

HYUNDAI HEAVY INDUSTRIES CO., LTD.

Separate Financial Statements

December 31, 2015

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KPMG Samjong Accounting Corp.

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

(In thousands of won)

	2015	2014
Assets		
Cash and cash equivalents	₩ 1,332,253,032	1,407,943,949
Short-term financial assets	149,700,000	149,731,816
Trade and other receivables	3,504,975,622	2,965,451,971
Due from customers for contract work	4,017,527,639	4,706,154,739
Inventories	2,621,567,880	3,111,765,221
Derivative assets	11,924,137	101,394,184
Firm commitment assets	207,722,591	59,425,040
Other current assets	1,541,983,897	2,276,862,547
Total current assets	13,387,654,798	14,778,729,467
Investments in subsidiaries, associates and joint ventures	6,219,323,163	6,315,714,090
Long-term financial assets	385,522,655	1,052,224,824
Long-term trade and other receivables	241,282,584	294,797,046
Investment property	394,289,135	410,791,189
Property, plant and equipment	8,063,522,143	8,255,085,223
Intangible assets	320,933,442	365,622,486
Derivative assets	2,521,814	16,383,248
Firm commitment assets	210,208,415	85,793,200
Deferred tax assets	959,491,519	424,218,092
Other non-current assets	31,066	-
Total non-current assets	16,797,125,936	17,220,629,398
Total assets	₩ 30,184,780,734	31,999,358,865

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

(In thousands of won)

	2015	2014
Liabilities		
Short-term financial liabilities	₩ 3,608,630,788	3,643,119,149
Trade and other payables	3,366,361,634	3,686,939,733
Advances from customers	620,639,833	756,823,764
Due to customers for contract work	3,971,292,760	5,257,296,786
Derivative liabilities	313,438,581	145,513,550
Firm commitment liabilities	6,227,236	63,740,551
Income tax payable	-	665,762
Total current liabilities	<u>11,886,590,832</u>	<u>13,554,099,295</u>
Long-term financial liabilities	4,619,045,403	3,657,384,068
Long-term trade and other payables	11,080,876	11,581,151
Liabilities for defined benefit plans	433,727,355	442,146,969
Long-term provisions	644,244,345	460,316,383
Derivative liabilities	215,894,355	90,070,108
Firm commitment liabilities	2,408,741	10,556,077
Total non-current liabilities	<u>5,926,401,075</u>	<u>4,672,054,756</u>
Total liabilities	<u>17,812,991,907</u>	<u>18,226,154,051</u>
Equity		
Common stock	380,000,000	380,000,000
Capital surplus	1,057,927,830	1,044,516,633
Hybrid bonds	428,589,000	428,589,000
Capital adjustments	(966,932,733)	(1,400,454,947)
Accumulated other comprehensive income	85,255,452	306,094,650
Retained earnings	11,386,949,278	13,014,459,478
Total equity	<u>12,371,788,827</u>	<u>13,773,204,814</u>
Total liabilities and equity	<u>₩ <u>30,184,780,734</u></u>	<u><u>31,999,358,865</u></u>

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

(In thousands of won, except share information)

	2015	2014
Sales	₩ 24,472,344,053	23,463,461,064
Cost of sales	24,386,489,137	24,053,489,027
Gross profit (loss)	<u>85,854,916</u>	<u>(590,027,963)</u>
Selling, general and administrative expenses	1,762,244,404	1,333,222,550
Operating loss	<u>(1,676,389,488)</u>	<u>(1,923,250,513)</u>
Finance income	1,203,241,214	827,640,101
Finance costs	1,676,371,427	1,242,257,519
Other non-operating income	766,761,058	425,642,895
Other non-operating expenses	697,837,409	424,926,390
Loss before income taxes	<u>(2,080,596,052)</u>	<u>(2,337,151,426)</u>
Income tax benefit	<u>(532,538,728)</u>	<u>(582,474,217)</u>
Loss for the year	<u>₩ (1,548,057,324)</u>	<u>(1,754,677,209)</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	₩ (263,187,034)	(216,563,440)
Effective portion of changes in fair value of cash flow hedges	42,347,836	(29,547,280)
Total items that are or may be reclassified subsequently to profit or loss	<u>(220,839,198)</u>	<u>(246,110,720)</u>
Items that will not be reclassified to profit or loss:		
Actuarial gains and losses	(59,160,343)	(111,623,421)
Total items that will not be reclassified to loss	<u>(59,160,343)</u>	<u>(111,623,421)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(279,999,541)</u>	<u>(357,734,141)</u>
Total comprehensive loss for the year	<u>₩ (1,828,056,865)</u>	<u>(2,112,411,350)</u>
Loss per share		
Basic and diluted loss per share (in won)	<u>₩ (25,159)</u>	<u>(28,641)</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Separate 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	Gain and loss on valuation of available-for- sale financial assets	Gain and loss on valuation of derivatives	Retained earnings	Total equity
Balance at January 1, 2014	₩ 380,000,000	1,044,516,633	-	(1,400,454,947)	581,649,402	(29,444,032)	15,004,044,455	15,580,311,511
Total comprehensive income (loss) for the year								
Loss for the year	-	-	-	-	-	-	(1,754,677,209)	(1,754,677,209)
Change in fair value of available-for- sale financial assets	-	-	-	-	(216,563,440)	-	-	(216,563,440)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	(29,547,280)	-	(29,547,280)
Actuarial gains and losses	-	-	-	-	-	-	(111,623,421)	(111,623,421)
Transactions with owners of the Company, recognized directly in equity								
Dividends	-	-	-	-	-	-	(122,576,880)	(122,576,880)
Issue of hybrid bonds	-	-	428,589,000	-	-	-	-	428,589,000
Interest for hybrid bonds	-	-	-	-	-	-	(707,467)	(707,467)
Balance at December 31, 2014	₩ 380,000,000	1,044,516,633	428,589,000	(1,400,454,947)	365,085,962	(58,991,312)	13,014,459,478	13,773,204,814
Balance at January 1, 2015	₩ 380,000,000	1,044,516,633	428,589,000	(1,400,454,947)	365,085,962	(58,991,312)	13,014,459,478	13,773,204,814
Total comprehensive income (loss) for the year								
Loss for the year	-	-	-	-	-	-	(1,548,057,324)	(1,548,057,324)
Change in fair value of available-for- sale financial assets	-	-	-	-	(263,187,034)	-	-	(263,187,034)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	42,347,836	-	42,347,836
Actuarial gains and losses	-	-	-	-	-	-	(59,160,343)	(59,160,343)
Transactions with owners of the Company, recognized directly in equity								
Disposal of treasury stock	-	13,411,197	-	433,522,214	-	-	-	446,933,411
Interest for hybrid bonds	-	-	-	-	-	-	(20,292,533)	(20,292,533)
Balance at December 31, 2015	₩ 380,000,000	1,057,927,830	428,589,000	(966,932,733)	101,898,928	(16,643,476)	11,386,949,278	12,371,788,827

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

(In thousands of won)

	2015	2014
Cash flows from operating activities		
Loss for the year	₩ (1,548,057,324)	(1,754,677,209)
Adjustments	706,276,536	3,150,554,707
Cash generated from operations	(841,780,788)	1,395,877,498
Interest received	26,508,929	41,524,469
Interest paid	(193,031,025)	(185,979,594)
Dividends received	68,314,243	89,440,674
Income taxes received (paid)	82,956,848	(68,867,741)
Net cash provided by (used in) operating activities	(857,031,793)	1,271,995,306
Cash flows from investing activities		
Proceeds from sale of short-term financial assets	229,700,000	161,855,224
Proceeds from sale of investments in subsidiaries, associates and joint ventures	194,367,045	105,878,509
Proceeds from sale of long-term financial assets	507,552,640	17,670,003
Proceeds from collection of long-term other receivables	4,892,900	5,287,635
Proceeds from sale of property, plant and equipment	24,885,553	3,011,854
Proceeds from sale of intangible assets	20,967,795	3,894,285
Acquisition of short-term financial assets	(229,700,000)	(161,855,224)
Acquisition of investments in subsidiaries, associates and joint ventures	(309,712,675)	(134,229,857)
Acquisition of long-term financial assets	(520,550)	(959,220)
Acquisition of long-term other receivables	(27,708,698)	(3,826,020)
Acquisition of property, plant and equipment	(471,600,289)	(641,461,840)
Acquisition of intangible assets	(45,235,505)	(58,727,926)
Net cash used in investing activities	(102,111,784)	(703,462,577)
Cash flows from financing activities		
Proceeds from short-term financial liabilities	8,518,932,436	8,452,148,034
Proceeds from long-term financial liabilities	2,824,933,306	2,768,632,800
Issue of hybrid bonds	-	428,589,000
Disposal of treasury stock	127,520,897	-
Repayment of short-term financial liabilities	(10,177,083,492)	(11,419,060,981)
Repayment of long-term financial liabilities	(390,000,000)	(1,469)
Interest for hybrid bonds paid	(21,000,000)	-
Dividends paid	-	(122,576,880)
Net cash provided by financing activities	883,303,147	107,730,504
Effects of exchange rate changes on cash and cash equivalents	149,513	1,006,948
Net increase (decrease) in cash and cash equivalents	(75,690,917)	677,270,181
Cash and cash equivalents at January 1	1,407,943,949	730,673,768
Cash and cash equivalents at December 31	₩ 1,332,253,032	1,407,943,949