte. Ltd.(*1)	Trade crude oil and petrochemical products, chartering	100.00	Singapore	December
Hyundai Vinashin Shipyard(*1)	Ship repair	65.00	Vietnam	December
Hyundai Construction Equipment India Private Ltd.	Sale and manufacture of machinery equipment for construction	100.00	India	March
Hyundai Transformers And Engineering India PVT, Ltd.	Sale and manufacture of transformers	100.00	India	March

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2012

1. Reporting Entity, Continued

(2) Consolidated subsidiaries, continued

Company	Business	Percentage of ownership (%)	Location	Fiscal year end
Hyundai Construction Equipment Americas, Inc.	Sale of machinery equipment for construction	100.00	America	December
Hyundai Power Transformers USA, Inc.	Sale and manufacture of industrial electric equipment	100.00	America	December
Hyundai Ideal Electric Co.	Sale and manufacture of industrial electric equipment	100.00	America	December
PHECO Inc.	Design services for offshore facilities	100.00	America	December
HHI Battery Co., Ltd.	Manufacturing	100.00	Canada	December
Hyundai Heavy Industries Brasil - Real Estate Developments	Real estate development	100.00	Brazil	December
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	Manufacture, trade and repair of heavy equipment	100.00	Brazil	December
HI GOLD OCEAN KMARIN NO.8 S.A(*1)	Chartering	100.00	Panama	December
Vladivostok Business Center	Hotel operation	100.00	Russia	December
Hyundai Khorol Agro Ltd.	Agriculture	80.79	Russia	December
Hyundai Mikhailovka Agro	Agriculture	100.00	Russia	December
Hyundai Electrosystems Co., Ltd.	Manufacture of high-voltage circuit breakers	100.00	Russia	December
Hyundai Heavy Industries Europe N.V.	Sale of machinery equipment for construction	100.00	Belgium	December
Hyundai Heavy Industries Co. BULGARIA	Sale and manufacture of transformers	99.09	Bulgaria	December
Hyundai Technologies Center Hungary Kft	Research and development of technology	100.00	Hungary	December
Hyundai Heavy Industries France SAS	Manufacturing	100.00	France	December
Jahnel-Kestermann Getriebewerke GmbH	Designing and manufacture of gearboxes	100.00	Germany	December
JaKe Service GmbH(*1)	Gearbox repair	100.00	Germany	December
HHI MAURITIUS LIMITED	Manufacturing	100.00	Mauritius	December
MS DANDY Ltd.(*1)	Ship rental service	100.00	Marchall Islands	December

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

(*2) Even though the Group has less than a majority ownership of Hyundai Mipo Dockyard Co., Ltd., the Group is considered to have control of Hyundai Mipo Dockyard Co., Ltd., considering that the rest of shareholders are minority shareholders and widely dispersed, and the Group exerted majority voting rights in the past stockholders' meetings.

(*3) PCA BGF World Gold Fund A Class changed its name to Eastspring Private Global Asset allocation & Mining & Gold Fund of Funds Investment Trust A-1 in 2012.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2012

1. Reporting Entity, Continued

(3) Changes in scope of consolidation

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

Company	Reason
HI Gold Index Linked Private Securities Investment Trust 1	Commencing control resulting from the newly acquired shares
HI GOLD OCEAN KMARIN NO.8 SHIP INVESTMENT COMPANY	
Hyundai Oil Terminal Co., Ltd.	
Hyundai and Shell Base Oil Co., Ltd.	
HHI Battery Co., Ltd.	
HI GOLD OCEAN KMARIN NO.8 S.A	

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

Company	Reason
HI K2-100 Private Securities Investment Trust 24 (ELS-Derivative)	Ceasing control upon liquidation
Tribridge Asian Special Situation Fund	
Tribridge Greater China IPO Fund	

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2012

1. Reporting Entity, Continued

(4) Condensed financial information of consolidated subsidiaries

- (i) Condensed financial information of significant consolidated subsidiaries as of and for the period ended June 30, 2012 is summarized as follows:

(In millions of won)

<u>Company</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Sales</u>	<u>Profit (loss)</u>
Hyundai Samho Heavy Industries Co., Ltd.	₩ 6,999,676	3,507,440	3,492,236	2,390,687	307,049
Hyundai Mipo Dockyard Co., Ltd.	5,342,117	2,106,661	3,235,456	1,974,399	76,320
Hyundai Oilbank Co., Ltd.	8,791,731	6,160,023	2,631,708	10,946,010	(108,468)
Hyundai Heavy Material Service	320,801	119,441	201,360	411,375	7,970
KOMAS Corporation	146,801	1,788	145,013	256	4,465
HI Investment & Securities Co., Ltd.	2,934,527	2,375,420	559,107	219,776	(679)
Hyundai Finance Corporation	183,897	31,088	152,809	13,376	7,387
Hyundai Venture Investment Corporation	70,506	522	69,984	3,234	827
Hyundai Futures Corporation	138,251	90,099	48,152	7,678	(63)
LS Leading Solution Private Security Investment Trust 22 (Equity)	123,239	16	123,223	3,226	3,171
HI GOLD OCEAN KMARIN NO.8 SHIP INVESTMENT COMPANY	76,527	-	76,527	2,662	1,982
Hyundai Jiangsu Construction Machinery Co., Ltd.	760,118	476,785	283,333	299,999	6,038
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	286,064	162,302	123,762	180,720	6,010
HHI China Investment Co., Ltd.	424,555	60,640	363,915	13,903	10,339
Hyundai Financial Leasing Co., Ltd.	1,214,316	972,181	242,135	69,048	25,531
Hyundai Heavy Industries (China) Electric Co., Ltd.	192,860	141,505	51,355	76,766	2,046
Yantai Hyundai Moon Heavy Industries Co., Ltd.	52,359	12,998	39,361	26,030	2,207
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	104,752	71,040	33,712	18,929	(6,998)
Weihai Hyundai Wind Power Technology Co., Ltd.	58,161	37,756	20,405	-	(1,186)
HDO Singapore Pte. Ltd.	259,898	258,356	1,542	2,444,427	138
Hyundai Vinashin Shipyard	436,732	233,086	203,646	255,149	(9,209)
Hyundai Construction Equipment India Private Ltd.	158,927	139,386	19,541	94,046	(8,814)
Hyundai Construction Equipment Americas, Inc.	356,340	324,397	31,943	388,259	5,784
Hyundai Power Transformers USA, Inc.	137,928	94,111	43,817	3,541	(11,179)
Hyundai Ideal Electric Co.	74,509	45,321	29,188	51,326	959
Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	93,294	71,053	22,241	32,691	(547)
HI GOLD OCEAN KMARIN NO.8 S.A	71,970	74,580	(2,610)	-	(2,583)
Hyundai Heavy Industries Europe N.V.	146,006	96,104	49,902	153,866	6,062
Hyundai Heavy Industries Co. BULGARIA	57,785	14,217	43,568	22,672	(1,437)
Jahnel-Kestermann Getriebewerke GmbH	68,085	75,376	(7,291)	20,609	(10,390)

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2012

1. Reporting Entity, Continued

(4) Condensed financial information of consolidated subsidiaries, continued

(ii) Condensed financial information of significant consolidated subsidiaries as of and for the year ended December 31, 2011 is summarized as follows:

(In millions of won)

<u>Company</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Sales</u>	<u>Profit (loss)</u>
Hyundai Samho Heavy Industries Co., Ltd.	₩ 6,954,715	3,741,672	3,213,043	4,828,651	550,958
Hyundai Mipo Dockyard Co., Ltd.	5,520,989	2,309,118	3,211,871	4,173,777	227,864
Hyundai Oilbank Co., Ltd.	8,642,625	5,899,464	2,743,161	18,958,623	360,737
Hyundai Heavy Material Service	303,190	109,801	193,389	795,244	32,960
KOMAS Corporation	187,522	1,974	185,548	249	7,353
HI Investment & Securities Co., Ltd.	2,664,577	2,102,849	561,728	514,327	8,641
HI Asset Management Co., Ltd.	51,087	2,405	48,682	19,646	5,071
Hyundai Finance Corporation	176,735	29,729	147,006	12,442	2,941
Hyundai Venture Investment Corporation	71,929	668	71,261	10,989	8,676
Hyundai Futures Corporation	106,251	59,293	46,958	22,807	1,090
LS Leading Solution Private Security Investment Trust 22 (Equity)	141,688	24	141,664	2,830	2,726
HI Gold Ocean Ship Private Special Assets Investment Trust No.2 (Beneficiary Right)	52,705	43	52,662	1,545	1,390
Hyundai Jiangsu Construction Machinery Co., Ltd.	794,618	515,793	278,825	1,084,356	51,530
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	293,710	175,325	118,385	394,534	15,413
HHI China Investment Co., Ltd.	410,930	55,416	355,514	21,580	61,491
Hyundai Financial Leasing Co., Ltd.	1,287,543	1,066,858	220,685	124,366	33,878
Hyundai Heavy Industries (China) Electric Co., Ltd.	171,178	121,602	49,576	120,617	(2,031)
Yantai Hyundai Moon Heavy Industries Co., Ltd.	68,872	22,322	46,550	89,826	7,100
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	80,426	56,839	23,587	6,587	(1,242)
Weihai Hyundai Wind Power Technology Co., Ltd.	59,501	37,782	21,719	-	(2,362)
HDO Singapore Pte. Ltd.	143,753	142,350	1,403	2,548,976	(234)
Hyundai Vinashin Shipyard	431,962	219,100	212,862	534,255	4,320
Hyundai Construction Equipment India Private Ltd.	159,125	140,505	18,620	178,883	(16,375)
Hyundai Construction Equipment Americas, Inc.	184,537	158,452	26,085	542,179	10,834
Hyundai Power Transformers USA, Inc.	141,962	86,870	55,092	674	(7,600)
Hyundai Ideal Electric Co.	59,254	31,048	28,206	72,331	2,063
Hyundai Heavy Industries Europe N.V.	117,089	71,249	45,840	268,344	18,524
Hyundai Heavy Industries Co. BULGARIA	65,291	19,264	46,027	81,095	(490)
Jahnel-Kestermann Getriebewerke GmbH	79,733	76,844	2,889	48,714	(41,080)

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2012

2. Basis of Preparation

(1) Statement of compliance

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

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No. 1034, ‘Interim Financial Reporting’ as part of the period covered by the Group’s K-IFRS annual consolidated financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2011. These condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

(2) Use of estimates and judgments

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

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2011.

3. Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2011. The following changes in accounting policy are also expected to be reflected in the Group’s consolidated financial statements as at and for the year ending December 31, 2012.

The Group has applied the amendments to K-IFRS No.1107, ‘Financial Instruments: Disclosures’ since January 1, 2012. The amendments require disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Group derecognizes transferred financial assets but still retains their specific risks and rewards, the amendments require additional disclosures of their risks.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2012

4. Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2011.

The Group's debt to capital ratio at the end of the reporting period is as follows:

<i>(In millions of won, except equity ratio)</i>	<u>2012</u>	<u>2011</u>
Total liabilities	₩ 31,589,242	30,824,297
Total equity	18,696,879	18,176,519
Cash and deposits(*1)	2,504,762	1,822,285
Borrowings(*2)	13,390,064	11,057,001
Liability to equity ratio	168.95%	169.58%
Net borrowing to equity ratio(*3)	58.22%	50.81%

(*1) Cash and deposits consist of cash and cash equivalents and short-term and long-term financial instruments.

(*2) Discount on debentures is deducted from the face value of debentures.

(*3) Net borrowing represents borrowings net of cash and deposits.

5. Short-term and Long-term Financial Assets

Short-term and long-term financial assets as of June 30, 2012 and December 31, 2011 are summarized as follows:

<i>(In millions of won)</i>	<u>2012</u>		<u>2011</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Financial instruments	₩ 272,455	1,129	210,177	2,129
Held-for-trading investments	1,572,078	164	1,538,120	10,184
Financial assets at fair value through profit or loss	143,667	-	167,571	-
Available-for-sale financial assets	153,767	3,859,567	262,882	3,684,692
Others	5,526	-	9,511	-
	<u>₩ 2,147,493</u>	<u>3,860,860</u>	<u>2,188,261</u>	<u>3,697,005</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2012

6. Restricted Financial Instruments and Others

Financial instruments and others, which are restricted in use, as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

	Description	Financial institutions	2012	2011	Restrictions
Short-term financial assets	Investors' deposits and others	Korea Securities Finance Corporation and others	₩ 169,636	188,894	Investors' deposits and others
Trade and other receivables			32,067	45,287	
Short-term and long-term financial assets	Deposits in won	Korea Exchange Bank and others	1,129	129	Guarantee deposits for checking accounts and others
			₩ 02,832	234,310	

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

(1) Trade and other receivables as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

	2012		2011	
	Current	Non-current	Current	Non-current
Trade receivables:				
Trade receivables	₩ 5,462,334	1,078,709	4,927,704	1,086,059
Allowance for doubtful accounts	(314,346)	(147,503)	(229,013)	(180,210)
	5,147,988	931,206	4,698,691	905,849
Loan receivables:				
Loan receivables	189,055	32,365	151,393	71,028
Allowance for doubtful accounts	(3,798)	(1,000)	-	(1,000)
	185,257	31,365	151,393	70,028
Other receivables:				
Other accounts receivable	1,298,955	262	628,332	261
Allowance for doubtful accounts	(66,399)	(262)	(54,477)	(261)
Accrued income	58,681	-	68,765	-
Allowance for doubtful accounts	(102)	-	(102)	-
Loans	1,585	239,205	488	232,800
Allowance for doubtful accounts	-	(15)	-	-
Guarantee deposits	7,277	120,274	23,465	109,334
Allowance for doubtful accounts	-	-	-	(70)
Deposits	127,544	-	110,558	-
Asset under a finance lease	645,363	407,545	121,320	1,118,958
Allowance for doubtful accounts	-	(44,214)	-	(51,109)
	2,072,904	722,795	898,349	1,409,913
₩	7,406,149	1,685,366	5,748,433	2,385,790

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2012

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

(2) Due from customers for contract work as of June 30, 2012 and December 31, 2011 are summarized as follows:

<i>(In millions of won)</i>	2012		2011	
	Current	Non-current	Current	Non-current
Due from customers for contract work	₩ 3,635,339	1,327	4,181,091	51,957
Allowance for doubtful accounts	-	(1,327)	-	(1,308)
	₩ <u>3,635,339</u>	<u>-</u>	<u>4,181,091</u>	<u>50,649</u>

(3) The movement in the allowance for impairment in respect of loans and receivables for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

<i>(In millions of won)</i>	2012	2011
Beginning balance	₩ 517,550	454,563
Impairment loss recognized	75,038	219,829
Reversal of impairment loss	(12,455)	(5,053)
Write-offs	(1,167)	(151,789)
Ending balance	₩ <u>578,966</u>	<u>517,550</u>

8. Finance Leases

(1) Gross investment in leases and the present value of minimum lease payments receivable as of June 30, 2012 and December 31, 2011 are summarized as follows:

<i>(In millions of won)</i>	2012		2011	
	Minimum lease payments	Unguaranteed residual value	Minimum lease payments	Unguaranteed residual value
Not later than one year	₩ 645,363	-	121,320	-
Later than one year and not later than five years	407,545	-	1,118,958	-
Total	1,052,908	-	1,240,278	-
Unearned finance income	-	-	-	-
Net investment in the lease	₩ <u>1,052,908</u>	<u>-</u>	<u>1,240,278</u>	<u>-</u>

(2) There are no contingent rents incurred for the six-month periods ended June 30, 2012 and 2011.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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9. Inventories

Inventories as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

		2012			2011		
		Acquisition cost	Provision for inventory valuation	Carrying amount	Acquisition cost	Provision for inventory valuation	Carrying amount
Merchandise	₩	209,833	(15,828)	194,005	153,202	(15,265)	137,937
Finished goods		1,027,006	(67,660)	959,346	1,254,122	(55,715)	1,198,407
Work-in-progress		1,980,216	(85,316)	1,894,900	1,825,825	(70,040)	1,755,785
Raw materials		1,896,505	(26,770)	1,869,735	1,808,868	(20,937)	1,787,931
Supplies		52,943	(2,001)	50,942	38,937	(2,156)	36,781
Materials-in-transit		1,642,511	-	1,642,511	1,561,252	-	1,561,252
	₩	<u>6,809,014</u>	<u>(197,575)</u>	<u>6,611,439</u>	<u>6,642,206</u>	<u>(164,113)</u>	<u>6,478,093</u>

The write-downs of inventories to net realizable value amounting to ₩ 33,462 million and ₩ 2,843 million are included in cost of sales for the six-month periods ended June 30, 2012 and 2011, respectively.

10. Other Assets

Other assets as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

		2012		2011	
		Current	Non-current	Current	Non-current
Advance payments	₩	2,082,911	-	1,802,652	-
Allowance for doubtful accounts		(311)	-	(312)	-
Prepaid expenses		422,679	48,479	408,014	46,844
Others		4,646	164,623	3,600	190,638
	₩	<u>2,509,925</u>	<u>213,102</u>	<u>2,213,954</u>	<u>237,482</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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11. Investments in Associates and Jointly Controlled Entities

(1) Investments in associates and jointly controlled entities as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Fiscal year end	Business	2012		2011	
				Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Carrying amount
New Korea Country Club	Korea	December	Country club	40.00	₩ 32,760	20.00	₩ 4,968
Hyundai Merchant Marine Co., Ltd.	Korea	December	Shipping	23.66	301,363	23.66	407,320
Wärtsilä-Hyundai Engine Company Ltd.	Korea	December	Manufacture, assemble and test of marine engines and parts	50.00	45,691	50.00	45,046
KAM Corporation	Korea	December	Sale and manufacture of polysilicon	49.00	94,161	49.00	112,105
Taebaek Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	35.00	5,004	35.00	5,153
Muju Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	45.00	4,877	45.00	4,922
Pyeongchang Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	35.00	861	35.00	877
Jinan Jangsu Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	32.00	99	32.00	100
Changjuk Wind Power Co., Ltd.	Korea	December	Sale and manufacture of facilities for wind power generation	43.00	5,389	43.00	5,373
Hyundai Corporation	Korea	December	Exporting	22.36	153,119	22.36	158,190
Hyundai-Avancis Co., Ltd.	Korea	December	Sale and manufacture of solar module	50.00	106,399	50.00	67,799
TV Chosun-Daesung Win-Win Fund	Korea	December	Investment service in culture contents field	23.81	10,090	23.81	10,004
Hyundai Cosmo Petrochemical Co., Ltd.	Korea	December	Manufacturing of petrochemicals	50.00	141,885	50.00	24,544
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	Korea	December	Venture capital	40.00	6,563	40.00	5,056
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	Korea	December	Venture capital	37.50	2,295	37.50	2,399
The Second Partners Win-Win Investment Fund	Korea	December	Collective investment	23.33	8,355	23.33	5,885
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	Korea	December	Collective investment	21.21	2,719	21.21	1,385
Qinhuangdao Shouqin Metal Materials Co., Ltd.	China	December	Thick plate-oriented comprehensive iron manufacturing	20.00	73,370	20.00	98,412
Grand China Hyundai Shipping Co., Ltd.	Hong Kong	December	Acquiring, renting, leasing and chartering of bulk carrier	50.00	886	50.00	886
PT. Hyundai Machinery Indonesia	Indonesia	December	Import and wholesale of machinery equipment for construction	20.83	206	20.83	516
HYUNDAI Primorye Ltd.	Russia	December	Farmland leasing service	49.99	4,063	49.99	5,235
Hyundai Green Industries Co., W.L.L.	Kuwait	December	Education	49.00	992	-	-
Tribridge Capital Management	Cayman	December	Asset management	23.93	6,516	23.93	6,682
MAHY E-CELL	Canada	December	Manufacture of car battery	40.00	16,402	-	-
				₩	1,024,065	₩	972,857

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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11. Investments in Associates and Jointly Controlled Entities, Continued

- (2) The fair value of marketable securities of associates and jointly controlled entities as of June 30, 2012 and December 31, 2011 is summarized as follows:

<i>(In millions of won)</i>		<u>2012</u>	<u>2011</u>
Hyundai Merchant Marine Co., Ltd.	₩	849,275	850,971
Hyundai Corporation		107,095	115,084

- (3) Condensed financial information of associates and jointly controlled entities as of and for the six-month period ended June 30, 2012 and as of and for the year ended December 31, 2011 is summarized as follows:

<i>(In millions of won)</i>	<u>2012</u>				<u>2011</u>			
	Assets	Liabilities	Sales	Profit (loss)	Assets	Liabilities	Sales	Profit (loss)
New Korea Country Club	₩ 31,790	5,488	6,284	2,002	30,110	5,268	12,432	2,880
Hyundai Merchant Marine Co., Ltd.	8,534,149	7,290,985	3,845,424	(452,600)	8,799,440	7,052,977	7,420,767	(534,314)
Wärtsilä-Hyundai Engine Company Ltd.	377,297	285,338	51,362	1,580	321,600	231,220	91,077	1,802
KAM Corporation	377,054	184,889	23,616	(37,742)	406,396	177,429	121,990	749
Taebaek Wind Power Co., Ltd.	51,063	36,767	268	(423)	38,452	23,732	-	(315)
Muju Wind Power Co., Ltd.	10,854	17	-	(100)	10,970	32	-	(274)
Pyeongchang Wind Power Co., Ltd.	2,463	1	-	(45)	2,922	415	-	(36)
Jinan Jangsu Wind Power Co., Ltd.	314	4	-	(1)	313	-	-	(2)
Changjuk Wind Power Co., Ltd.	19,570	7,037	455	37	23,521	11,026	-	(172)
Hyundai Corporation	1,855,586	1,493,764	2,554,487	47,313	2,079,044	1,692,870	5,448,882	43,879
Hyundai-Avancis Co., Ltd.	223,619	8,835	-	(2,417)	142,704	5,119	-	(1,787)
TV Chosun-Daesung Win-Win Fund	42,535	158	683	361	42,059	43	61	17
Hyundai Cosmo Petrochemical Co., Ltd.	1,163,531	640,767	1,000,736	9,945	923,791	634,808	1,948,878	11,296
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	16,503	95	65	(124)	12,735	95	145	(3,216)
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	6,305	185	91	(278)	6,405	7	5	(2)
The Second Partners Win-Win Investment Fund	35,959	151	1	(305)	36,270	157	1,568	951
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	13,001	183	56	(309)	6,608	80	8	(72)
Qinhuangdao Shouqin Metal Materials Co., Ltd.	2,224,580	1,886,139	1,025,576	(102,371)	2,289,624	1,825,971	1,730,528	(82,318)
Grand China Hyundai Shipping Co., Ltd.	1,889	116	-	-	1,888	116	-	(2)
PT. Hyundai Machinery Indonesia	46,999	44,821	32,152	(1,064)	43,605	41,129	78,204	1,315
HYUNDAI Primorye Ltd.	7,297	614	156	(1)	9,042	15	718	186
Hyundai Green Industries Co., W.L.L.	2,054	-	-	-	-	-	-	-
Tribridge Capital Management	2,492	1,349	144	(755)	3,957	2,115	2,401	(2,722)
MAHY E-CELL	41,005	-	-	-	-	-	-	-
	₩ <u>15,087,909</u>	<u>11,887,703</u>	<u>8,541,556</u>	<u>(537,297)</u>	<u>15,231,456</u>	<u>11,704,624</u>	<u>16,857,664</u>	<u>(562,157)</u>

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11. Investments in Associates and Jointly Controlled Entities, Continued

(4) Changes in equity-method accounted investees for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are summarized as follows:

(In millions of won)

Associates	2012					
	Beginning balance	Acquisition (disposal)	Share of profit of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
New Korea Country Club	₩ 4,968	27,500	392	-	(100)	32,760
Hyundai Merchant Marine Co., Ltd.	407,320	-	(108,147)	2,190	-	301,363
Wärtsilä-Hyundai Engine Company Ltd.	45,046	-	645	-	-	45,691
KAM Corporation	112,105	-	(18,404)	460	-	94,161
Taebaek Wind Power Co., Ltd.	5,153	-	(149)	-	-	5,004
Muju Wind Power Co., Ltd.	4,922	-	(45)	-	-	4,877
Pyeongchang Wind Power Co., Ltd.	877	-	(16)	-	-	861
Jinan Jangsu Wind Power Co., Ltd.	100	-	(1)	-	-	99
Changjuk Wind Power Co., Ltd.	5,373	-	16	-	-	5,389
Hyundai Corporation	158,190	-	11,388	(13,963)	(2,496)	153,119
Hyundai-Avancis Co., Ltd.	67,799	40,000	(1,209)	(191)	-	106,399
TV Chosun-Daesung Win-Win Fund	10,004	-	86	-	-	10,090
Hyundai Cosmo Petrochemical Co., Ltd.	24,544	112,600	5,424	(683)	-	141,885
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	5,056	1,600	(93)	-	-	6,563
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	2,399	-	(104)	-	-	2,295
The Second Partners Win-Win Investment Fund	5,885	-	(71)	2,541	-	8,355
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	1,385	1,400	(66)	-	-	2,719
Qinhuangdao Shouqin Metal Materials Co., Ltd.	98,412	-	(24,208)	(834)	-	73,370
Grand China Hyundai Shipping Co., Ltd.	886	-	-	-	-	886
PT. Hyundai Machinery Indonesia	516	-	(297)	(13)	-	206
HYUNDAI Primorye Ltd.	5,235	-	(16)	(1,156)	-	4,063
Hyundai Green Industries Co., W.L.L.	-	992	-	-	-	992
Tribridge Capital Management	6,682	-	(165)	(1)	-	6,516
MAHY E-CELL	-	16,813	-	(411)	-	16,402
	₩ 972,857	200,905	(135,040)	(12,061)	(2,596)	1,024,065

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11. Investments in Associates and Jointly Controlled Entities, Continued

(In millions of won)

Associates	2011					
	Beginning balance	Acquisition (disposal)	Share of profit of equity accounted investees	Changes in equity of equity accounted investees	Dividends received	Ending balance
New Korea Country Club	₩ 4,492	-	576	-	(100)	4,968
Hyundai Merchant Marine Co., Ltd.	619,699	-	(141,920)	(53,507)	(16,952)	407,320
Wärtsilä-Hyundai Engine Company Ltd.	44,126	-	920	-	-	45,046
KAM Corporation	112,987	-	277	(1,159)	-	112,105
Taebaek Wind Power Co., Ltd.	3,446	1,817	(110)	-	-	5,153
Muju Wind Power Co., Ltd.	5,045	-	(123)	-	-	4,922
Pyeongchang Wind Power Co., Ltd.	15	875	(13)	-	-	877
Jinan Jangsu Wind Power Co., Ltd.	101	-	(1)	-	-	100
Changjuk Wind Power Co., Ltd.	171	5,276	(74)	-	-	5,373
Hyundai Corporation	116,029	-	8,397	35,012	(1,248)	158,190
Hyundai-Avancis Co., Ltd.	39,830	30,000	(1,887)	(144)	-	67,799
TV Chosun-Daesung Win-Win Fund	-	10,000	4	-	-	10,004
Hyundai Cosmo Petrochemical Co., Ltd.	21,197	-	4,654	(1,307)	-	24,544
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	3,143	3,200	(1,287)	-	-	5,056
KoFC-HVIC Pioneer Champ 2011-7 Venture Fund	-	2,400	(1)	-	-	2,399
KP Fund of Hedge Fund	20,538	(20,538)	-	-	-	-
The Second Partners Win-Win Investment Fund	-	5,887	222	-	(224)	5,885
KoFC-Partners Pioneer Champ 2011-1 Investment Fund	-	1,400	(15)	-	-	1,385
Qinhuangdao Shouqin Metal Materials Co., Ltd.	109,887	-	(16,464)	4,989	-	98,412
Grand China Hyundai Shipping Co., Ltd.	876	-	(1)	11	-	886
PT. Hyundai Machinery Indonesia	239	-	274	3	-	516
HYUNDAI Primorye Ltd.	3,357	2,140	93	(355)	-	5,235
Tribridge Capital Management	-	6,930	(304)	56	-	6,682
Truston Dynamic Korea Fund	20,035	(19,459)	(1,513)	937	-	-
	₩ <u>1,125,213</u>	<u>29,928</u>	<u>(148,296)</u>	<u>(15,464)</u>	<u>(18,524)</u>	<u>972,857</u>

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12. Available-for-sale Financial Assets

Available-for-sale financial assets as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

		2012		2011	
		Current	Non-current	Current	Non-current
Listed equity securities(*1)	₩	-	3,610,707	-	3,499,862
Unlisted equity securities		-	165,586	-	158,602
Beneficiary certificates		-	53,038	52,035	3,977
Debt securities		153,767	17,136	210,847	5,911
Investments in capital and others(*2)		-	13,100	-	16,340
	₩	<u>153,767</u>	<u>3,859,567</u>	<u>262,882</u>	<u>3,684,692</u>

(*1) On July 17, 2012, the Group sold 3,203,420 shares (acquisition cost amounting to ₩ 218,764 million and carrying amount amounting to ₩ 744,795 million) of the Hyundai Motor Co., Ltd. of listed equity securities for ₩ 704,752 million. In respect to the transaction, the Group recognized gain on disposal of available-for-sale financial assets amounting to ₩ 481,404 million, net of incidental expenses amounting to ₩ 4,584 million.

(*2) As of June 30, 2012 and December 31, 2011, this includes damage compensation joint fund, which the use is restricted, in the amount of ₩ 7,264 million and ₩ 7,041 million, respectively. Damage compensation joint fund is the amount the Group accumulates in Korea Exchange in order to compensate for the damages that occurs for breach of selling agreements, pursuant to the Financial Investment Services and Capital Markets Act, Section 394 and others.

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13. Investment Property

Changes in investment property for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

(In millions of won)

	2012		
	Land	Buildings	Total
Beginning of period	₩ 241,440	118,593	360,033
Acquisition and other	(4,393)	2,707	(1,686)
Disposals	-	-	-
Effects of movements in exchange rates	-	(16)	(16)
End of period	237,047	121,284	358,331
Depreciation	-	(2,064)	(2,064)
Accumulated depreciation	-	(29,910)	(29,910)
Accumulated impairment loss	-	(5,171)	(5,171)
	₩ 237,047	86,203	323,250

(In millions of won)

	2011		
	Land	Buildings	Total
Beginning of period	₩ 228,638	111,444	340,082
Acquisition and other	12,802	7,149	19,951
Disposals	-	-	-
End of period	241,440	118,593	360,033
Depreciation	-	(4,030)	(4,030)
Accumulated depreciation	-	(27,589)	(27,589)
Accumulated impairment loss	-	(5,171)	(5,171)
	₩ 241,440	85,833	327,273

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14. Property, Plant and Equipment

- (1) Changes in property, plant and equipment for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

(In millions of won)

		2012					
		Land	Buildings	Structures	Machinery	Others	Total
Beginning of period	₩	4,437,297	3,947,178	3,321,226	7,229,836	2,839,104	21,774,641
Acquisition and other		9,428	62,262	46,298	122,300	238,171	478,459
Disposals		(15,088)	(11,085)	(2,596)	(17,140)	(63,726)	(109,635)
Effect of movements in exchange rates		(1,058)	(3,326)	(27)	(3,616)	(3,322)	(11,349)
End of period		4,430,579	3,995,029	3,364,901	7,331,380	3,010,227	22,132,116
Depreciation		-	(50,479)	(44,917)	(250,612)	(114,529)	(460,537)
Government grants		(1,615)	(9,294)	(2,254)	(527)	(659)	(14,349)
Accumulated depreciation		-	(857,576)	(816,869)	(3,079,321)	(1,824,004)	(6,577,770)
	₩	<u>4,428,964</u>	<u>3,128,159</u>	<u>2,545,778</u>	<u>4,251,532</u>	<u>1,185,564</u>	<u>15,539,997</u>

(In millions of won)

		2011					
		Land	Buildings	Structures	Machinery	Others	Total
Beginning of period	₩	4,227,861	3,583,531	2,996,188	4,894,961	4,515,679	20,218,220
Acquisition and other		238,458	367,277	331,313	2,352,285	(1,611,647)	1,677,686
Disposals		(31,878)	(15,785)	(9,551)	(35,735)	(75,562)	(168,511)
Effect of movements in exchange rates		(1,267)	5,647	3,276	2,491	3,066	13,213
Changes in scope of consolidation		4,123	6,508	-	15,834	7,568	34,033
End of period		4,437,297	3,947,178	3,321,226	7,229,836	2,839,104	21,774,641
Depreciation		-	(94,353)	(84,970)	(452,712)	(216,431)	(848,466)
Government grants		(1,614)	(9,603)	(2,253)	(551)	(783)	(14,804)
Accumulated depreciation		-	(810,313)	(773,732)	(2,844,815)	(1,766,245)	(6,195,105)
	₩	<u>4,435,683</u>	<u>3,127,262</u>	<u>2,545,241</u>	<u>4,384,470</u>	<u>1,072,076</u>	<u>15,564,732</u>

- (2) There is no impairment recorded for CGUs (production facilities) as of June 30, 2012 and December 31, 2011.
- (3) Construction-in-progresses is related to development of construction of Ihwa Industrial Park, construction of research center of electricity and electronics, construction of FBC boiler and construction of Ulsan Newport oil storage facilities as of June 30, 2012.

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15. Intangible Assets

- (1) Changes in goodwill for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

(In millions of won)

		2012	2011
Carrying amounts			
Beginning balance	₩	1,428,566	1,498,453
Acquisition through business combinations		-	17,455
Impairment loss		(11,197)	(87,342)
Ending balance	₩	<u>1,417,369</u>	<u>1,428,566</u>
Cost	₩	1,515,908	1,515,908
Accumulated impairment loss		(98,539)	(87,342)
	₩	<u>1,417,369</u>	<u>1,428,566</u>

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

- (2) Changes in development costs, networks and other intangible assets for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

(In millions of won)

		2012						Total
		Development	Networks	Customer		Know-how	Other	
		costs		relationships	Brands		intangible assets	
Beginning balance	₩	321,279	95,257	93,568	192,220	43,933	148,846	895,103
Acquisition and other		34,455	-	-	-	-	10,646	45,101
Amortization		(28,472)	(2,562)	(6,169)	-	(1,507)	(3,168)	(41,878)
Impairment loss		-	-	-	-	-	(976)	(976)
Disposals		-	-	-	-	-	(1,780)	(1,780)
Effect of movements in exchange rates		(14)	-	-	-	-	(158)	(172)
Ending balance(*)	₩	<u>327,248</u>	<u>92,695</u>	<u>87,399</u>	<u>192,220</u>	<u>42,426</u>	<u>153,410</u>	<u>895,398</u>

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15. Intangible Assets, Continued

(In millions of won)

	2011							
	Development		Customer		Order		Other	Total
	costs	Networks	relationships	Brands	backlogs	Know-how	intangible assets	
Beginning balance	₩ 297,590	100,383	105,907	192,220	2,562	46,946	167,038	912,646
Acquisition and other	80,106	-	-	-	-	-	(9,579)	70,527
Amortization	(56,545)	(5,126)	(12,339)	-	(2,562)	(3,013)	(5,576)	(85,161)
Disposals	-	-	-	-	-	-	(4,280)	(4,280)
Effect of movements in exchange rates	128	-	-	-	-	-	578	706
Changes in scope of consolidation	-	-	-	-	-	-	665	665
Ending balance(*)	₩ 321,279	95,257	93,568	192,220	-	43,933	148,846	895,103

(*) The carrying amount of intangible assets with indefinite useful lives is ₩ 283,703 million and ₩ 281,840 million as of June 30, 2012 and December 31, 2011, respectively.

- (3) The Group recognized impairment loss of goodwill amounting to ₩ 11,197 million and memberships amounting to ₩ 976 million for the six-month period ended June 30, 2012.
- (4) Research costs amounting to ₩ 3,921 million and ₩ 6,446 million, and ordinary development costs amounting to ₩ 71,722 million and ₩ 61,966 million are included in selling, general and administrative expenses for the six-month periods ended June 31, 2012 and 2011, respectively. Amortized development costs of ₩ 28,472 million and ₩ 28,420 million are included in the manufacturing cost and selling, general and administrative expenses for the six-month periods ended June 30, 2012 and 2011, respectively.

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16. Pledged Assets

(1) Assets pledged as collateral for the Group's borrowings as of June 30, 2012 are summarized as follows:

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

Asset	Carrying amount	Collateralized amount	Type of borrowings	Borrowings amount	Lender
Land and buildings	89,709	76,919	Long-term borrowings	41,937	KB Kookmin Bank
Land	235,615	197,000	-	-	The Korea
Buildings	71,337	USD 150,000			Development Bank
Machinery and structures	169,039	JPY 34,000,000			
Land	115,773	1,440,000	Long-term borrowings	1,200,000	The Korea
Buildings	102,216				Development Bank
Machinery and structures	2,218,811				and others
Inventories and trade receivables	EUR 5,500	EUR 5,500	General purpose loans	EUR 3,000	BNP Paribas Fortis Bank, Belgium
Buildings	USD 750	USD 750	Secured loans	USD 292	Center Bank
	KRW 3,002,500	KRW 1,713,919		KRW 1,241,937	
	USD 750	USD 150,750		USD 292	
	EUR 5,500	EUR 5,500		EUR 3,000	
		JPY 34,000,000			

(2) The Group receives guarantees on payment from financial institutions covering advanced payments on ships as of June 30, 2012. Regarding this, the Group collateralizes its ships under construction and construction materials (see note 39).

(3) The Group collateralized ₩ 115,175 million of held for trading investments for loan transactions and warranty for derivative instruments and margin loans to Korea Exchange and others.

(4) The Group collateralized land, buildings and others to financial institutions for Hyundai Cosmo Petrochemical Co., Ltd. as of June 30, 2012 (see note 41).

17. Short-term and Long-term Financial Liabilities

Short-term and long-term financial liabilities as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

		2012		2011	
		Current	Non-current	Current	Non-current
Borrowings	₩	9,219,391	2,574,521	7,368,934	2,289,886
Held for trading liabilities		66,017	5,823	120,790	5,516
Debentures		350,000	1,250,000	750,000	650,000
Discount on debentures		(153)	(3,695)	(343)	(1,476)
Deposit liabilities		238,052	-	224,591	-
Others		12,692	-	14,596	-
	₩	<u>9,885,999</u>	<u>3,826,649</u>	<u>8,478,568</u>	<u>2,943,926</u>

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18. Trade and Other Payables

Trade and other payables as of June 30, 2012 and December 31, 2011 are summarized as follows:

<i>(In millions of won)</i>	2012		2011	
	Current	Non-current	Current	Non-current
Trade payables	₩ 4,166,624	-	4,402,579	-
Other accounts payable	1,784,927	4,380	1,330,828	5,857
Accrued expense	902,239	45,432	596,825	45,945
Deposits received	-	177,332	-	195,128
	₩ <u>6,853,790</u>	<u>227,144</u>	<u>6,330,232</u>	<u>246,930</u>

19. Other Liabilities

Other liabilities as of June 30, 2012 and December 31, 2011 are summarized as follows:

<i>(In millions of won)</i>	2012		2011	
	Current	Non-current	Current	Non-current
Unearned revenues	₩ 23,859	-	22,307	-
Deferred revenues	-	56,708	2	56,610
Others	7,066	200	10,456	209
	₩ <u>30,925</u>	<u>56,908</u>	<u>32,765</u>	<u>56,819</u>

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20. Borrowings and Debentures

(1) Short-term borrowings as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

Lender	Type of borrowing	Annual interest rate (%)	2012	2011
Deutsche Bank and others	Invoice loan	1.13~2.73	₩ 931,302	114,242
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	General loan	3.66	100,000	-
Agricultural Bank of China and others	Import loan	1.73~1.88	73,941	-
KB Kookmin Bank and others	Call money	3.36, 3.50	81,200	171,800
Shinhan Bank and others	Commercial paper	3.48~5.98	3,066,000	3,406,000
Shinhan Bank and others	Usance L/C	0.75~5.32	1,872,773	1,030,602
Korea Exchange Bank	Transferred export receivables	1.42~4.74	10,132	-
Export-Import Bank of Korea	Network loan	-	-	96,338
Export-Import Bank of Korea	Pre-shipment credit	4.40, 4.52	550,000	410,000
Korea Securities Finance Corporation	Other borrowings from KSFC	-	-	40,000
Korea Securities Finance Corporation	Borrowings from margin loans	4.60	18,762	11,644
Korea Securities Finance Corporation and others	Repurchase agreements sales	3.25~3.35	1,312,928	1,313,619
HSBC BANK PLC and others	General loan in foreign currency	2.37~12.50	700,085	618,038
			₩ 8,717,123	7,212,283

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20. Borrowings and Debentures, Continued

(2) Long-term borrowings as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

Lender	Type of borrowing	Annual interest rate (%)	2012	2011
KB Kookmin Bank	National Housing Fund	3.00	₩ 41,937	43,513
The Korea Development Bank	Energy rationalization	2.00	5,842	6,266
The Korea Development Bank	Environment improvement fund	3.55	2,686	2,686
The Korea Development Bank and others	General fund for equipment	CD+2.30, 5.49	1,203,000	1,203,000
Korea National Oil Corporation	Business loans(*)	1.00~3.75	12,180	12,174
Export-Import Bank of Korea	General loan in foreign currency	2.22	49,613	49,592
Export-Import Bank of Korea	Pre-shipment credit	4.55	50,000	-
KTB Investment & Securities Co., Ltd. and others	Commercial paper	3.59~3.92	840,000	240,000
Standard Chartered Bank and others	Long-term borrowings in foreign currency	3.56~12.50	871,531	889,306
	Current portion		(502,268)	(156,651)
			₩ 2,574,521	2,289,886

(*) The maturities of business loans from Korea National Oil Corporation as of June 30, 2012 are not readily determinable since the business loans are paid by installment in the event of successful commercial production by the Group's oil development business.

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20. Borrowings and Debentures, Continued

(3) Debentures as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

Description	Maturity	Annual interest rate (%)	2012	2011
112 th debenture	2012-04-13	-	-	300,000
113 th debenture	2015-02-17	3.96	₩ 500,000	-
98 th debenture	2014-02-02	5.44	100,000	100,000
99 th debenture	2012-03-27	-	-	100,000
101 st debenture	2013-03-20	6.05	150,000	150,000
102 nd debenture	2012-01-22	-	-	150,000
103 rd debenture	2014-07-03	6.80	100,000	100,000
104 th debenture	2012-09-30	5.79	100,000	100,000
105 th debenture	2015-06-28	5.75	200,000	200,000
106 th debenture	2014-04-14	4.36	100,000	100,000
107 th debenture	2012-10-25	3.92	100,000	100,000
108 th debenture	2015-01-25	3.98	150,000	-
109 th debenture	2015-03-27	4.08	100,000	-
	Current portion		(350,000)	(750,000)
			₩ 1,250,000	650,000

The Group issued debentures amounting to ₩ 300,000 and ₩ 700,000 million on July 20 and July 24, 2012, respectively.

(4) Aggregate maturities of the Group's borrowings and debentures as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

Periods	2012		
	Borrowings	Debentures	Total
2012-07-01 ~ 2013-06-30	₩ 9,219,391	350,000	9,569,391
2013-07-01 ~ 2017-06-30	2,007,847	1,250,000	3,257,847
2017-07-01 and thereafter	566,674	-	566,674
	₩ 11,793,912	1,600,000	13,393,912

(In millions of won)

Periods	2011		
	Borrowings	Debentures	Total
2012-01-01 ~ 2012-12-31	₩ 7,368,934	750,000	8,118,934
2013-01-01 ~ 2016-12-31	1,654,078	650,000	2,304,078
2017-01-01 and thereafter	635,808	-	635,808
	₩ 9,658,820	1,400,000	11,058,820

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21. Employee Benefits

(1) Recognized liabilities for defined benefit obligations as of June 30, 2012 and December 31, 2011 are as follows:

<i>(In millions of won)</i>	<u>2012</u>	<u>2011</u>
Present value of defined benefit obligations	₩ 1,271,937	1,171,191
Fair value of plan assets	(1,020,345)	(1,015,798)
	<u>₩ 251,592</u>	<u>155,393</u>

(2) Plan assets as of June 30, 2012 and December 31, 2011 are as follows:

<i>(In millions of won)</i>	<u>2012</u>	<u>2011</u>
Retirement pension	₩ 994,301	900,605
Deposit for severance benefit insurance	11,357	100,363
Transfer to National Pension Fund	14,687	14,830
	<u>₩ 1,020,345</u>	<u>1,015,798</u>

(3) Expenses recognized in profit or loss for the the three and six-month periods ended June 30, 2012 and 2011 are as follows:

<i>(In millions of won)</i>	<u>2012</u>		<u>2011</u>	
	<u>Three-month period</u>	<u>Six-month period</u>	<u>Three-month period</u>	<u>Six-month period</u>
Current service costs	₩ 48,524	97,446	50,369	91,024
Interest on obligations	11,898	24,242	12,701	25,726
Expected return on plan assets	(8,550)	(16,059)	(6,877)	(13,452)
Contribution	93	114	-	-
	<u>₩ 51,965</u>	<u>105,743</u>	<u>56,193</u>	<u>103,298</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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21. Employee Benefits, Continued

- (4) Changes in the defined benefit obligations for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

<i>(In millions of won)</i>	<u>2012</u>	<u>2011</u>
Beginning balance	₩ 1,171,191	1,033,030
Current service costs	97,446	173,659
Interest on obligations	24,242	52,727
Gain on curtailments	-	(4,706)
Past service costs	-	(71)
Benefits paid	(20,611)	(239,247)
Transfers from related parties	79	1,300
Actuarial losses in other comprehensive income	-	154,575
Changes in scope of consolidation	-	42
Effect of movements in exchange rates	(410)	(118)
Ending balance	₩ <u>1,271,937</u>	<u>1,171,191</u>

- (5) Changes in the plan assets for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

<i>(In millions of won)</i>	<u>2012</u>	<u>2011</u>
Beginning balance	₩ 1,015,798	901,709
Benefits paid	(12,623)	(143,135)
Contributions paid into the plan	1,111	213,818
Expected return on plan assets	16,059	37,457
Actuarial gains in other comprehensive income	-	5,949
Ending balance	₩ <u>1,020,345</u>	<u>1,015,798</u>

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22. Long-term Provisions

Changes in long-term provisions for the six-month period ended June 30, 2012 and the year ended December 31, 2011 are as follows:

(In millions of won)

	2012				2011			
	Provision for construction warranty	Provision for product warranty	Other Provision	Total	Provision for construction warranty	Provision for product warranty	Other Provision	Total
Beginning balance	₩ 99,968	157,151	52,820	309,939	105,715	86,360	11,255	203,330
Additional amount	14,490	26,174	1,115	41,779	46,484	117,766	43,264	207,514
Reversal amount	(4,407)	(3,927)	-	(8,334)	(11,559)	(8,690)	(436)	(20,685)
Amounts utilized	(8,986)	(36,353)	(4,303)	(49,642)	(40,221)	(41,590)	(1,773)	(83,584)
Effect of movements								
in exchange rates	6	(699)	(268)	(961)	(451)	3,305	510	3,364
Ending balance	₩ 101,071	142,346	49,364	292,781	99,968	157,151	52,820	309,939

23. Derivative Financial Instruments

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

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

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

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23. Derivative Financial Instruments, Continued

(2) Gain and loss on valuation and transaction of derivatives for the six-month period ended June 30, 2012 are as follows:

(i) Terms of derivative contracts

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

Description	Type	Currency		Contract amount	Number of contracts	Weighted average exchange rate	Average maturities
		Sell	Buy				
Cash flow hedge	Foreign currency forward	EUR	KRW	26,745	380	1,621	2012-10-22
		USD	KRW	1,215,279		1,136	2012-12-02
		USD	EUR	2,918		1,512	2012-12-02
		USD	GBP	5,040		1,826	2013-01-06
		USD	NOK	6,370		198	2012-09-28
		KRW	EUR	15,619		1,556	2013-04-10
		KRW	GBP	815		1,824	2012-11-30
		KRW	USD	1,400,435		1,132	2013-04-20
	Interest rate swap	KRW	KRW	80,000	1	-	2020-11-20
Fair value hedge	Foreign currency forward	EUR	KRW	12,441	2,085	1,724	2013-01-03
		USD	KRW	13,350,982		1,146	2013-06-30
For trading	Foreign currency forward	USD	KRW	321,202	89	1,158	2013-03-24
		KRW	USD	760,047		1,167	2012-09-13
	Foreign currency futures	KRW	KRW	269	1	-	2012-07-12
	Interest rate futures	KRW	KRW	123,510	1,146	-	2012-09-19
	Index futures	KRW	KRW	35,982	295	-	2012-09-13
	Interest rate swap	USD	KRW	20,000	2	-	2014-11-28
		KRW	KRW	20,000		-	2014-06-28
	Stock warrants	KRW	KRW	2,701	2	-	2016-01-14
	Product forward	USD	KRW	19,769	5	-	2012-12-28
	Index number option	KRW	KRW	248	2	-	2012-07-12
	Product futures	KRW	KRW	669	8	-	2012-09-26
	Foreign currency forward	EUR	KRW	39,186	2,554	1,653	2012-11-10
		USD	KRW	14,887,463		1,146	2013-06-11
		USD	EUR	2,918		1,512	2012-12-02
		USD	GBP	5,040		1,826	2013-01-06
		USD	NOK	6,370		198	2012-09-28
		KRW	EUR	15,619		1,556	2013-04-10
		KRW	GBP	815		1,824	2012-11-30
		KRW	USD	2,160,482		1,144	2013-02-02
	Foreign currency futures	KRW	KRW	269	1	-	2012-07-12
	Interest rate futures	KRW	KRW	123,510	1,146	-	2012-09-19
	Index futures	KRW	KRW	35,982	295	-	2012-09-13
	Interest rate swap	USD	KRW	20,000	3	-	2014-11-28
		KRW	KRW	100,000		-	2019-08-10
	Stock warrants	KRW	KRW	2,701	2	-	2016-01-14
	Product forward	USD	KRW	19,769	5	-	2012-12-28
	Index option	KRW	KRW	248	2	-	2012-07-12
	Product futures	KRW	KRW	669	8	-	2012-09-26

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23. Derivative Financial Instruments, Continued

(2) Gain and loss on valuation and transaction of derivatives for the six-month period ended June 30, 2012 are as follows, continued

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

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

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

(In millions of won)

Description	Type	Increase (decrease) to sales	Increase (decrease) to cost of sales	Increase to finance income	Increase to finance costs	Increase to other non- operating income	Increase to other non- operating expenses	Accumulated other comprehensive income	Firm commitment		Derivatives		Financial assets or liabilities at fair value through profit or loss	
									Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow	Foreign currency forward	₩ (123,389)	(368)	-	645	-	-	18,718	-	-	67,080	273,070	-	-
hedge	Interest rate swap	-	-	-	-	-	-	(10,446)	-	-	-	8,891	-	-
Fair value	Foreign currency forward													
hedge		(38,550)	-	141,671	113,381	101,048	107,237	-	552,244	105,683	68,634	138,074	-	-
For trading	Foreign currency forward	7,904	(5,700)	53,761	55,058	-	-	-	-	-	-	-	6,838	16,354
	Foreign currency futures	6	(5)	-	-	-	-	-	-	-	-	-	-	-
	Interest rate futures	1,214	(2,085)	-	-	-	-	-	-	-	-	-	-	-
	Index futures	38,624	(33,949)	-	-	-	-	-	-	-	-	-	-	-
	Interest rate swap	25	(345)	-	117	-	-	-	-	-	-	-	7	285
	Stock warrants	(237)	-	-	-	-	-	-	-	-	-	-	376	-
	Product forward	-	-	-	6,801	-	-	-	-	-	-	-	-	-
	Index number option	27,416	(23,381)	-	-	-	-	-	-	-	-	-	1	3
	Product forward	(43)	(323)	-	-	-	-	-	-	-	-	-	-	35
		₩ (87,030)	(66,156)	195,432	176,002	101,048	107,237	8,272	552,244	105,683	135,714	420,035	7,222	16,677

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23. Derivative Financial Instruments, Continued

The expected period of exposure to cash flow risk, where cash flow hedge accounting is applied, is approximately within 102 months, and the amount among gain (loss) on valuation of derivatives that is expected to be realized as addition to transaction gain or deduction from transaction loss within 12 months from June 30, 2012 is ₩ 4,334 million.

24. Capital and Capital Surplus

- (1) The Group is authorized to issue 160,000,000 shares of capital stock (par value ₩ 5,000), and as of June 30, 2012 and December 31, 2011, 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, 2012.

- (2) Capital surplus

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

There have been no changes in the capital surplus for the six-month period ended June 30, 2012.

25. Treasury Stock

- (1) Treasury stock of the Company as of June 30, 2012 and December 31, 2011 is summarized as follows:

<i>(In millions of won)</i>	2012			2011		
	Number of shares	Acquisition cost	Fair value	Number of shares	Acquisition cost	Fair value
Treasury stock	14,711,560	₩ 1,400,455	3,788,227	14,711,560	₩ 1,400,455	3,780,871

- (2) As of June 30, 2012, among the Company's shares, 6,063,000 shares, or ₩ 236,721 million at acquisition cost and ₩ 1,561,223 million at fair value are owned by Hyundai Mipo Dockyard Co., Ltd., a subsidiary of the Group. The Group recorded its portion as treasury stock in capital adjustments, in the amount of ₩ 103,565 million.

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26. Accumulated Other Comprehensive Income

(1) Accumulated other comprehensive income as of June 30, 2012 and December 31, 2011 is summarized as follows:

(In millions of won)

		<u>2012</u>	<u>2011</u>
Gain and loss on valuation of available-for-sale financial assets	₩	1,317,907	1,230,192
Gain and loss on valuation of derivatives		(13,456)	(35,228)
Exchange differences on translating foreign operations		59,735	75,550
Change in equity of equity method investments		12,522	26,430
	₩	<u>1,376,708</u>	<u>1,296,944</u>

(2) Other comprehensive income for the six-month periods ended June 30, 2012 and 2011 is as follows:

(In millions of won)

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

(In millions of won)

		<u>2011</u>					
		Other comprehensive income		Owners of the Company		Non-controlling interests	
		Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period
Gain and loss on valuation of available for-sale financial assets, net of tax	₩	135,254	328,842	157,961	346,550	(22,707)	(17,708)
Gain and loss on valuation of derivatives, net of tax		(23,642)	(12,875)	(22,709)	(11,914)	(933)	(961)
Exchange differences on translating foreign operations, net of tax		(23,351)	(33,833)	(20,493)	(17,255)	(2,858)	(16,578)
Change in equity of equity method investments, net of tax		(99,698)	(101,631)	(96,820)	(99,275)	(2,878)	(2,356)
	₩	<u>(11,437)</u>	<u>180,503</u>	<u>17,939</u>	<u>218,106</u>	<u>(29,376)</u>	<u>(37,603)</u>

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27. Retained Earnings

Retained earnings as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

	<u>2012</u>	<u>2011</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	510,000	470,000
Others	10,901,453	8,768,344
	<u>11,577,000</u>	<u>9,403,891</u>
Unappropriated retained earnings	<u>2,195,303</u>	<u>3,975,132</u>
	<u>₩ 15,792,717</u>	<u>15,399,437</u>

28. Acquisitions of Subsidiary and Non-controlling Interests

(1) General information

On January 26, 2011, the Group gained control of Jahnel-Kestermann Getriebewerke GmbH, which designs and manufactures gearboxes for ships, by acquiring 100% of entity shares.

(2) Consideration transferred

The consideration transferred for Jahnel-Kestermann Getriebewerke GmbH for the period ended June 30, 2011 amounts to one euro.

(3) Identifiable assets acquired and liabilities assumed

(In millions of won)

	<u>Jahnel-Kestermann Getriebewerke GmbH</u>
Short-term financial assets	₩ 1,188
Trade receivables	10,406
Inventories	36,549
Property, plant and equipment	21,088
Intangible assets	665
Other assets	9,578
Trade payables and other payables	(60,310)
Borrowings	(36,619)
Net assets	<u>₩ (-)17,455</u>

(4) Goodwill

Goodwill was recognized as a result of the acquisition of Jahnel-Kestermann Getriebewerke GmbH for the period ended June 30, 2011, and the goodwill amounted to ₩ 17,455 million, which represents consideration transferred (one euro) less fair value of net assets of ₩ (-)17,455 million.

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29. Outstanding Contracts

(1) Sales for the three and six-month periods ended June 30, 2012 and 2011 are as follows:

		2012		2011	
		Three-month period	Six-month period	Three-month period	Six-month period
(In millions of won)					
Construction contracts	₩	5,835,411	11,634,955	7,199,991	13,048,946
Goods sold		7,577,356	15,438,141	5,984,457	12,506,675
Services		135,996	249,056	38,627	213,515
(Finance) Interest income		50,988	103,334	8,484	51,086
(Finance) Dividend income		265	4,602	7,119	7,295
(Finance) Commission income		41,107	78,493	49,344	96,086
(Finance) Gain on valuation of financial instruments		195	7,605	(6,219)	9,945
(Finance) Gain on disposal of financial instruments		51,406	113,573	73,936	121,364
(Finance) Other operating income		7,679	8,975	38,943	40,851
	₩	<u>13,700,403</u>	<u>27,638,734</u>	<u>13,394,682</u>	<u>26,095,763</u>

(2) Changes in outstanding contracts for the six-month period ended June 30, 2012 are as follows:

		Shipbuilding	Others	Total
(In millions of won)				
Beginning of period(*)	₩	32,619,465	18,243,470	50,862,935
Increase during the period		6,133,055	17,296,211	23,429,266
Recognized as revenue		(9,066,626)	(18,572,108)	(27,638,734)
End of period	₩	<u>29,685,894</u>	<u>16,967,573</u>	<u>46,653,467</u>

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

As of June 30, 2012, the Group has provided a certain amount of financial institution guarantee deposits or letters of guarantees from various financial institutions to the customers, in connection with construction contracts.

(3) Accumulated profit and loss of construction and others connected with construction in progress as of June 30, 2012 are as follows:

		Accumulated revenue of construction	Accumulated cost of construction	Accumulated profit and loss of construction	Billed receivables on construction contracts	Unbilled receivables on construction contracts	Due to customers for contract work
(In millions of won)							
Shipbuilding	₩	10,961,269	10,015,878	945,391	1,446,206	2,983,952	5,941,712
Others		18,318,074	15,650,186	2,667,888	435,875	651,387	1,028,913
	₩	<u>29,279,343</u>	<u>25,666,064</u>	<u>3,613,279</u>	<u>1,882,081</u>	<u>3,635,339</u>	<u>6,970,625</u>

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30. Operating Segments

The Group has 10 reportable segments, as described below, which are the Group's strategic business units. The policies of strategic business units are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2011.

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

Information about reportable segments is as follows:

- (1) Financial performance of each segment for the six-month periods ended June 30, 2012 and 2011 is as follows:

(In millions of won)

		2012				
		Sales	Inter-segment revenue	Operating income	Profit (loss)	Depreciation
Shipbuilding	₩	9,402,594	(335,968)	1,006,166	984,366	157,164
Offshore and Engineering		2,071,930	(860)	127,011	130,677	24,827
Industrial Plant and Engineering		659,600	(64,855)	32,550	32,976	4,376
Engine and Machinery		1,292,089	(492,809)	182,035	196,007	49,961
Electro Electric Systems		1,525,569	(128,411)	(58,968)	(62,411)	24,836
Construction Equipment		2,982,901	(778,485)	186,228	157,425	20,132
Green Energy		159,791	(3,107)	(23,775)	(22,675)	14,570
Financial Services		330,149	(13,566)	54,922	37,283	3,903
Oil Refining		13,390,438	(2,465,833)	(18,632)	(108,232)	135,876
Others		539,472	(431,905)	(145,811)	(408,269)	30,381
Consolidation adjustments(*)		(4,715,799)	4,715,799	(13,878)	(279,990)	(3,425)
	₩	<u>27,638,734</u>	<u>-</u>	<u>1,327,848</u>	<u>657,157</u>	<u>462,601</u>

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30. Operating Segments, Continued

- (1) Financial performance of each segment for the six-month periods ended June 30, 2012 and 2011 is as follows, continued

(In millions of won)

		2011				
		Sales	Inter-segment revenue	Operating income	Profit (loss)	Depreciation
Shipbuilding	₩	9,610,969	(362,238)	1,396,294	1,456,562	146,288
Offshore and Engineering		1,575,685	(44)	182,710	186,777	23,319
Industrial Plant and Engineering		1,462,853	(63,417)	209,235	215,797	3,888
Engine and Machinery		1,474,719	(485,110)	338,488	365,771	47,301
Electro Electric Systems		1,002,086	(82,676)	74,544	48,479	17,579
Construction Equipment		3,416,277	(855,057)	368,272	327,865	17,528
Green Energy		226,647	(8,872)	4,688	6,924	12,181
Financial Services		330,948	(9,929)	50,081	51,093	4,002
Oil Refining		10,056,541	(1,321,140)	255,715	286,307	83,561
Others		530,237	(402,716)	(120,318)	(422,069)	29,445
Consolidation adjustments(*)		(3,591,199)	3,591,199	(18,513)	(317,190)	(1,371)
	₩	<u>26,095,763</u>	<u>-</u>	<u>2,741,196</u>	<u>2,206,316</u>	<u>383,721</u>

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

- (2) Assets and liabilities of each segment as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

		2012		2011	
		Total assets	Total liabilities	Total assets	Total liabilities
Shipbuilding	₩	19,297,158	10,821,277	19,150,076	11,745,492
Offshore and Engineering		1,972,153	1,051,502	1,942,616	1,315,255
Industrial Plant and Engineering		848,294	841,577	820,626	868,846
Engine and Machinery		2,254,515	1,351,402	2,099,264	1,274,528
Electro Electric Systems		2,343,201	821,100	2,281,719	692,969
Construction Equipment		3,279,573	1,599,193	2,832,852	1,298,446
Green Energy		1,062,818	91,696	1,105,791	122,534
Financial Services		4,952,316	3,546,605	4,652,308	3,265,049
Oil Refining		9,113,811	6,418,504	8,786,378	6,041,814
Others		16,519,408	7,126,079	15,967,517	5,864,006
Consolidation adjustments(*)		(11,357,125)	(2,079,693)	(10,638,331)	(1,664,642)
	₩	<u>50,286,122</u>	<u>31,589,242</u>	<u>49,000,816</u>	<u>30,824,297</u>

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

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30. Operating Segments, Continued

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

(i) Sales for the six-month periods ended June 30, 2012 and 2011

(In millions of won)

	2012		2011	
	Total sales	Inter-segment revenue	Total sales	Inter-segment revenue
Korea	₩ 28,180,294	(3,596,221)	26,115,740	(2,010,863)
North America	443,127	(79,864)	248,020	(1,164)
Asia	3,491,089	(1,033,127)	3,120,644	(1,576,438)
Europe	207,331	(6,587)	202,558	(2,734)
Others	32,692	-	-	-
Consolidation adjustments(*)	(4,715,799)	4,715,799	(3,591,199)	3,591,199
	₩ 27,638,734	-	26,095,763	-

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

(ii) Non-current assets as of June 30, 2012 and December 31, 2011

(In millions of won)

	2012	2011
Korea	₩ 15,811,907	15,830,976
North America	143,154	142,988
Asia	479,604	523,614
Europe	73,677	56,460
Others	26,846	15,312
	16,535,188	16,569,350
Consolidation adjustments(*1)	1,640,827	1,646,324
Total(*2)	₩ 18,176,015	18,215,674

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

(*2) Sum of property, plant and equipment, intangible assets and investment property

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31. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	2012		2011	
	Three-month period	Six-month period	Three-month period	Six-month period
Salaries	₩ 155,575	323,101	162,488	327,990
Post-employment benefit costs	10,271	22,348	12,709	16,936
Employee welfare	33,190	74,981	36,971	71,798
Depreciation	23,176	46,154	17,644	42,940
Bad debt expenses	60,763	74,872	41,231	76,088
Ordinary development costs	36,144	71,722	32,640	61,966
Advertising	25,235	46,266	25,468	47,249
Printing	939	1,700	1,111	1,817
Warranty expenses	25,084	54,810	40,496	76,887
Insurance	5,442	8,509	3,311	5,849
Supplies	5,336	8,845	2,940	5,667
Utilities	3,767	6,136	2,572	5,874
Repairs	3,336	4,435	4,868	7,499
Travel	10,045	17,659	9,496	16,948
Research	2,157	3,921	3,127	6,446
Training	6,236	7,590	3,525	6,513
Service contract expenses	19,758	39,726	19,109	34,265
Transportation	66,546	132,532	55,919	113,473
Rent	11,436	22,957	10,586	21,252
Data processing	7,183	10,873	7,479	10,319
Entertainment	3,815	7,890	3,344	6,673
Taxes and dues	7,773	16,215	9,517	19,044
Service charges	22,909	51,307	55,593	100,650
Automobile maintenance	3,902	6,627	2,673	5,358
Sales commissions	20,877	40,955	19,641	42,680
Others	31,513	63,549	8,349	38,102
	₩ <u>602,408</u>	<u>1,165,680</u>	<u>592,807</u>	<u>1,170,283</u>

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32. Nature of Expenses

The classification of expenses by nature for the three and six-month periods ended June 30, 2012 and 2011 is as follows:

(In millions of won)

	2012		2011	
	Three-month period	Six-month period	Three-month period	Six-month period
Changes in inventories	₩ 349,295	(150,590)	(1,022,042)	(1,151,423)
Purchase of inventories	9,691,943	19,645,051	9,392,382	17,627,458
Depreciation	231,312	462,601	155,043	383,721
Amortization	20,884	41,878	21,589	37,680
Labor cost	806,195	1,613,185	712,354	1,506,624
Other expenses	2,242,197	4,698,761	3,105,033	4,950,507
	₩ <u>13,341,826</u>	<u>26,310,886</u>	<u>12,364,359</u>	<u>23,354,567</u>

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

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33. Finance Income and Finance Costs

Finance income and finance costs for the three and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	2012		2011	
	Three-month period	Six-month period	Three-month period	Six-month period
Finance income:				
Interest income	₩ 44,359	92,266	87,125	143,898
Gain on valuation of financial instruments at fair value through profit or loss	-	1,502	34,981	76,429
Gain on disposal of financial instruments at fair value through profit or loss	35,749	51,839	34,881	56,344
Gain on disposal of available-for-sale financial assets	-	-	1,458	3,520
Dividend income	25	43,582	89	85,987
Gain on foreign currency translation	32,453	57,275	-	69,876
Gain on foreign currency transactions	132,754	291,318	184,949	307,121
Gain on valuation of derivatives	-	25,204	342,208	655,711
Gain on derivatives transactions	42,747	116,887	201,921	283,611
Others	351	351	2	2
	₩ <u>288,438</u>	<u>680,224</u>	<u>887,614</u>	<u>1,682,499</u>
Finance costs:				
Interest expense	₩ 105,373	208,802	61,909	112,020
Loss on valuation of financial instruments at fair value through profit or loss	10,664	8,540	414	24,984
Loss on disposal of financial instruments at fair value through profit or loss	24,033	53,190	25,752	56,471
Loss on disposal of available-for-sale financial assets	4	20	82	220
Impairment loss on available-for-sale financial assets	1,004	1,491	1,296	6,486
Loss on foreign currency translation	-	66,374	5,671	129,624
Loss on foreign currency transactions	196,724	373,190	210,291	365,500
Loss on valuation of derivatives	184,502	87,628	-	3,189
Loss on derivatives transactions	21,928	26,644	29,937	51,506
	₩ <u>544,232</u>	<u>825,879</u>	<u>335,352</u>	<u>750,000</u>

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

Other non-operating income and other non-operating expenses for the three and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	2012		2011	
	Three-month period	Six-month period	Three-month period	Six-month period
Other non-operating income:				
Gain on disposal of property, plant and equipment	₩ 878	1,949	686	4,562
Gain on disposal of intangible assets	161	614	48	48
Reversal of provision for product warranty	2,370	3,927	1,303	4,942
Reversal of provision for construction warranty	1,424	4,407	2,502	4,817
Gain on valuation of firm commitments	156,878	101,048	2,382	9,700
Reversal of allowance for doubtful accounts	-	5,877	3,825	8,763
Others	33,991	70,779	41,057	166,313
	₩ <u>195,702</u>	<u>188,601</u>	<u>51,803</u>	<u>199,145</u>
Other non-operating expenses:				
Service charges	₩ 1,840	3,924	7,321	9,139
Loss on disposal of investments in associates	-	-	337	337
Loss on disposal of property, plant and equipment	9,228	11,263	249	9,030
Loss on disposal of intangible assets	36	66	428	428
Impairment loss on intangible assets	626	12,173	-	-
Loss on valuation of firm commitments	-	107,237	480,012	810,407
Other bad debt expenses	61	162	-	7
Donation	19,068	105,806	18,451	22,254
Others	10,845	21,386	11,086	49,153
	₩ <u>41,704</u>	<u>262,017</u>	<u>517,884</u>	<u>900,755</u>

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35. Income Tax Expense

The component of income tax expense for the six-month periods ended June 30, 2012 and 2011 is as follows:

<i>(In millions of won)</i>		<u>2012</u>	<u>2011</u>
Current tax expense	₩	375,826	625,871
Origination and reversal of temporary differences		(19,269)	204,583
Income tax recognized in other comprehensive income		(39,978)	(77,561)
Total income tax expense	₩	<u>316,579</u>	<u>752,893</u>
Effective tax rate		<u>32.51%</u>	<u>25.44%</u>

The change in the effective tax rate for the six-month periods ended June 30, 2012 and 2011 is due to the decrease of tax credit, tax effect changes on the Group's interest in profit or loss of subsidiaries and change in tax rate.

36. Earnings per Share

(1) Basic earnings per share for the three and six-month periods ended June 30, 2012 and 2011 are as follows:

		<u>2012</u>		<u>2011</u>	
		<u>Three-month period</u>	<u>Six-month period</u>	<u>Three-month period</u>	<u>Six-month period</u>
Profit attributable to owners of the Company <i>(In millions of won)</i>	₩	132,156	627,845	710,458	1,989,765
Weighted average number of ordinary shares outstanding <i>(In thousands of shares)</i>		<u>55,225</u>	<u>55,225</u>	<u>55,225</u>	<u>55,225</u>
Earnings per share <i>(In won)</i>	₩	<u>2,393</u>	<u>11,369</u>	<u>12,865</u>	<u>36,030</u>

(2) The weighted average number of ordinary shares for the three and six-month periods ended June 30, 2012 is as follows:

<i>(In a share)</i>	<u>Number of shares outstanding</u>	<u>Weighted average</u>	<u>Weighted average number of shares outstanding</u>
Beginning balance	55,225,440	Six-month: 182/182 Three-month: 91/91	55,225,440

(3) Since there are no dilutive potential common shares for the six-month periods ended June 30, 2012 and 2011, diluted earnings per share have not been calculated.

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

(1) Categories of financial instruments as of June 30, 2012 and December 31, 2011 are summarized as follows:

(In millions of won)

	2012									
	Cash and cash equivalents	Held for trading investments	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Held for trading liabilities	Financial liabilities measured at amortised cost	Derivative liabilities	
Cash and cash equivalents	₩ 2,231,178	-	-	-	-	-	-	-	-	
Short-term financial assets	-	1,572,078	143,667	153,767	277,981	-	-	-	-	
Trade and other receivables	-	-	-	-	7,406,149	-	-	-	-	
Due from customers for contract work	-	-	-	-	3,635,339	-	-	-	-	
Derivative assets (current)	-	-	-	-	-	108,597	-	-	-	
Long-term financial assets	-	164	-	3,859,567	1,129	-	-	-	-	
Long-term trade and other receivables	-	-	-	-	1,685,366	-	-	-	-	
Derivative assets (non-current)	-	-	-	-	-	27,117	-	-	-	
Short-term financial liabilities	-	-	-	-	-	-	66,017	9,819,982	-	
Trade and other payables	-	-	-	-	-	-	-	6,853,790	-	
Derivative liabilities (current)	-	-	-	-	-	-	-	-	173,635	
Long-term financial liabilities	-	-	-	-	-	-	5,823	3,820,826	-	
Long-term trade and other liabilities	-	-	-	-	-	-	-	227,144	-	
Derivative liabilities (non-current)	-	-	-	-	-	-	-	-	246,400	
	₩	2,231,178	1,572,242	143,667	4,013,334	13,005,964	135,714	71,840	20,721,742	420,035

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

(1) Categories of financial instruments as of June 30, 2012 and December 31, 2011 are summarized as follows, continued

(In millions of won)

	2011									
	Cash and cash equivalents	Held for trading investments	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative assets	Held for trading liabilities	Financial liabilities measured at amortised cost	Derivative liabilities	
Cash and cash equivalents	₩ 1,609,979	-	-	-	-	-	-	-	-	
Short-term financial assets	-	1,538,120	167,571	262,882	219,688	-	-	-	-	
Trade and other receivables	-	-	-	-	5,748,433	-	-	-	-	
Due from customers for contract work	-	-	-	-	4,181,091	-	-	-	-	
Derivative assets (current)	-	-	-	-	-	146,053	-	-	-	
Long-term financial assets	-	10,184	-	3,684,692	2,129	-	-	-	-	
Long-term trade and other receivables	-	-	-	-	2,385,790	-	-	-	-	
Long-term due from customers for contract work	-	-	-	-	50,649	-	-	-	-	
Derivative assets (non-current)	-	-	-	-	-	53,844	-	-	-	
Short-term financial liabilities	-	-	-	-	-	-	120,790	8,357,778	-	
Trade and other payables	-	-	-	-	-	-	-	6,330,232	-	
Derivative liabilities (current)	-	-	-	-	-	-	-	-	285,899	
Long-term financial liabilities	-	-	-	-	-	-	5,516	2,938,410	-	
Long-term trade and other liabilities	-	-	-	-	-	-	-	246,930	-	
Derivative liabilities (non-current)	-	-	-	-	-	-	-	-	250,397	
	₩	1,609,979	1,548,304	167,571	3,947,574	12,587,780	199,897	126,306	17,873,350	536,296

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

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

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

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

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

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

	2011									
	Net income		Other comprehensive income		Interest income and interest expense(*)		Fee income and fee expense		Impairment loss	
	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period	Three-month period	Six-month period
(In millions of won)										
Cash and cash equivalents	₩ 45,353	48,724	-	-	9,652	26,878	13	-	-	-
Held for trading investments	86,763	97,458	-	-	15,810	32,569	(705)	(725)	-	-
Financial assets at fair value through profit or loss	1,337	2,575	-	-	-	-	-	-	-	-
Available-for-sale financial assets	(29,314)	91,291	152,961	346,550	1,439	2,035	(240)	-	(1,296)	(6,486)
Loans and receivables	(65,657)	(192,253)	-	-	68,704	133,498	(6,938)	-	(37,243)	(66,989)
Held for trading liabilities	6,986	1,643	-	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	18,129	44,811	-	-	(83,962)	(155,018)	-	-	-	-
Derivatives	457,464	843,198	(22,680)	(11,914)	-	-	-	-	-	-

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

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38. Risk of Financial Instruments

(1) Currency risk

The Group's exposure to foreign currency risk based on notional amounts as of June 30, 2012 and December 31, 2011 is as follows:

(In millions of won)

		2012					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	529,273	18,368	-	552	22,990	571,183
Loans and receivables		8,008,427	244,872	80,976	6,590	317,909	8,658,774
Trade and other payables		(2,583,113)	(120,829)	(1,419)	(10,449)	(103,219)	(2,819,029)
Borrowings		(2,737,044)	(151,388)	-	(151,123)	(8,978)	(3,048,533)
Gross statement of financial position exposure		3,217,543	(8,977)	79,557	(154,430)	228,702	3,362,395
Derivative contracts		(291,163)	6,186	-	-	(254)	(285,231)
Net exposure	₩	2,926,380	(2,791)	79,557	(154,430)	228,448	3,077,164

(In millions of won)

		2011					
		USD	EUR	CNY	JPY	Others	Total
Cash and cash equivalents	₩	510,839	268	5	365	25,378	536,855
Loans and receivables		7,999,063	275,301	94,531	5,412	317,199	8,691,506
Trade and other payables		(3,198,877)	(99,894)	(1,066)	(27,736)	(116,952)	(3,444,525)
Borrowings		(1,034,587)	(113,458)	-	(72,180)	(13,503)	(1,233,728)
Gross statement of financial position exposure		4,276,438	62,217	93,470	(94,139)	212,122	4,550,108
Derivative contracts		(349,573)	5,901	-	-	(1,409)	(345,081)
Net exposure	₩	3,926,865	68,118	93,470	(94,139)	210,713	4,205,027

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38. Risk of Financial Instruments, Continued

(2) Fair values

(i) Fair values versus carrying amounts

The fair values and the carrying amounts of financial assets and liabilities as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

	2012		2011	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Assets carried at fair value:				
Held for trading investments	₩ 1,572,242	1,572,242	1,548,304	1,548,304
Financial assets at fair value through profit or loss	143,667	143,667	167,571	167,571
Available-for-sale financial assets(*)	4,013,334	4,013,334	3,947,574	3,947,574
Derivative assets	135,714	135,714	199,897	199,897
	₩ 5,864,957	5,864,957	5,863,346	5,863,346
Cash and cash equivalents	₩ 2,231,178	2,231,178	1,609,979	1,609,979
Assets carried at amortized cost:				
Loans and receivables	₩ 13,005,964	13,005,964	12,587,780	12,587,780
Liabilities carried at fair value:				
Held for trading liabilities	₩ 71,840	71,840	126,306	126,306
Derivative liabilities	420,035	420,035	536,296	536,296
	₩ 491,875	491,875	662,602	662,602
Liabilities carried at amortized cost:				
Bank loans	₩ 11,793,912	11,793,912	9,658,820	9,658,820
Bond issues	1,596,152	1,596,152	1,398,181	1,398,181
Trade and other payables	7,080,934	7,080,934	6,577,162	6,577,162
Deposit liabilities	238,052	238,052	224,591	224,591
Others	12,692	12,692	14,596	14,596
	₩ 20,721,742	20,721,742	17,873,350	17,873,350

(*) 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, 2012 and December 31, 2011 are ₩ 132,926 million and ₩ 134,165 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. AND SUBSIDIARIES
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38. Risk of Financial Instruments, Continued

(2) Fair values, continued

The financial instruments carried at fair value, by fair value hierarchy as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

		Level 1	Level 2	Level 3	Total
2012:					
Held for trading investments	₩	275,873	1,288,793	7,576	1,572,242
Financial assets at fair value through profit or loss		-	143,667	-	143,667
Available-for-sale financial assets		3,622,475	194,771	63,162	3,880,408
Derivative assets		-	135,714	-	135,714
Held for trading liabilities		55,201	16,639	-	71,840
Derivative liabilities		-	420,035	-	420,035
2011:					
Held for trading investments		139,888	1,389,443	18,973	1,548,304
Financial assets at fair value through profit or loss		-	167,571	-	167,571
Available-for-sale financial assets		3,513,264	243,728	56,417	3,813,409
Derivative assets		-	199,897	-	199,897
Held for trading liabilities		50,601	75,705	-	126,306
Derivative liabilities		-	536,296	-	536,296

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily 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 fair 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, investment in capital and others invested 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. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
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38. Risk of Financial Instruments, Continued

(2) Fair values, continued

(iii) Transfers of financial assets

Transferred financial assets that are not derecognized in their entirety as of June 30, 2012 are summarised as follows:

(In millions of won)

	<u>Loans and receivables</u>
	<u>Trade receivables</u>
Carrying amount of assets	₩ 10,132
Carrying amount of associated liabilities	10,132
For those liabilities that have recourse only to the transferred assets:	
Fair value of assets	10,132
Fair value of associated liabilities	10,132
Net position	₩ -

39. Commitments and Contingencies

- As of June 30, 2012, the Group has entered into bank overdraft agreements with Korea Exchange Bank and others amounting to ₩ 612,000 million, USD 20,004 thousand, EUR 20,000 thousand, CNY 420,000 thousand, INR 800,000 thousand and BGN 2,885 thousand and general loan agreements amounting to ₩ 580,000 million, USD 471,000 thousand, EUR 45,200 thousand, CNY 7,305,000 thousand and JPY 3,500,000 thousand.
- As of June 30, 2012, the Group has entered into credit facilities agreements such as letters of credit with various banks for the Group's exports and imports totaling ₩ 445,000 million, USD 8,203,337 thousand, CNY 20,000 thousand and INR 1,700,000 thousand.
- As of June 30, 2012, the Group has entered into credit facilities agreements such as pre-shipment credit with various banks amounting to ₩ 3,575,000 million, USD 48,333 thousand, CNY 3,888,000 thousand and INR 33,319 thousand.
- In order to secure bank loans and construction contract performance guarantees, the Group has provided seven blank notes and one check as of June 30, 2012.
- As of June 30, 2012, the Group is contingently liable for loan guarantees of its foreign subsidiaries amounting to USD 771,000 thousand, EUR 81,750 thousand, CNY 7,823,245 thousand and INR 1,900,000 thousand and purchase loans of customers amounting to CNY 785,540 thousand of solidarity with local dealers. The Group has provided certain performance guarantees for bareboat charter amounting to USD 417,875 thousand to ship owners on behalf of Hyundai Merchant Marine Co., Ltd. Furthermore, the Group has provided performance guarantees for the mining business in relation to overseas resource developments amounting to USD 61,925 thousand and guarantees on debt obligations for the business participant, Sherritt International Corporation, amounting to USD 24,058 thousand. The Company has also entered into joint shipbuilding contracts with Hyundai Samho Heavy Industries Co., Ltd., one of the Group's subsidiaries, for the construction of three ships at a contract amount of USD 177,810 thousand.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
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39. Commitments and Contingencies, Continued

- (6) In connection with the Group's contract performance guarantees, the Group has been provided with maximum guarantees amounting to ₩ 3,905,906 million and USD 35,051,669 thousand by various banking facilities, of which regarding ships advance from customers, the Group has also been provided with maximum guarantees amounting to USD 29,017,530 thousand by various banking facilities. Regarding this, the Group collateralizes its ships under construction and construction materials.
- (7) As of June 30, 2012, the Group entered into a conditional commercial paper purchase guarantee contract backed by HYUNDAI Engineering & Construction Co., Ltd. and other companies amounting to ₩ 341,200 million. In relation to the project financing loan of Andong Okdong apartment house project, the Group also entered into another guarantee contract, which guarantees the Group is able to borrow up to ₩ 18,200 million collateralized by unsold houses of Naro Development Company, the borrower, only if Naro Development fails to repay the loan. In addition, in regarding to the loan of Chungcheongbuk-do Choongjoo-si Bongbang-dong apartment house project, the Group entered into a guarantee contract with Hi Choongjoo Prugio No.2, the borrower, which guarantees the Group is able to borrow up to ₩ 22,000 million collateralized by the prior beneficiary right. In relation to the project financing loan of Incheon Songdo apartment house project, the Group also entered into another guarantee contract, which guarantees the Group is able to borrow up to ₩ 55,000 million collateralized by unsold houses of Astro Development Co., Ltd., the borrower, only if Astro Development Co., Ltd. fails to repay the loan.
- (8) The Group entered into a consortium agreement on a resource development project with various organizations including Korea National Oil Corporation, and recorded ₩ 146,518 million and ₩ 135,078 million as other non-current assets as of June 30, 2012 and December 31 2011, respectively. The Group also obtained borrowings from the Export-Import Bank of Korea and Korea National Oil Corporation (see note 20).

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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40. Litigation

- (1) Hynix Semiconductor Inc. ("HSI") sold 13 million shares of Hyundai Investment Trust & Securities Co., Ltd. ("HITS") for USD 13.46 per share to Canadian Imperial Bank of Commerce ("CIBC") on June 4, 1997. In relation to this transaction, the Group made a share option agreement with CIBC under which the Group was obligated to buy back the 13 million shares of HITS for USD 16.96 per share, if CIBC exercised its option. Based on this agreement, the Group was provided a written promissory note from HSI and Hyundai Securities Co., Ltd. ("HSC") on July 1, 1997 to compensate the Group for losses incurred in connection with the transaction with CIBC under certain circumstances. Based on the above agreement, on July 20, 2000, the Group repurchased the 13 million shares from CIBC for USD 220,480 thousand. The Group required HSI and HSC to honor their written promissory note, which was rejected by HSI and HSC. Accordingly, the Group filed a lawsuit against HSI and HSC on July 28, 2000 and deposited the stocks repurchased from CIBC in Suwon District Court. On January 25, 2002, the Group partially won the litigation for the settlement of claim amounting to ₩ 171,800 million of principal and accrued interest thereon and recovered ₩ 220,933 million. Pursuant to the resolution of the board of directors on January 27, 2002, the Group filed an appeal claiming the whole amount of the principal and accrued interest. Also, the Group has filed a lawsuit for the advance payments and reimbursable expenses from those companies that were not covered in the litigation above. In relation to the intermediate appeal for a partial settlement of the claim, the Group partially won the litigation at Seoul High Court on June 14, 2006 for the settlement of the claim amounting to ₩ 192,900 million of principal and accrued interest. However, the Group did not accept the Court's decision and filed an appeal with the Supreme Court of Korea. The Supreme Court of Korea annulled the original judgment on March 26, 2009. On August 21, 2009, the Group won its claim amounting to ₩ 241,200 million of principal, excluding ₩ 4,300 million and accrued interest thereon, and recovered ₩ 86,200 million. On September 10, 2009, the Group filed an appeal to the Supreme Court claiming the principal amount of ₩ 4,300 million, and the Supreme Court of Korea annulled the original judgment on February 9, 2012. On July 13, 2012, the Group won its rest claim amounting to ₩ 4,300 million and recovered 8,900 million from HSI, therefore the litigation was terminated. In addition, on October 22, 2009, the Group won its claim for incidental expenses amounting to ₩ 50,300 million of principal and accrued interest thereon and recovered ₩ 73,700 million. However, on November 11, 2009, HSI and other companies filed an appeal to the court, and the court partially in favor of the plaintiff on November 10, 2011. The Group returned ₩ 2,600 million on November 14, 2011, and the Group filed an appeal to the Supreme Court on November 25, 2011, which is currently pending as of June 30, 2012.
- (2) The National Tax Service imposed additional income tax amounting to ₩ 107,600 million on March 27, 2006, which has been settled by the Group. The assessment resulted from the participation in the capital increase of Hyundai Space and Aircraft Co., Ltd. when Korea was experiencing a foreign currency exchange crisis in the late 1990s. The National Tax Service ruled this capital increase to be unfair financial support for the insolvent affiliate. The Group's appeal to the National Tax Tribunal was dismissed, but was partially successful. On April 27, 2009, the Group filed administrative litigation. However, the Group lost the first trial on January 5, 2011 and appealed on January 25, 2011. The litigation is currently pending as of June 30, 2012.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
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40. Litigation, Continued

- (3) In connection with orders for submarine pipeline and equipment installation construction from PTT Public Group Limited. ("PTT") on June 25, 2011, the Group hired subcontractor ("Britoil") that owned tugboat and while it was moving the barge, unknown as a cause the existing gas tube owned by PTT, was damaged and the accident caused a gas leak. At the request of the PTT, the Group worked on recovery, repair, and completed around October 2011 and for the cost of repairs the Group billed PTT. PTT ask for compensations of damages such as a gas leak or replacement gas purchases. But accident cause, damages amount, contractual limitation of liability, and insurance distribution of disagreement occurred in. The sides did not reach an amicable agreement in this regard. PTT has filed a lawsuit in Thai court to claim damages amounting to USD 143 million against the Group, Britoil and PTT's insurer ("Dhipaya") as a co-defendant on June 22, 2012. The Group intends to vigorously defend itself and filed counterclaim. The litigation is in its early stages, so the prospect of litigation currently cannot be predicted.
- (4) In February 2001, the Ministry of National Defense filed a lawsuit against the five domestic oil refinery companies, including the Group, for alleged collusive bidding for the supply of oil products to the Korean military, with total claim amount of ₩ 167,000 million. The five domestic oil refinery companies paid ₩ 130,992 million on December 30, 2009 under the decision of Seoul High Court, and appealed to the Supreme Court in January 2010. The Supreme Court of Korea annulled the original judgment.
- (5) The Saeseoul Oil Corporation filed litigation in Seoul Central District Court in June 2010 against the Group, amounting to ₩ 4,944 million, for the error in the settlement of the transaction from April 1, 2003 to May 31, 2009. The Group won the first trial, and the case is currently pending in Seoul High Court. Currently, the prospect of such litigation cannot be predicted.
- (6) The Fair Trade Commission imposed fine on two LPG importers and four domestic oil refinery companies including the Group for alleged collusive price-fixing on LPG prices from January 1, 2003 to December 31, 2008. The Group was imposed of a fine amounting to ₩ 26,314 million, and the Group paid the fine on June 29, 2010. However, the Group appealed the decision of Fair Trade Commission to Seoul High Court in May 2010, lost the second trial, and the case is currently pending in the Supreme Court.

Additionally, 86,270 private cab drivers and others jointly filed a lawsuit against four domestic oil refinery companies including the Group and two LPG importers claiming total ₩ 10,161 million based on the Fair Trade Commission's decision, and the case is currently pending. Currently, the prospect of such litigation cannot be predicted.

- (7) Hankook Shell Oil Co., Ltd. filed litigation in Seoul Central District Court in February 2012 against the Group, amounting to ₩ 14,800 million, for the claim for costs of contamination purifications caused due to fuel arising from the Group's refinery on the site of the Hankook Shell Oil Co., Ltd., and the case is currently pending. Currently, the prospect of such litigation cannot be predicted.
- (8) In February 2007, the Fair Trade Commission imposed a fine amounting to ₩ 9,311 million on the four domestic oil refinery companies, including the Group, for alleged collusive price-fixing, and the Group paid the fine on July 16, 2007. With regard to the imposition, the Group filed an official protest to the Fair Trade Commission in May 2007, but the Commission announced the rejection of the protest in July 2007. The Group lost the second trial and the case is currently pending in the Supreme Court. Currently, the prospect of such litigation cannot be predicted.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
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40. Litigation, Continued

- (9) The Fair Trade Commission concluded on September 16, 2011, that the employees of four refineries, including our retail sales staff, were engaged in arrangement on the restrictions of admission of gas stations, which was conducted in a task force meeting held in March 2000. The Fair Trade Commission ordered the Group to pay fines amounting to ₩ 75,400 million, and brought criminal charges against the Group. The Group paid installment of fines and appealed case. The appeal is pending in the Seoul High Court. Currently, the prospect of such litigation cannot be predicted.
- (10) As of June 30, 2012, the Group's costs for repairment of delivered equipment in the amount of 11,042 million and the other party's claim for damages, loss of 6,195 million, is set to proceed for the arbitration at the Korean Commercial Arbitration Board. Currently, the prospect of such arbitration cannot be predicted.
- (11) As of June 30, 2012, there are 30 pending cases, including Hyundai Heavy Industries Europe N.V.'s dealership termination lawsuit amounting to EUR 2,250 thousand, filed against foreign subsidiaries of the Group as a defendant, and many pending cases, including default of other party to a transaction, filed by foreign subsidiaries of the Group as a plaintiff. Currently, the prospect of such litigation cannot be predicted.
- (12) In addition to the case mentioned above, the Group has been involved in 34 claims (litigation values: ₩ 116,300 million) and proceedings as defendant. Currently, the prospect of such litigation cannot be predicted.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
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41. Related Parties

- (1) Significant transactions for the six-month periods ended June 30, 2012 and 2011, and outstanding balances as of June 30, 2012 and December 31, 2011 between the Company and subsidiaries or associates are as follows:

(In millions of won)

	Sales and other		Purchases and other		Receivables and other		Payables and other		
	2012	2011	2012	2011	2012	2011	2012	2011	
Subsidiaries:									
Hyundai Samho Heavy Industries Co., Ltd.	₩	341,447	332,385	2,704	125	191,397	221,956	170,462	174,696
Hyundai Mipo Dockyard Co., Ltd.		234,059	230,182	6,816	7,652	135,194	123,247	95,947	92,097
Hyundai Oilbank Co., Ltd.		37,072	11,243	1,313	751	7,306	12,446	10,460	5,472
Hyundai Heavy Material Service Hotel Hyundai Co., Ltd.		4,077	5,113	323,669	446,532	1,908	2,226	98,548	83,813
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.		67	31	19,640	14,916	16	5	3,003	2,926
Hyundai Jiangsu Construction Machinery Co., Ltd.		44,021	116,345	182	334	32,890	23,331	-	49
Hyundai Heavy Industries (China) Electric Co., Ltd.		55,353	359,517	616	366	55,997	79,114	-	115
Yantai Hyundai Moon Heavy Industries Co., Ltd.		2,712	4,415	24,213	8,405	2,318	1,517	4,457	4,025
Hyundai Heavy Industries Europe N.V.		98	9	7,066	53,848	43,704	38,001	-	-
Hyundai Construction Equipment Americas, Inc.		157,153	112,585	2,121	1,200	64,880	38,284	1,022	585
Hyundai Ideal Electric Co.		371,180	177,398	1,262	757	211,126	78,750	-	553
Hyundai Construction Equipment India Private Ltd.		28,907	8,693	531	384	18,160	12,743	88	162
Others		56,039	52,259	1,246	312	66,128	56,763	430	336
		<u>11,608</u>	<u>13,352</u>	<u>36,400</u>	<u>22,405</u>	<u>16,851</u>	<u>18,096</u>	<u>7,202</u>	<u>5,442</u>
		<u>1,343,793</u>	<u>1,423,527</u>	<u>427,779</u>	<u>557,987</u>	<u>847,875</u>	<u>706,479</u>	<u>391,619</u>	<u>370,271</u>
Associates(*):									
Hyundai Corporation		526,163	601,275	12,397	661	285,729	234,908	52,900	59,448
KAM Corporation		-	2	-	44,340	64,278	64,278	-	-
Wärtsilä-Hyundai Engine Company Ltd.		1,363	1,114	-	-	53,026	29,764	8,638	-
Others		17,477	489	-	9	1,712	17,533	10,342	9,845
		<u>545,003</u>	<u>602,880</u>	<u>12,397</u>	<u>45,010</u>	<u>404,745</u>	<u>346,483</u>	<u>71,880</u>	<u>69,293</u>
Associates of subsidiaries:									
Hyundai Cosmo Petrochemical Co., Ltd.		131,842	2,599	-	-	17,076	4,747	-	-
	₩	<u>2,020,638</u>	<u>2,029,006</u>	<u>440,176</u>	<u>602,997</u>	<u>1,269,696</u>	<u>1,057,709</u>	<u>463,499</u>	<u>439,564</u>

(*) Associates include their subsidiaries.

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41. Related Parties, Continued

(2) Significant transactions for the six-month periods ended June 30, 2012 and 2011, and outstanding balances as of June 30, 2012 and December 31, 2011 between subsidiaries and associates are as follows:

<i>(In millions of won)</i>		Sales and other		Receivables and other	
		2012	2011	2012	2011
Selling company	Purchasing company				
Transactions between subsidiaries:					
Hyundai Oilbank Co., Ltd.	Hyundai Samho Heavy Industries Co., Ltd.	₩ 18,103	16,198	6,665	2,198
	Hyundai Heavy Material Service	85,723	86,455	17,421	15,645
	HDO Singapore Pte. Ltd.	1,663,749	159	177,549	302
	Hyundai Vinashin Shipyard	185,413	59,039	106,146	138,607
Hyundai Mipo Dockyard Co., Ltd.	Hyundai Samho Heavy Industries Co., Ltd.	21,547	20,501	10,435	10,287
Hyundai Heavy Material Service	Hyundai Mipo Dockyard Co., Ltd.	41,122	42,037	13,470	11,045
Mipo Engineering Co., Ltd.	Hyundai Mipo Dockyard Co., Ltd.	18,063	14,093	3,036	3,829
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	Hyundai Financial Leasing Co., Ltd.	-	-	13,826	13,904
Hyundai Jiangsu Construction Machinery Co., Ltd.	Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	113	91	113	229
	Hyundai Financial Leasing Co., Ltd.	-	-	45,552	45,808
	Hyundai Samho Heavy Industries Co., Ltd.	1,109	981	-	-
HHI China Investment Co., Ltd.	Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	922	205	14,535	20,213
	Hyundai Jiangsu Construction Machinery Co., Ltd.	1,958	642	63,266	58,541
	Hyundai Heavy Industries (China) Electric Co., Ltd.	4,602	285	25,390	26,889
	Hyundai Financial Leasing Co., Ltd.	573	647	84	98
	Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	581	-	13,967	8,294
Hyundai Financial Leasing Co., Ltd.	Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	772	1,293	-	-
	Hyundai Jiangsu Construction Machinery Co., Ltd.	3,015	4,315	-	-
	HHI China Investment Co., Ltd.	793	298	35,576	21,079
	Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	1,378	3,385	934	1,366
Changzhou Hyundai Hydraulic Machinery Co., Ltd.	Hyundai Jiangsu Construction Machinery Co., Ltd.	7,936	23,445	1,713	1,811
	HHI China Investment Co., Ltd.	110	55	9,363	3,914
	Hyundai Heavy Industries Brasil - Manufacturing and Trading of Construction Equipment	79,083	-	79,931	-
Hyundai Vinashin Shipyard	Hyundai Mipo Dockyard Co., Ltd.	251,515	257,222	113,126	85,608
HDO Singapore Pte. Ltd.	Hyundai Oilbank Co., Ltd.	696,879	1,217,712	81,498	134,887
HI GOLD OCEAN KMARIN NO.8 SHIP INVESTMENT COMPANY	HI GOLD OCEAN KMARIN NO.8 S.A	2,610	-	74,580	-
		₩ 3,087,669	1,749,058	908,176	604,554

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

- (2) Significant transactions for the six-month periods ended June 30, 2012 and 2011, and outstanding balances as of June 30, 2012 and December 31, 2011 between subsidiaries and associates are as follows, continued

(In millions of won)

Selling company	Purchasing company	Sales and other		Receivables and other	
		2012	2011	2012	2011
Transactions between subsidiaries and associates(*):					
Hyundai Samho Heavy Industries Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	₩ 43,383	106,678	14,868	-
	Wärtsilä-Hyundai Engine Company Ltd.	43	92	21,797	11,178
Hyundai Mipo Dockyard Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	22,375	-	13,031	-
Hyundai Oilbank Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.	958,512	950,887	44,844	167,862
	Hyundai Corporation	374,139	186,496	73,359	32,282
Hyundai Corporation	Hyundai Construction Equipment Americas, Inc.	47,366	83,009	1,044	-
Hyundai Merchant Marine Co., Ltd.	Hyundai Oilbank Co., Ltd.	36,376	38,548	4,937	4,966
	Hyundai Samho Heavy Industries Co., Ltd.	-	-	-	28,543
Hyundai Cosmo Petrochemical Co., Ltd.	Hyundai Oilbank Co., Ltd.	583,499	588,492	107,888	96,945
		₩ <u>2,065,693</u>	<u>1,954,202</u>	<u>281,768</u>	<u>341,776</u>

(*) Associates include their subsidiaries.

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

(3) Details of guarantees between the Company, subsidiaries and associates as of June 30, 2012 are as follows:

(In thousands of foreign currency)

Guarantee provider	Guarantee recipient	Provider	Type of guarantees	Currency	Guaranteed Amount
Subsidiaries:					
Hyundai Heavy Industries Co., Ltd.	Hyundai Financial Leasing Co., Ltd.	Sumitomo Bank Ltd. and others	Payment	CNY	1,500,000
	Hyundai Heavy Industries Europe N.V.	Korea Exchange Bank and others	Payment	EUR	36,000
		BNP Paribas Fortis Bank, Belgium	Performance	EUR	250
	Hyundai Construction Equipment Americas, Inc.	Hana Bank and others	Payment	USD	109,600
	Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	SCB	Payment	USD	27,900
		Woori Bank	Payment	CNY	65,000
	Hyundai Construction Equipment India Private Ltd.	HSBC	Payment	USD	10,000
		SCB and others	Payment	INR	1,900,000
	Jahnel-Kestermann Getriebewerke GmbH	Shinhan Bank and others	Payment	EUR	45,500
	Hyundai Power Transformers USA, Inc.	Woori Bank and others	Payment	USD	113,500
		Liberty Mutual	Performance	USD	20,000
	Hyundai Heavy Industries Co. BULGARIA	BNP Paribas S.A. Sofia and others	Payment	USD	30,000
	Weihai Hyundai Wind Power Technology Co., Ltd.	Export-Import Bank of Korea	Payment	USD	25,000
	Hyundi Electrosystems Co., Ltd.	Citibank	Payment	USD	30,000
Hyundai Mipo Dockyard Co., Ltd.	Hyundai Vinashin Shipyard	Export-Import Bank of Korea	Payment	USD	75,000
Hyundai Oilbank Co., Ltd.	HDO Singapore Pte. Ltd.	Korea Exchange Bank and others	L/C Payment	USD	45,000

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41. Related Parties, Continued

(3) Details of guarantees between the Company, subsidiaries and associates as of June 30, 2012 are as follows, continued

(In thousands of foreign currency)

Guarantee provider	Guarantee recipient	Provider	Type of guarantees	Currency	Guaranteed Amount
Subsidiaries:					
HHI China Investment Co., Ltd.	Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	Bank of Communications and others	Payment	CNY	999,000
	Hyundai Financial Leasing Co., Ltd.	SCB	Payment	USD	200,000
		Korea Exchange Bank and others	Payment	CNY	2,438,245
	Hyundai Jiangsu Construction Machinery Co., Ltd.	China Construction Bank and others	Payment	CNY	1,825,096
		SCB	Payment	USD	75,000
	Hyundai Heavy Industries (China) Electric Co., Ltd.	Bank of Communications and others	Payment	CNY	890,000
	Yantai Hyundai Moon Heavy Industries Co., Ltd.	Bank of Communications	Payment	CNY	100,904
		Hana Bank	Payment	USD	10,000
	Weihai Hyundai Wind Power Technology Co., Ltd.	Australia and New Zealand Bank	Payment	CNY	5,000
				USD	771,000
				EUR	81,750
				CNY	7,823,245
				INR	1,900,000
Associates:					
Hyundai Heavy Industries Co., Ltd.	Hyundai Merchant Marine Co., Ltd.	H&K Shipping S.A and others	Performance	USD	417,875
				USD	1,188,875
				EUR	81,750
				CNY	7,823,245
				INR	1,900,000

(4) Assets collateralized as pledged assets for obligations of the Group's related parties as of June 30, 2012 are as follows:

(In millions of won)

Guarantee provider	Guarantee recipient	Pledged assets	Carrying amounts	Pledged amount	Borrowings amount	Type	Lender
Associates:							
Hyundai Oilbank Co., Ltd.	Hyundai Cosmo Petrochemical Co., Ltd.	Land and buildings Short-term financial instruments	₩ 178,499 2,000	444,000	370,000	Long-term borrowings	The Korea Development Bank

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41. Related Parties, Continued

- (5) Compensation for key management of the Group for the six-month periods ended June 30, 2012 and 2011 is ₩ 10,056 million and ₩ 11,314 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 Group.

42. Share-based Payment

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

(In millions of won)

	Shares	Number of shares	Exercise price	Periods	Financial institution	Note
First	Common stock of Hyundai Mipo	151,028	₩ 76,759	2009.11 ~ 2013.08	Korea Exchange	Withdrawal is limited during the period.
Second	Dockyard Co., Ltd.	173,773	81,486	2010.11 ~ 2014.08	Bank	(Retiring employees are eligible to withdraw)

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

(In millions of won, except share data)

	₩	First trust securities		Second trust securities		Total	
		Number of stocks	Long-term accrued expenses	Number of stocks	Long-term accrued expenses	Number of stocks	Long-term accrued expenses
Beginning balance		152,074	19,133	174,967	25,176	327,041	44,309
Issuance		-	-	-	-	-	-
Expiration of options due to exercising the rights and others		(1,046)	(146)	(1,194)	(187)	(2,240)	(333)
Compensation expenses associated with stock option(*)		-	(106)	-	(737)	-	(843)
Ending balance	₩	151,028	18,881	173,773	24,252	324,801	43,133

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42. Share-based Payment, Continued

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

(In won)

		<u>Fair value of stocks</u>	<u>Exercise price</u>	<u>Expected volatility in stock price</u>	<u>Expected dividend</u>	<u>Expected exercise period</u>	<u>Risk free rate</u>
First trust securities	₩	125,018	76,759	46.87%	-	1.12 years	3.30%
Second trust securities		139,562	81,486	61.27%	-	2.12 years	3.30%