

HYUNDAI HEAVY INDUSTRIES CO., LTD.  
AND SUBSIDIARIES

Consolidated Financial Statements

**December 31, 2015**

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KPMG Samjong Accounting Corp.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES  
 Consolidated Statements of Financial Position  
 As of December 31, 2015 and 2014

(In thousands of won)

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and cash equivalents	₩ 3,105,303,361	3,229,315,488
Short-term financial assets	4,627,226,992	4,742,522,625
Trade and other receivables	5,340,950,322	5,734,112,198
Due from customers for contract work	6,599,947,481	7,154,045,476
Inventories	4,492,239,892	5,822,203,196
Derivative assets	41,755,610	127,428,741
Firm commitment assets	361,396,671	102,390,560
Prepaid income taxes	59,476,191	63,330,607
Other current assets	<u>2,547,716,951</u>	<u>2,896,259,774</u>
<b>Total current assets</b>	<u>27,176,013,471</u>	<u>29,871,608,665</u>
Investments in associates and joint ventures	270,052,006	554,290,606
Long-term financial assets	1,189,482,706	2,496,029,851
Long-term trade and other receivables	589,099,760	930,131,965
Investment property	347,868,346	393,474,781
Property, plant and equipment	16,320,002,213	16,060,222,102
Intangible assets	2,140,184,872	2,211,628,038
Derivative assets	9,374,626	19,375,757
Firm commitment assets	294,765,973	153,874,765
Deferred tax assets	1,350,103,038	629,359,589
Other non-current assets	<u>45,888,977</u>	<u>64,421,722</u>
<b>Total non-current assets</b>	<u>22,556,822,517</u>	<u>23,512,809,176</u>
<b>Total assets</b>	<u>₩ 49,732,835,988</u>	<u>53,384,417,841</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES  
 Consolidated Statements of Financial Position, Continued  
 As of December 31, 2015 and 2014

(In thousands of won)

	<u>2015</u>	<u>2014</u>
<b>Liabilities</b>		
Short-term financial liabilities	₩ 9,502,483,275	12,129,708,393
Trade and other payables	5,874,330,417	6,362,168,342
Advances from customers	532,641,433	705,470,656
Due to customers for contract work	6,394,046,502	8,140,673,917
Derivative liabilities	571,856,159	204,790,242
Firm commitment liabilities	9,147,694	78,981,745
Income tax payable	117,913,382	42,905,141
Short-term provisions	4,104,690	-
Other current liabilities	54,122,016	37,972,597
<b>Total current liabilities</b>	<u>23,060,645,568</u>	<u>27,702,671,033</u>
Long-term financial liabilities	9,205,874,590	7,440,036,077
Long-term trade and other payables	98,727,876	104,396,800
Liabilities for defined benefit plans	546,242,180	551,233,374
Long-term provisions	715,803,496	502,372,244
Derivative liabilities	303,487,526	162,567,299
Firm commitment liabilities	9,032,154	13,059,104
Deferred tax liabilities	260,665,827	235,878,849
Other non-current liabilities	33,395,242	33,627,399
<b>Total non-current liabilities</b>	<u>11,173,228,891</u>	<u>9,043,171,146</u>
<b>Total liabilities</b>	<u>34,233,874,459</u>	<u>36,745,842,179</u>
<b>Equity</b>		
Common stock	380,000,000	380,000,000
Capital surplus	1,124,895,931	1,109,309,014
Hybrid bonds	428,589,000	428,589,000
Capital adjustments	(1,341,552,282)	(1,762,535,173)
Accumulated other comprehensive income	325,410,971	746,492,455
Retained earnings	12,818,775,666	14,271,926,021
<b>Equity attributable to owners of the Company</b>	<u>13,736,119,286</u>	<u>15,173,781,317</u>
<b>Non-controlling interests</b>	<u>1,762,842,243</u>	<u>1,464,794,345</u>
<b>Total equity</b>	<u>15,498,961,529</u>	<u>16,638,575,662</u>
<b>Total liabilities and equity</b>	<u>₩ 49,732,835,988</u>	<u>53,384,417,841</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES  
Consolidated Statements of Comprehensive Loss  
For the years ended December 31, 2015 and 2014

(In thousands of won, except share information)

	<u>2015</u>	<u>2014</u>
Sales	₩ 46,231,713,943	52,582,404,205
Cost of sales	<u>44,681,972,337</u>	<u>53,299,441,785</u>
<b>Gross profit (loss)</b>	1,549,741,606	(717,037,580)
Selling, general and administrative expenses	<u>3,089,872,793</u>	<u>2,532,417,385</u>
<b>Operating loss</b>	(1,540,131,187)	(3,249,454,965)
Finance income	1,901,598,919	1,611,112,500
Finance costs	2,933,329,474	1,938,268,861
Other non-operating income	1,197,159,266	970,726,316
Other non-operating expenses	410,932,602	462,059,802
Share of loss of equity accounted investees	<u>(55,783,702)</u>	<u>(37,100,275)</u>
<b>Loss before income taxes</b>	(1,841,418,780)	(3,105,045,087)
Income tax benefit	<u>(478,195,977)</u>	<u>(898,980,392)</u>
<b>Loss for the year</b>	₩ <u>(1,363,222,803)</u>	<u>(2,206,064,695)</u>
<b>Other comprehensive income (loss)</b>		
<b>Items that are or may be reclassified subsequently to profit or loss:</b>		
Change in fair value of available-for-sale financial assets	₩ (433,381,779)	(495,770,561)
Effective portion of changes in fair value of cash flow hedges	44,423,068	(26,888,716)
Exchange differences on translating foreign operations	(6,810,172)	(35,333,047)
Change in equity of equity method investments	<u>(49,097,130)</u>	<u>55,724,964</u>
<b>Total items that are or may be reclassified subsequently to profit or loss</b>	(444,866,013)	(502,267,360)
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial gains and losses	(91,745,010)	(149,579,380)
Changes in retained earnings of equity method investments	<u>(251,364)</u>	<u>8,391,533</u>
<b>Total items that will not be reclassified to profit or loss</b>	(91,996,374)	(141,187,847)
<b>Other comprehensive income (loss) for the year, net of income tax</b>	<u>(536,862,387)</u>	<u>(643,455,207)</u>
<b>Total comprehensive loss for the year</b>	₩ <u><u>(1,900,085,190)</u></u>	<u><u>(2,849,519,902)</u></u>
<b>Loss attributable to:</b>		
Owners of the Company	(1,349,911,380)	(1,769,214,511)
Non-controlling interests	<u>(13,311,423)</u>	<u>(436,850,184)</u>
	₩ <u>(1,363,222,803)</u>	<u>(2,206,064,695)</u>
<b>Total comprehensive loss attributable to:</b>		
Owners of the Company	(1,853,939,306)	(2,396,682,367)
Non-controlling interests	<u>(46,145,884)</u>	<u>(452,837,535)</u>
	₩ <u><u>(1,900,085,190)</u></u>	<u><u>(2,849,519,902)</u></u>
<b>Loss per share</b>		
Basic and diluted loss per share (in won)	₩ (24,349)	(32,049)

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2015 and 2014**

(In thousands of won)

		Common stock	Capital surplus	Hybrid bonds	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
<b>Balance at January 1, 2014</b>	₩	380,000,000	1,109,309,014	-	(1,772,782,730)	1,239,973,279	16,293,099,047	1,779,993,147	19,029,591,757
<b>Total comprehensive income (loss) for the year</b>									
Loss for the year		-	-	-	-	-	(1,769,214,511)	(436,850,184)	(2,206,064,695)
Change in fair value of available-for-sale financial assets		-	-	-	-	(484,097,563)	-	(11,672,998)	(495,770,561)
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	(26,989,061)	-	100,345	(26,888,716)
Exchange differences on translating foreign operations		-	-	-	-	(37,677,622)	-	2,344,575	(35,333,047)
Change in equity of equity method investments		-	-	-	-	55,283,422	-	441,542	55,724,964
Actuarial gains and losses		-	-	-	-	-	(142,253,296)	(7,326,084)	(149,579,380)
Change in retained earnings of equity method investments		-	-	-	-	-	8,266,264	125,269	8,391,533
<b>Transactions with owners of the Company, recognized directly in equity</b>									
Dividends		-	-	-	-	-	(117,264,016)	(5,988,909)	(123,252,925)
Issue of hybrid bonds		-	-	428,589,000	-	-	-	-	428,589,000
Interest for hybrid bonds		-	-	-	-	-	(707,467)	-	(707,467)
Changes in ownership in subsidiaries		-	-	-	10,247,557	-	-	143,627,642	153,875,199
<b>Balance at December 31, 2014</b>	₩	<u>380,000,000</u>	<u>1,109,309,014</u>	<u>428,589,000</u>	<u>(1,762,535,173)</u>	<u>746,492,455</u>	<u>14,271,926,021</u>	<u>1,464,794,345</u>	<u>16,638,575,662</u>
<b>Balance at January 1, 2015</b>	₩	380,000,000	1,109,309,014	428,589,000	(1,762,535,173)	746,492,455	14,271,926,021	1,464,794,345	16,638,575,662
<b>Total comprehensive income (loss) for the year</b>									
Loss for the year		-	-	-	-	-	(1,349,911,380)	(13,311,423)	(1,363,222,803)
Change in fair value of available-for-sale financial assets		-	-	-	-	(407,381,598)	-	(26,000,181)	(433,381,779)
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	43,763,462	-	659,606	44,423,068
Exchange differences on translating foreign operations		-	-	-	-	(8,706,720)	-	1,896,548	(6,810,172)
Change in equity of equity method investments		-	-	-	-	(48,756,628)	-	(340,502)	(49,097,130)
Actuarial gains and losses		-	-	-	-	-	(82,697,349)	(9,047,661)	(91,745,010)
Change in retained earnings of equity method investments		-	-	-	-	-	(249,093)	(2,271)	(251,364)
<b>Transactions with owners of the Company, recognized directly in equity</b>									
Dividends		-	-	-	-	-	-	(2,446,286)	(2,446,286)
Disposal of treasury shares		-	13,411,197	-	433,522,214	-	-	-	446,933,411
Interest for hybrid bonds		-	-	-	-	-	(20,292,533)	-	(20,292,533)
Issue of hybrid bonds in subsidiary		-	-	-	-	-	-	224,272,850	224,272,850
Changes in ownership in subsidiaries		-	2,175,720	-	(12,539,323)	-	-	122,367,218	112,003,615
<b>Balance at December 31, 2015</b>	₩	<u>380,000,000</u>	<u>1,124,895,931</u>	<u>428,589,000</u>	<u>(1,341,552,282)</u>	<u>325,410,971</u>	<u>12,818,775,666</u>	<u>1,762,842,243</u>	<u>15,498,961,529</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2015 and 2014**

(In thousands of won)

	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Loss for the year	₩ (1,363,222,803)	(2,206,064,695)
Adjustments	820,049,430	3,846,015,292
Cash generated from operations	(543,173,373)	1,639,950,597
Interest received	255,811,333	305,835,273
Interest paid	(407,661,689)	(410,302,676)
Dividends received	86,977,614	92,296,690
Income taxes received (paid)	33,695,055	(121,105,136)
<b>Net cash provided by (used in) operating activities</b>	<b>(574,351,060)</b>	<b>1,506,674,748</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of short-term financial assets	308,122,035	281,966,263
Proceeds from collection of other receivables	4,967,260	9,489,599
Proceeds from sale of investments in associates and joint venture	143,548,055	7,934,700
Proceeds from sale of investments in subsidiaries, net of cash transferred	29,517,071	105,916,775
Proceeds from sale of long-term financial assets	1,599,798,825	1,259,339,673
Proceeds from collection of long-term other receivables	101,923,582	70,034,423
Proceeds from sale of investment property	-	15,236,500
Proceeds from sale of property, plant and equipment	45,737,187	127,075,010
Proceeds from sale of intangible assets	24,683,479	5,843,993
Proceeds from government grants	736,168	5,782,891
Proceeds from collection of other non-current assets	7,059,480	669,690
Acquisition of short-term financial assets	(362,221,184)	(289,406,901)
Acquisition of other receivables	(63,469)	(25,089)
Acquisition of investments in associates and joint venture	(45,856,960)	(20,133,500)
Acquisition of long-term financial assets	(634,495,468)	(561,192,828)
Acquisition of long-term other receivables	(36,447,519)	(58,065,178)
Acquisition of investment property	(232,536)	(402)
Acquisition of property, plant and equipment	(1,280,691,731)	(1,487,037,877)
Acquisition of intangible assets	(52,947,165)	(64,899,898)
Acquisition of other non-current assets	-	(6,018)
<b>Net cash used in investing activities</b>	<b>(146,862,890)</b>	<b>(591,478,174)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term financial liabilities	20,651,615,738	24,492,641,246
Proceeds from long-term financial liabilities	4,520,814,336	4,062,670,622
Issue of hybrid bonds	-	428,589,000
Disposal of treasury shares	127,520,897	-
Issue of hybrid bonds in subsidiary	224,272,850	-
Capital contribution from non-controlling interests	146,388,389	106,683,433
Repayment of short-term financial liabilities	(24,491,368,105)	(27,583,833,012)
Repayment of long-term financial liabilities	(556,399,241)	(399,299,658)
Interest of hybrid bonds paid	(21,000,000)	-
Dividends paid	-	(117,264,016)
Dividends and distribution to non-controlling interests	(8,186,536)	(3,949,556)
<b>Net cash provided by financing activities</b>	<b>593,658,328</b>	<b>986,238,059</b>
Effects of exchange rate changes on cash and cash equivalents	3,543,495	(8,732,354)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(124,012,127)</b>	<b>1,892,702,279</b>
Cash and cash equivalents at January 1	3,229,315,488	1,336,613,209
<b>Cash and cash equivalents at December 31</b>	<b>₩ 3,105,303,361</b>	<b>3,229,315,488</b>