

HYUNDAI HEAVY INDUSTRIES CO., LTD.
AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements

June 30, 2016

(Unaudited)

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KPMG Samjong Accounting Corp.

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Financial Position
As of June 30, 2016 and December 31, 2015
(Unaudited)

(In thousands of won)

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	₩ 4,388,700,706	3,105,303,361
Short-term financial assets	4,560,104,502	4,627,226,992
Trade and other receivables	5,570,627,238	5,340,950,322
Due from customers for contract work	5,146,194,406	6,599,947,481
Inventories	3,975,482,564	4,492,239,892
Derivative assets	23,481,622	41,755,610
Firm commitment assets	220,498,928	361,396,671
Prepaid income taxes	13,869,569	59,476,191
Non-current assets held for sale	100,786,306	-
Other current assets	<u>2,680,706,272</u>	<u>2,547,716,951</u>
Total current assets	<u>26,680,452,113</u>	<u>27,176,013,471</u>
Investments in associates and joint ventures	285,170,000	270,052,006
Long-term financial assets	629,138,222	1,189,482,706
Long-term trade and other receivables	512,718,552	589,099,760
Investment property	289,198,270	347,868,346
Property, plant and equipment	19,013,652,908	16,320,002,213
Intangible assets	2,101,426,471	2,140,184,872
Derivative assets	12,511,307	9,374,626
Firm commitment assets	88,917,947	294,765,973
Deferred tax assets	790,799,729	1,350,103,038
Other non-current assets	<u>45,481,878</u>	<u>45,888,977</u>
Total non-current assets	<u>23,769,015,284</u>	<u>22,556,822,517</u>
Total assets	<u>₩ 50,449,467,397</u>	<u>49,732,835,988</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Financial Position, Continued
As of June 30, 2016 and December 31, 2015
(Unaudited)

(In thousands of won)

	<u>2016</u>	<u>2015</u>
Liabilities		
Short-term financial liabilities	₩ 8,858,595,253	9,502,483,275
Trade and other payables	6,536,632,588	5,874,330,417
Advances from customers	609,191,940	532,641,433
Due to customers for contract work	5,128,908,478	6,394,046,502
Derivative liabilities	325,964,142	571,856,159
Firm commitment liabilities	19,552,182	9,147,694
Income tax payable	189,467,721	117,913,382
Short-term provisions	3,167,277	4,104,690
Other current liabilities	39,549,888	54,122,016
Total current liabilities	<u>21,711,029,469</u>	<u>23,060,645,568</u>
Long-term financial liabilities	9,070,928,981	9,205,874,590
Long-term trade and other payables	88,948,714	98,727,876
Liabilities for defined benefit plans	553,572,800	546,242,180
Long-term provisions	736,339,681	715,803,496
Derivative liabilities	93,180,094	303,487,526
Firm commitment liabilities	12,293,021	9,032,154
Deferred tax liabilities	279,824,491	260,665,827
Other non-current liabilities	33,081,229	33,395,242
Total non-current liabilities	<u>10,868,169,011</u>	<u>11,173,228,891</u>
Total liabilities	<u>32,579,198,480</u>	<u>34,233,874,459</u>
Equity		
Common stock	380,000,000	380,000,000
Capital surplus	1,124,895,931	1,124,895,931
Hybrid bonds	428,589,000	428,589,000
Capital adjustments	(1,348,538,643)	(1,341,552,282)
Accumulated other comprehensive income	1,958,971,918	325,410,971
Retained earnings	13,332,892,583	12,818,775,666
Equity attributable to owners of the company	<u>15,876,810,789</u>	<u>13,736,119,286</u>
Non-controlling interests	<u>1,993,458,128</u>	<u>1,762,842,243</u>
Total equity	<u>17,870,268,917</u>	<u>15,498,961,529</u>
Total liabilities and equity	<u>₩ 50,449,467,397</u>	<u>49,732,835,988</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
For the three-month and six-month periods ended June 30, 2016 and 2015
(Unaudited)

(In thousands of won)

	2016		2015	
	Three-month period	Six-month period	Three-month period	Six-month period
Sales	₩ 9,862,659,425	20,135,454,327	11,946,104,505	24,174,202,933
Cost of sales	8,531,431,245	17,885,746,761	11,422,458,279	23,149,778,735
Gross profit	<u>1,331,228,180</u>	<u>2,249,707,566</u>	<u>523,646,226</u>	<u>1,024,424,198</u>
Selling, general and administrative expenses	774,038,530	1,367,326,373	694,581,511	1,387,779,789
Operating profit (loss)	<u>557,189,650</u>	<u>882,381,193</u>	<u>(170,935,285)</u>	<u>(363,355,591)</u>
Finance income	473,584,391	1,032,610,403	334,960,843	689,930,014
Finance costs	505,557,454	929,036,501	646,626,688	1,103,781,012
Other non-operating income	127,561,948	150,885,626	283,798,754	487,878,848
Other non-operating expenses	129,271,019	265,414,716	65,130,439	132,465,911
Share of profit (loss) of equity accounted investees	17,301,792	30,436,232	(37,908,324)	(45,784,561)
Profit (Loss) before income tax	<u>540,809,308</u>	<u>901,862,237</u>	<u>(301,841,139)</u>	<u>(467,578,213)</u>
Income tax expense (benefit)	148,580,458	265,101,458	(59,441,353)	(100,024,152)
Profit (Loss) for the period	<u>₩ 392,228,850</u>	<u>636,760,779</u>	<u>(242,399,786)</u>	<u>(367,554,061)</u>
Other comprehensive income (loss)				
Items that are or may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale financial assets	₩ (175,204,803)	(175,867,526)	(240,627,144)	(257,582,383)
Effective portion of changes in fair value of cash flow hedges	11,438,713	11,697,599	12,775,562	20,214,127
Exchange differences on translating foreign operations	1,021,236	8,902,977	21,520,053	13,835,103
Change in equity of equity method investments	4,178,710	4,474,991	(16,694)	12,879,670
Total items that are or may be reclassified subsequently to profit or loss	<u>(158,566,144)</u>	<u>(150,791,959)</u>	<u>(206,348,223)</u>	<u>(210,653,483)</u>
Items that will not be reclassified to profit or loss:				
Actuarial gains and losses	24,137,164	24,239,880	(127,864)	(2,776,126)
Revaluation of property, plant and equipment	1,912,644,425	1,912,644,425	-	-
Changes in retained earnings of equity method investments	-	-	(7,438)	(224,755)
Total items that will not be reclassified to profit or loss	<u>1,936,781,589</u>	<u>1,936,884,305</u>	<u>(135,302)</u>	<u>(3,000,881)</u>
Other comprehensive income (loss) for the period, net of income tax	<u>1,778,215,445</u>	<u>1,786,092,346</u>	<u>(206,483,525)</u>	<u>(213,654,364)</u>
Total comprehensive income (loss) for the period	<u>₩ 2,170,444,295</u>	<u>2,422,853,125</u>	<u>(448,883,311)</u>	<u>(581,208,425)</u>

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

For the three-month and six-month periods ended June 30, 2016 and 2015
 (Unaudited)

(In thousands of won, except share information)

	2016		2015	
	Three-month period	Six-month period	Three-month period	Six-month period
Profit (Loss) attributable to:				
Owners of the Company	292,066,737	500,640,170	(241,165,765)	(379,935,474)
Non-controlling interests	100,162,113	136,120,609	(1,234,021)	12,381,413
₩	<u>392,228,850</u>	<u>636,760,779</u>	<u>(242,399,786)</u>	<u>(367,554,061)</u>
Total comprehensive income (loss) attributable to:				
Owners of the Company	1,947,254,372	2,158,177,863	(433,534,539)	(585,325,033)
Non-controlling interests	223,189,923	264,675,262	(15,348,772)	4,116,608
₩	<u>2,170,444,295</u>	<u>2,422,853,125</u>	<u>(448,883,311)</u>	<u>(581,208,425)</u>
Earnings (Losses) per share				
Basic and diluted earnings (losses) per share (in won)	₩ 4,798	₩ 8,199	₩ (4,344)	₩ (6,925)

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Changes in Equity
For the six-month periods ended June 30, 2016 and 2015
(Unaudited)

(In thousands of won)

		Common stock	Capital surplus	Hybrid bonds	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interests	Total equity
Balance at January 1, 2015	₩	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
Total comprehensive income (loss) for the period									
Profit (loss) for the period		-	-	-	-	-	(379,935,474)	12,381,413	(367,554,061)
Change in fair value of available-for-sale financial assets		-	-	-	-	(245,744,149)	-	(11,838,234)	(257,582,383)
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	19,647,638	-	566,489	20,214,127
Exchange differences on translating foreign operations		-	-	-	-	10,227,117	-	3,607,986	13,835,103
Change in equity of equity method investments		-	-	-	-	13,351,575	-	(471,905)	12,879,670
Actuarial losses		-	-	-	-	-	(2,646,985)	(129,141)	(2,776,126)
Change in retained earnings of equity method investments		-	-	-	-	-	(224,755)	-	(224,755)
Transactions with owners of the Company, recognized directly in equity									
Dividends		-	-	-	-	-	-	(2,445,798)	(2,445,798)
Disposal of treasury stock		-	30,801,498	-	115,082,343	-	-	-	145,883,841
Interest for hybrid bonds		-	-	-	-	-	(7,251,532)	-	(7,251,532)
Others		-	-	-	(470,400)	-	-	8,347,487	7,877,087
Balance at June 30, 2015	₩	<u>380,000,000</u>	<u>1,140,110,512</u>	<u>428,589,000</u>	<u>(1,647,923,230)</u>	<u>543,974,636</u>	<u>13,881,867,275</u>	<u>1,474,812,642</u>	<u>16,201,430,835</u>
Balance at January 1, 2016	₩	380,000,000	1,124,895,931	428,589,000	(1,341,552,282)	325,410,971	12,818,775,666	1,762,842,243	15,498,961,529
Total comprehensive income (loss) for the period									
Profit (Loss) for the period		-	-	-	-	-	500,640,170	136,120,609	636,760,779
Change in fair value of available-for-sale financial assets		-	-	-	-	(135,159,668)	-	(40,707,858)	(175,867,526)
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	12,143,031	-	(445,432)	11,697,599
Exchange differences on translating foreign operations		-	-	-	-	10,471,949	-	(1,568,972)	8,902,977
Change in equity of equity method investments		-	-	-	-	4,093,978	-	381,013	4,474,991
Actuarial gains		-	-	-	-	-	23,976,747	263,133	24,239,880
Revaluation of property, plant and equipment		-	-	-	-	1,742,011,657	-	170,632,768	1,912,644,425
Transactions with owners of the Company, recognized directly in equity									
Dividends		-	-	-	-	-	-	(29,742,040)	(29,742,040)
Interest for hybrid bonds		-	-	-	-	-	(10,500,000)	-	(10,500,000)
Others		-	-	-	(6,986,361)	-	-	(4,317,336)	(11,303,697)
Balance at June 30, 2016	₩	<u>380,000,000</u>	<u>1,124,895,931</u>	<u>428,589,000</u>	<u>(1,348,538,643)</u>	<u>1,958,971,918</u>	<u>13,332,892,583</u>	<u>1,993,458,128</u>	<u>17,870,268,917</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND SUBSIDIARIES
Condensed Consolidated Interim Statements of Cash Flows
For the six-month periods ended June 30, 2016 and 2015
(Unaudited)

(In thousands of won)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Profit (Loss) for the period	₩ 636,760,779	(367,554,061)
Adjustments	2,030,093,351	(985,483,691)
Cash generated from operations	<u>2,666,854,130</u>	<u>(1,353,037,752)</u>
Interest received	110,313,354	126,175,501
Interest paid	(213,087,933)	(205,553,446)
Dividends received	47,784,572	74,601,680
Income taxes paid	<u>(135,861,381)</u>	<u>(17,639,537)</u>
Net cash provided by (used in) operating activities	<u>2,476,002,742</u>	<u>(1,375,453,554)</u>
Cash flows from investing activities		
Proceeds from sale of short-term financial assets	317,106,192	109,087,465
Proceeds from collection of other receivables	31,018,038	4,982,523
Proceeds from sale of investments in associates and joint ventures	1,821,500	17,679,665
Proceeds from sale of long-term financial assets	563,255,245	209,436,522
Proceeds from collection of long-term other receivables	19,197,723	69,875,765
Proceeds from sale of property, plant and equipment	119,118,248	25,982,030
Proceeds from sale of intangible assets	10,505,562	13,877,118
Proceeds from government grants	576,736	204,131
Proceeds from other non-current assets	-	136,301
Acquisition of short-term financial assets	(322,375,317)	(130,190,754)
Acquisition of other receivables	(1,330,533)	-
Acquisition of investments in associates and joint ventures	(27,620,000)	(39,236,960)
Acquisition of long-term financial assets	(396,413,819)	(237,656,150)
Acquisition of long-term other receivables	(28,877,567)	(29,429,343)
Acquisition of property, plant and equipment	(665,996,262)	(643,475,308)
Acquisition of intangible assets	(25,704,155)	(24,494,710)
Acquisition of investment properties	-	(24,500)
Changes in the scope of consolidation	(6,377,453)	29,517,071
Net cash used in investing activities	<u>(412,095,862)</u>	<u>(623,729,134)</u>
Cash flows from financing activities		
Proceeds from short-term financial liabilities	5,070,202,776	13,799,886,912
Proceeds from long-term financial liabilities	1,142,272,678	3,187,475,068
Capital contribution from non-controlling interests	31,182,134	52,000,000
Repayment of short-term financial liabilities	(6,742,685,629)	(15,408,738,457)
Repayment of long-term financial liabilities	(208,641,801)	(215,640,244)
Hybrid bonds interest paid	(10,500,000)	(10,500,000)
Dividend and distribution to non-controlling interests	<u>(62,276,903)</u>	<u>(10,361,768)</u>
Net cash provided by (used in) financing activities	<u>(780,446,745)</u>	<u>1,394,121,511</u>
Effects of exchange rate changes on cash and cash equivalents	(62,790)	2,572,501
Net increase (decrease) in cash and cash equivalents	<u>1,283,397,345</u>	<u>(602,488,676)</u>
Cash and cash equivalents at January 1	<u>3,105,303,361</u>	<u>3,229,315,488</u>
Cash and cash equivalents at June 30	<u>₩ 4,388,700,706</u>	<u>2,626,826,812</u>