

HYUNDAI HEAVY INDUSTRIES CO., LTD.

Financial Statements

June 30, 2009

(With Independent Accountants' Review Report Thereon)

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Independent Accountants' Review Report

Based on a report originally issued in Korean

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

We have reviewed the accompanying statement of financial position of Hyundai Heavy Industries Co., Ltd. (the "Company") as of June 30, 2009, and the related statements of income, changes in equity and cash flows for the three and six-month periods ended June 30, 2009 and 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. These Standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data and, thus, provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

The statement of financial position of the Company as of December 31, 2008, the related statements of income, appropriation of retained earnings, 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 February 26, 2009, expressed an unqualified opinion. The accompanying statement of financial position of the Company as of December 31, 2008, presented for comparative purposes, is not different from that audited by us in all material respects.

The following matters may be helpful to the readers in their understanding of the financial statements:

(GAAP/GAAS legend)

As discussed in note 2(a) to the financial statements, accounting principles and review standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting principles and review standards and their application in practice.

Seoul, Korea
July 24, 2009

<p>This report is effective as of July 24, 2009, 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 financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>

Hyundai Heavy Industries Co., Ltd.
Statements of Financial Position

As of June 30, 2009 and December 31, 2008
(unaudited)

(In thousands of Won, except share data)

	Note		2009	2008
Assets				
Cash and cash equivalents	26,31	₩	694,418,155	667,492,156
Short-term financial instruments	3		469,155,290	1,676,394,826
Short-term investment securities	5		-	102,459,800
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩102,860,222 in 2009 and ₩96,532,225 in 2008	21,25,26		5,066,817,925	4,498,868,535
Accounts receivable - other, net of allowance for doubtful accounts of ₩293,864,294 in 2009 and ₩296,094,108 in 2008	17,25,26		202,915,766	162,113,211
Advanced payments, net of allowance for doubtful accounts of ₩ 20,496,841 in 2009 and ₩17,757,919 in 2008			1,124,661,192	852,779,452
Accrued income			58,158,060	58,732,447
Foreign exchange forward contracts	16		2,020,065,970	1,851,056,213
Deferred income tax assets	16,22,23		80,925,784	212,461,924
Inventories	4		2,102,442,320	2,263,296,422
Other current assets	6		283,930,741	271,913,270
Total current assets			12,103,491,203	12,617,568,256
Long-term financial instruments	3,26		3,482,301	15,322,748
Long-term investment securities	7		739,025,674	496,260,357
Equity method accounted investments	8		3,097,718,688	2,712,825,310
Property, plant and equipment, net	9,27		6,835,682,673	6,189,953,763
Intangible assets	10,27		274,246,278	262,296,296
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts of ₩613,893 in 2009 and ₩832,009 in 2008			60,775,394	82,368,900
Foreign exchange forward contracts	16		1,950,565,412	2,815,240,074
Other non-current assets	11,26		96,335,174	88,565,217
Total non-current assets			13,057,831,594	12,662,832,665
Total assets		₩	25,161,322,797	25,280,400,921
Liabilities				
Trade accounts and notes payable	25,26	₩	1,799,860,576	2,337,258,676
Short-term borrowings	12		419,384,430	-
Accounts payable-other	25,26		108,876,571	180,439,441
Advances from customers	21		9,846,637,946	10,177,418,459
Accrued expenses	25,26		588,465,644	289,674,793
Income tax payable	22		139,487,394	457,058,997
Foreign exchange forward contracts	16		2,538,487,706	2,798,264,234
Other current liabilities	12		125,003,760	233,766,414
Total current liabilities			15,566,204,027	16,473,881,014

Hyundai Heavy Industries Co., Ltd.
Statements of Financial Position, Continued
As of June 30, 2009 and December 31, 2008
(unaudited)

(In thousands of Won, except share data)

	<i>Note</i>	2009	2008
Debentures, net of discount on debentures ₩ 1,120,818 in 2009	12	₩ 298,879,182	-
Long-term borrowings	12,26	3,435,581	3,314,633
Provision for retirement and severance benefits, net of severance insurance deposits and others of ₩ 1,079,410,084 in 2009 and ₩ 1,112,905,108 in 2008	14	182,930,529	139,018,332
Deferred income tax liabilities	16,22,23	243,248,663	133,497,415
Foreign exchange forward contracts	16	2,002,406,297	2,856,649,956
Other long-term liabilities	15	74,989,847	78,820,055
Total non-current liabilities		2,805,890,099	3,211,300,391
Total Liabilities		18,372,094,126	19,685,181,405
 Stockholders' equity			
Common stock of ₩ 5,000 par value		380,000,000	380,000,000
Authorized - 160,000,000 shares			
Issued and outstanding - 76,000,000 shares in 2009 and 2008			
Capital surplus	18	2,818,590,688	2,818,590,688
Capital adjustments	20	(1,763,263,768)	(1,762,040,031)
Accumulated other comprehensive income	5,7,8,16,22,23	105,103,622	(498,454,758)
Retained earnings	19	5,248,798,129	4,657,123,617
Total stockholders' equity		6,789,228,671	5,595,219,516
Total liabilities and stockholders' equity		₩ 25,161,322,797	25,280,400,921

See accompanying notes to financial statements.

Hyundai Heavy Industries Co., Ltd.

Statements of Income

For the three and six-month periods ended June 30, 2009 and 2008
(unaudited)

(In thousands of Won except earnings per share)

	<i>Note</i>	2009		2008	
		Three-month period	Six-month period	Three-month period	Six-month period
Sales	16,21,25,27	₩ 5,331,047,052	10,824,675,031	4,708,992,756	9,063,057,929
Cost of sales	21,25	4,581,332,251	9,377,873,331	3,953,972,788	7,446,390,425
Gross profit		749,714,801	1,446,801,700	755,019,968	1,616,667,504
Selling and administrative expenses	28	215,003,763	435,664,897	207,517,623	429,604,554
Operating income		534,711,038	1,011,136,803	547,502,345	1,187,062,950
Interest and dividend income		32,596,769	82,713,225	60,389,158	131,816,117
Gain on foreign currency transactions		148,619,833	593,056,525	109,336,361	173,031,076
Gain on foreign currency translation		18,745,549	28,559,162	2,303,214	71,022,448
Gain on valuation of equity method accounted investments	8	70,256,086	204,785,187	219,824,269	384,222,798
Gain on foreign exchange forward contracts	16	1,152,226,174	858,026,100	76,580,385	11,031,069
Gain on disposal of property, plant and equipment		377,233	976,530	39,100,347	40,280,973
Others		61,888,834	99,541,476	24,673,688	48,721,247
Non-operating income		1,484,710,478	1,867,658,205	532,207,422	860,125,728
Interest expense		8,985,983	13,046,845	1,679,185	4,691,273
Loss on foreign currency transactions		131,995,037	367,080,423	63,362,418	114,800,052
Loss on foreign currency translation		127,014,980	31,425,698	26,320,162	60,700,877
Loss on disposal of property, plant and equipment		1,733,313	14,685,807	17,304,863	39,778,483
Loss on valuation of equity method accounted investments	8	49,290,857	96,562,718	35,340,253	57,287,332
Loss on foreign exchange forward contracts	16	1,211,574,078	1,216,520,430	4,343,559	173,734,951
Others		17,707,815	35,223,223	28,717,483	42,815,917
Non-operating expenses		1,548,302,063	1,774,545,144	177,067,923	493,808,885
Income before income taxes		471,119,453	1,104,249,864	902,641,844	1,553,379,793
Income taxes expense	22	78,047,043	212,908,072	247,426,998	455,867,456
Net income		₩ 393,072,410	891,341,792	655,214,846	1,097,512,337
Earnings per share					
Basic earnings per share	24	₩ 6,558	14,872	10,896	18,007

See accompanying notes to financial statements.

Hyundai Heavy Industries Co., Ltd.
Statements of Changes in Equity

For the six-month period ended June 30, 2009 and 2008
(unaudited)

		Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
(In thousands of Won)							
Balance at January 1, 2008	₩	380,000,000	2,771,383,687	(696,729,513)	169,794,560	2,867,059,692	5,491,508,426
Accumulated effect of accounting changes		-	42,309,668	(114,572,518)	28,463,465	-	(43,799,385)
Balance at January 1, 2008, restated		380,000,000	2,813,693,355	(811,302,031)	198,258,025	2,867,059,692	5,447,709,041
Dividends		-	-	-	-	(466,600,920)	(466,600,920)
Balance after appropriations						2,400,458,772	4,981,108,121
Net income		-	-	-	-	1,097,512,337	1,097,512,337
Change in treasury stock		-	-	(832,711,781)	-	-	(832,711,781)
Change in equity method treasury stock		-	-	(11,234,489)	-	-	(11,234,489)
Changes in capital adjustments on valuation of equity method investments		-	-	(91,600,495)	-	-	(91,600,495)
Gain on valuation of investment securities		-	-	-	(27,181,975)	-	(27,181,975)
Changes in unrealized gain on valuation of equity method investments		-	-	-	(101,861,300)	-	(101,861,300)
Negative changes in unrealized gain on valuation of equity method investments		-	-	-	(184,189,028)	-	(184,189,028)
Change in the valuation of derivatives		-	-	-	(1,310,083,394)	-	(1,310,083,394)
Balance at June 30, 2008	₩	<u>380,000,000</u>	<u>2,813,693,355</u>	<u>(1,746,848,796)</u>	<u>(1,425,057,672)</u>	<u>3,497,971,109</u>	<u>3,519,757,996</u>

Hyundai Heavy Industries Co., Ltd.
Statements of Changes in Equity, Continued

For the six-month period ended June 30, 2009 and 2008
(unaudited)

		Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
<i>(In thousands of Won)</i>							
Balance at January 1, 2009	₩	380,000,000	2,818,590,688	(1,762,040,031)	(498,454,758)	4,657,123,617	5,595,219,516
Dividends		-	-	-	-	(299,667,280)	(299,667,280)
Balance after appropriations		-	-	-	-	4,357,456,337	5,295,552,236
Net income		-	-	-	-	891,341,792	891,341,792
Changes in capital adjustments on valuation of equity method investments		-	-	(1,223,737)	-	-	(1,223,737)
Gain on valuation of investment securities		-	-	-	226,490,236	-	226,490,236
Changes in unrealized gain on valuation of equity method investments		-	-	-	85,669,102	-	85,669,102
Negative changes in unrealized gain on valuation of equity method investments		-	-	-	132,688,973	-	132,688,973
Change in the valuation of derivatives		-	-	-	158,710,069	-	158,710,069
Balance at June 30, 2009	₩	<u>380,000,000</u>	<u>2,818,590,688</u>	<u>(1,763,263,768)</u>	<u>105,103,622</u>	<u>5,248,798,129</u>	<u>6,789,228,671</u>

See accompanying notes to financial statements.

Hyundai Heavy Industries Co., Ltd.
Statements of Cash Flows

For the six-month periods ended June 30, 2009 and 2008
(unaudited)

(In thousands of Won)

		2009	2008
Cash flows from operating activities			
Net income	₩	891,341,792	1,097,512,337
Adjustments for:			
Depreciation		192,095,088	166,182,287
Accrual for severance benefits		57,083,989	93,922,262
Accrual for allowance for doubtful accounts		8,949,984	11,125,363
Loss on foreign currency translation		29,843,143	60,670,276
Loss on disposition of property, plant and equipment		14,685,807	39,778,483
Equity in net loss of equity accounted investees		96,562,718	57,287,332
Amortization of development costs		21,448,039	20,343,863
Loss on valuation of foreign exchange forward contracts		2,070,085,094	344,229,233
Accrual for foreseeable losses on construction contracts		-	2,881,047
Gain on foreign currency translation		(27,620,513)	(69,200,330)
Equity in net income of equity method accounted investees		(204,785,187)	(384,222,798)
Gain on valuation of foreign exchange forward contracts		(792,751,296)	(349,350)
Gain on reversal of provision		(1,378,628)	(1,528,160)
Gain on reversal of foreseeable losses on construction contracts		(63,781,715)	-
Others, net		7,787,029	(33,154,657)
		2,299,565,344	1,405,477,188
Changes in assets and liabilities:			
Trade accounts and notes receivable		(556,239,813)	(429,787,143)
Accounts receivable - other		(38,413,197)	(67,517,349)
Accrued income		574,387	(37,618,760)
Advanced payments		(274,622,232)	(183,795,244)
Inventories		160,858,746	(394,800,978)
Foreign exchange forward contracts		(1,623,373,532)	(183,477,720)
Trade accounts payable		(541,496,325)	339,127,434
Accounts payable - other		(71,525,638)	(21,468,208)
Advances from customers		(194,235,508)	1,827,633,294
Accrued expenses		294,898,964	259,002,263
Income tax payable		(317,571,603)	(75,402,505)
Long-term accrued expenses		-	1,050,000
Deposits for severance benefits		32,317,794	33,000,695
Payments of severance benefits		(46,666,816)	(51,540,726)
Deferred income tax assets		81,980,927	(38,406,274)
Deferred income tax liabilities		(15,510,272)	103,981,396
Others, net		15,265,111	(11,389,780)
Net cash provided by operating activities		(794,193,663)	2,474,067,583

Hyundai Heavy Industries Co., Ltd.
Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2009 and 2008
(unaudited)

(In thousands of Won)

	2009	2008
Cash flows from investing activities		
Withdrawal of short-term financial instruments	₩ 1,227,092,470	1,510,500,000
Disposal of short-term investment securities	102,966,108	1,552,097,449
Disposal of long-term investment securities	52,127,456	1,844,997
Disposal of equity method accounted investments	19,773	70,937
Disposal of long-term financial instruments	11,947,520	2,004,095
Disposal of other non-current assets	245,057	3,498,549
Disposal of property, plant and equipment	1,370,866	5,638,089
Acquisition of short-term financial instruments	(19,852,600)	(862,257,210)
Acquisition of short-term investment securities	-	(1,490,000,000)
Acquisition of long-term investment securities	(2,297,462)	(123,760,627)
Acquisition of equity method accounted investments	(81,196,769)	(118,738,241)
Acquisition of long-term financial instruments	(43,008)	(195,430)
Acquisition of other non-current assets	(8,023,998)	(5,028,265)
Acquisition of property, plant and equipment	(847,453,786)	(763,828,055)
Acquisition of intangible assets	(34,417,662)	(33,318,679)
Net cash provided by investing activities	<u>402,483,965</u>	<u>(321,472,391)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	911,472,430	-
Issuance from bonds payable	298,797,600	-
Proceeds from long-term borrowings	120,947	-
Repayment of short-term borrowings	(492,088,000)	-
Payment of cash dividends	(299,667,280)	(466,600,920)
Acquisition of treasury stock	-	(832,711,781)
Net cash provided by financing activities	<u>418,635,697</u>	<u>(1,299,312,701)</u>
Net increase in cash and cash equivalents	26,925,999	853,282,491
Cash and cash equivalents at beginning of year	667,492,156	953,756,858
Cash and cash equivalents at end of year	<u>₩ 694,418,155</u>	<u>1,807,039,349</u>

See accompanying notes to financial statements.

Hyundai Heavy Industries Co., Ltd.

Notes to Financial Statements

June 30, 2009
(unaudited)

1. Organization and Description of Business

Hyundai Heavy Industries Co., Ltd. (the “Company”) was incorporated in 1973, under the Commercial Code of the Republic of Korea and is engaged in the manufacture and sale of ships, offshore structures, plants, engines and other items.

The Company listed its shares on the Korea Stock Exchange in August 1999, and a total of 76,000,000 shares (par value: ₩ 5,000, authorized: 160,000,000 shares) of common stock were issued and 59,933,456 shares of common stock were outstanding as of June 30, 2009. Of the total issued shares, the company’s major stockholders Mong-Joon Chung, KCC Corp., Hyundai Mipo Dockyard Co., Ltd., Mirae Asset Global Investments Co., Ltd. and National Pension Service own 10.80%, 8.15%, 7.98%, 4.75% and 4.27%, respectively.

Under the Articles of Incorporation, the Company is authorized to issue 20,000,000 shares of cumulative, participating, non-voting preferred stock and to issue convertible debentures and debentures with common or preferred stock purchase options up to ₩ 400,000 million each, depository receipts free from any preemptive rights of shareholders by the approval of the board of directors and grant stock options to the Company’s employees and directors, up to 15% of issued common stock; however, no preferred stock, convertible debentures or debentures with stock options and depository receipts have been issued, and no stock options have been granted to the Company’s employees and directors as of June 30, 2009. The Company may also raise capital with obtaining the approval of the Board of Directors by issuing stock to old shareholders, issuing stock through a general public subscription under 30% of outstanding shares, issuing stock through the issue of Depository Receipts under the Securities and Exchange Act and issuing stock to employees under certain circumstances.

2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies

(a) Basis of Presenting Financial Statements

The Company maintains its accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended solely for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The Company prepares the financial statements in accordance with generally accepted accounting principles in the Republic of Korea. Except for the items explained in note 16 related to accounting changes and the adoption of changes to Statements of Korean Accounting Standards (“SKAS”) Interpretation 53-70 *Accounting for Derivative Instruments*, Korea Accounting Institute Opinion 06-2 (Deferred Income Taxes on Investments in Subsidiaries, Associates and Interests in Joint Ventures), and Financial Supervisory Services Staff Opinions on Financial Reporting 2008-2 (Forecast transactions contracted in a foreign currency that meet the definition of firm agreement), the Company applied the same accounting policies that were adopted in the previous year’s financial statements.

Hyundai Heavy Industries Co., Ltd.
Notes to Financial Statements

June 30, 2009
(unaudited)

2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued

(b) Cash Equivalents

The Company considers short-term deposits with maturities of three months or less on acquisition date to be cash equivalents.

(c) Allowance for Doubtful Accounts

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection and presented as a deduction from trade receivables.

(d) Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs. The cost of inventories is determined by the weighted-average method. Amounts of inventory written down to net realizable value due to losses occurring in the normal course of business are recognized as cost of goods sold and are deducted as an allowance from the carrying value of inventories.

The Company recognizes interest costs and other financial charges on borrowings associated with inventories that require a long period for acquisition, construction or production as an expense in the period in which they are incurred.

(e) Investments in Securities

Classification

Upon acquisition, the Company classifies debt and equity securities (excluding investments in subsidiaries, associates and joint ventures) into the following categories: held-to-maturity, available-for-sale or trading securities.

Investments in debt securities where the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Initial recognition

Investments in securities (excluding investments in subsidiaries, associates and joint ventures) are initially recognized at cost.

Subsequent measurement and income recognition

Trading securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of trading securities are included in the income statement in the period in which they arise. Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized as accumulated other comprehensive income, net of tax, directly in equity. Investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost less impairment, if any. Held-to-maturity investments are carried at amortized cost with interest income and expense recognized in the income statement using the effective interest method.

2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued

(e) Investments in Securities, Continued

Hyundai Heavy Industries Co., Ltd.

Notes to Financial Statements

June 30, 2009
(unaudited)

Fair value information

The fair value of marketable securities is determined using quoted market prices as of the period end. Non-marketable debt securities are fair valued by discounting cash flows using the prevailing market rates for debt with a similar credit risk and remaining maturity. Credit risk is determined using the Company's credit rating as announced by accredited credit rating agencies in Korea. The fair value of investments in money market funds is determined by investment management companies.

Presentation

Trading securities, available-for-sale securities which mature within one year from the end of the reporting period or where the likelihood of disposal within one year from the end of the reporting period is probable, held-to-maturity securities which mature within one year from the end of the reporting period, short-term deposits and short-term loans are combined and presented as current assets. All other available-for-sale securities and held-to-maturity securities are combined and presented as long-term investments.

Impairment

The Company reviews investments in securities whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reasonably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized and a reversal of an impairment loss shall not exceed the carrying amount that would have been determined net of amortization had no impairment loss been recognized in the asset in prior years. For financial assets measured at amortized cost and available-for-sale assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(f) Investments in Associates and Subsidiaries

Associates are entities of the Company and its subsidiaries that have the ability to significantly influence the financial and operating policies. It is presumed to have significant influence if the Company holds directly or indirectly 20 percent or more of the voting power unless it can be clearly demonstrated that this is not the case. Subsidiaries are entities controlled by the Company.

Investments in associates and subsidiaries are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's investments in associates and subsidiaries include goodwill identified on the acquisition date. Goodwill is calculated as the excess of the acquisition cost of an investment in an associate or subsidiary over the Company's share of the fair value of the identifiable net assets acquired. Goodwill is amortized using the straight-line method over its estimated useful life. Amortization of goodwill is recorded together with equity income (losses).

Hyundai Heavy Industries Co., Ltd.
Notes to Financial Statements

June 30, 2009
(unaudited)

2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued

(f) Investments in Associates and Subsidiaries, Continued

When events or circumstances indicate that the carrying value of goodwill may not be recoverable, the Company reviews goodwill for impairment and records any impairment loss immediately in the statement of income.

The Company's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the income statement, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. Changes in the carrying amount of an investment resulting from dividends by an associate or subsidiary are recognized when the associate or subsidiary declares the dividend. When the Company's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long term loans and receivables issued by the associate or subsidiary, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary.

If the investee is a subsidiary, net income and net assets of the parent company's separate financial statements should agree with the parent company's share in the net income and net assets of the consolidated financial statements, except when the Company discontinues the application of the equity method due to its investment in a subsidiary being reduced to zero.

Unrealized gains on transactions between the Company and its associates or subsidiaries are eliminated to the extent of the Company's interest in each associate or subsidiary.

(g) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Assets acquired through investment in kind or donations are recorded at their fair value upon acquisition. For assets acquired in exchange for a non-monetary asset, the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

Significant additions or improvements extending useful lives of assets are capitalized. Normal maintenance and repairs are charged to expense as incurred.

Depreciation is computed using the straight-line method, based on the estimated useful lives of the assets as described below:

	<u>Useful lives (years)</u>
Buildings and structures	20~40
Machinery and equipment	10
Ships	12
Vehicles	5
Tools, furniture and fixtures	5

Hyundai Heavy Industries Co., Ltd.
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2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued

(g) Property, Plant and Equipment, Continued

The Company recognizes interest costs and other financial charges on borrowings associated with the production, acquisition or construction of property, plant and equipment as an expense in the period in which they are incurred.

The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the expected estimated undiscounted future net cash flows from the use of the asset and its eventual disposal are less than its carrying amount.

(h) Intangible Assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Impairment losses are determined as the amount required to reduce the carrying amount of an intangible asset to its recoverable amount.

The criteria for determining whether an incurred cost qualifies as an intangible asset and the periods of amortization for each classification of intangible asset are described below.

(i) Research and Development Costs

To assess whether an internally generated intangible asset meets the criteria for recognition, the Company classifies the expense generation process into a research phase and a development phase. All costs incurred during the research phase are expensed as incurred. Costs incurred during the development phase are recognized as assets only if the following criteria are met for recognition in SKAS No. 3, Intangible Assets: (1) completion of the intangible asset is technically feasible so that it will be available for use or sale; (2) the Company has the intention and ability to complete the intangible asset and use or sell it; (3) there is evidence that the intangible asset will generate probable future economic benefit; (4) the Company has adequate technical, financial and other resources to complete the development of the intangible asset and the intangible asset will be available; and (5) the expenditures attributable to the intangible asset during its development can be reliably determined.

If the costs incurred fail to satisfy these criteria, they are recorded as expenses as incurred. Where development costs satisfy the criteria, they are capitalized and amortized on a straight-line basis over 5 years. The expenditure capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads.

(ii) Other intangible assets

Other intangible assets, which consist of usage rights for the donated properties, are amortized using the straight-line method over 20~40 years.

Hyundai Heavy Industries Co., Ltd.
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2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued

(i) Discount on Debentures

Discount on debentures issued, which represents the difference between the face value and issuance price of debentures, is amortized using the effective interest rate method over the life of the debentures. The amount amortized is included in interest expense.

(j) Retirement and Severance Benefits

Employees who have been with the Company for more than one year are entitled to lump-sum payments based on salary rates and length of service at the time they leave the Company. The Company's estimated liability under the plan, which would be payable if all employees left on the end of the reporting period, is accrued in the accompanying balance sheets. A portion of the liability is covered by an employees' severance benefits trust where the employees have a vested interest in the deposit with the insurance company in trust. The deposit for severance benefits held in trust is, therefore, reflected in the accompanying balance sheets as a reduction of the liability for retirement and severance benefits.

Through March 1999, under the National Pension Scheme of Korea, the Company transferred a certain portion of retirement allowances for employees to the National Pension Fund. The amount transferred reduced the retirement and severance benefit amount to be paid to the employees when they leave the Company and is accordingly reflected in the accompanying financial statements as a reduction of the retirement and severance benefits liability. However, due to regulation effective April 1999, such transfers to the National Pension Fund are no longer required.

(k) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the foreign exchange rate at the end of the reporting period, with the resulting gains or losses recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate on the date of the transaction.

Foreign currency assets and liabilities of foreign-based operations and companies accounted for using the equity method are translated at the rate of exchange at the end of the reporting period. Foreign currency amounts in the statement of income are translated using an average rate and foreign currency balances in the capital account are translated using the historical rate. Translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations are recorded net accumulated other comprehensive income. These gains and losses are subsequently recognized as income in the year the foreign operations or the companies are liquidated or sold.

Hyundai Heavy Industries Co., Ltd.
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2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued

(l) Derivatives and Hedge Accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Attributable transaction costs are recognized in profit or loss when incurred.

Hedge accounting

Where a derivative, which meets certain criteria, is used for hedging the exposure to changes in the fair value of a recognized asset, liability or firm commitment, it is designated as a fair value hedge. Where a derivative, which meets certain criteria, is used for hedging the exposure to the variability of the future cash flows of a forecasted transaction it is designated as a cash flow hedge.

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to any ineffective portion is recognized immediately in the statement of income. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect income or expense. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative instruments that are not designated as fair value or cash flow hedges are recognized immediately in the statement of income.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognized immediately in the statement of income.

2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued

(m) Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized when all of the following are met: (1) an entity has a present obligation as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the

Hyundai Heavy Industries Co., Ltd.

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obligation, and (3) a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, a provision is recorded at the present value of the expenditures expected to be required to settle the obligation.

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The expense generated by the provision is presented net of the amount of expected reimbursement.

(n) Revenue Recognition

Revenues from long-term contracts, including shipbuilding contracts, are recognized using the percentage-of-completion method, measured by the units of work performed. Revenues from other sales are recognized upon delivery of goods.

Under the percentage-of-completion method, revenues are recognized based on the percentage of costs incurred (including man hours and raw material costs) over total estimated costs for each contract. As a result, the timing of revenue recognition of which the Company reports may differ materially from the timing of actual contract payments received. The Company's estimates reflect information during construction activities. In addition, since most contracts are completed over several months, the timing of the recognition of related revenues could have a significant impact on quarterly operating results. The revenue recognized in excess of the payment received by the Company is reflected as accounts receivable, while the payments received in excess of the revenue recognized by the Company are reflected as advances from customers. The expenditures incurred before the construction contract is entered into are recognized as prepaid construction costs, if they are directly related to making a contract, separately identifiable and reliably measurable, and an agreement to construction is probable. The prepaid construction costs are transferred to construction cost at the commencement of the construction.

(o) Income Taxes

Income tax on the income or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

Hyundai Heavy Industries Co., Ltd.
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2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies, Continued

(o) Income Taxes, Continued

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability for financial reporting or the expected reversal date of the temporary difference for those with no related asset or liability such as loss carry-forwards and tax credit carry-forwards. The deferred tax amounts are presented as a net current asset or liability and a net non-current asset or liability.

Changes in deferred taxes due to a change in the tax rate except for those related to items initially recognized outside profit or loss (either in other comprehensive income or directly in equity) are recognized as income in the current year.

(p) Earnings Per Share

Earnings per share are calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of shares outstanding during the period.

Diluted earnings per share are determined by adjusting net income attributable to stockholders and the weighted-average number of shares outstanding for the effects of all dilutive potential shares, which comprise [callable preferred stock and stock options granted to employees].

(q) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from those estimates.

Hyundai Heavy Industries Co., Ltd.
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3. Restricted Financial Instruments

Financial Instruments which are restricted in use subject to withdrawal restrictions in relation to certain short-term and long-term borrowings, and shipbuilding contracts as of June 30, 2009 and December 31, 2008 are summarized as follows:

<i>(In thousands of Won)</i>		2009	2008
Short-term financial instruments	₩	18,276	2,257,812
Long-term financial instruments		3,482,301	5,460,565
	₩	<u>3,500,577</u>	<u>7,718,377</u>

4. Inventories

Inventories as of June 30, 2009 and December 31, 2008 are summarized as follows:

<i>(In thousands of Won)</i>		2009	2008
Merchandise	₩	46,200,951	70,561,858
Finished goods		122,319,154	198,528,892
Work-in-progress		732,252,141	651,163,931
Raw materials		642,127,765	865,977,551
Supplies		19,261,337	21,243,329
Materials-in-transit		540,280,972	455,820,861
	₩	<u>2,102,442,320</u>	<u>2,263,296,422</u>

5. Short-Term Investment Securities

Short-term investment securities as of June 30, 2009 and December 31, 2008 are summarized as follows:

<i>(In thousands of Won)</i>		2009	2008
Beneficiary certificates	₩	-	102,459,800

Available-for-sale securities are stated at fair value with unrealized holding gain on valuation of available-for-sale securities (net of tax effect) amounting to ₩ 1,864,529 thousand recorded in accumulated other comprehensive income as of December 31, 2008.

6. Other Current Assets

Other current assets as of June 30, 2009 and December 31, 2008 are summarized as follows:

<i>(In thousands of Won)</i>		2009	2008
Short-term loans	₩	30,000,000	30,000,000
Prepaid expenses		251,082,613	238,690,207
Other current deposits		2,848,128	3,223,063
	₩	<u>283,930,741</u>	<u>271,913,270</u>

Hyundai Heavy Industries Co., Ltd.
Notes to Financial Statements

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7. Long-Term Investments Securities

- (a) Long-term investments securities, which consist of available-for-sale securities (non-current assets only) as of June 30, 2009 and December 31, 2008 are summarized as follows:

(In thousands of Won)

		2009	2008
Available-for-sale securities (non-current)			
Marketable securities	₩	649,879,314	359,745,209
Non-marketable securities		89,146,360	136,515,148
	₩	<u>739,025,674</u>	<u>496,260,357</u>

- (b) Equity securities stated at fair value included in long-term investment securities as of June 30, 2009 and December 31, 2008 are summarized as follows:

(In thousands of Won, except percentage of ownership)

			2009	2008
	Percentage of ownership		Acquisition cost	Fair value
Listed equity securities				
Kia Motors Corp.	0.02%	₩	2,681,616	1,111,887
Korea Line Corp.	2.71%		55,130,663	19,299,089
Tong Yang Investment Bank	3.40%		99,828,399	51,827,334
Mirae Asset Securities Co., Ltd.	0.10%		6,654,173	2,916,429
SK Broadband Corp.	0.00%		-	-
Hyundai Elevator Co., Ltd.	2.16%		1,632,339	10,179,995
Hyundai Motor Company (*1)	3.45%		519,246,924	563,413,422
Hyundai Corp.	0.36%		11,227,434	1,131,158
		₩	<u>696,401,548</u>	<u>649,879,314</u>
				<u>359,745,209</u>

(*1) The Company deposits 650,000 shares into the Kunsan City Hall for construction performance.

- (c) Equity securities stated at acquisition cost included in long-term investment securities as of June 30, 2009 and December 31, 2008 consist of the following:

(In thousands of Won, except percentage of ownership)

			2009	2008
	Percentage of ownership		Acquisition cost	Fair value
Unlisted equity securities: (*1)				
Gangwon Football Club Co., Ltd.	0.02%	₩	1,000	1,000
Kuk Dong Heavy Conveyance Co., Ltd.	7.50%		501,720	501,720
Novelis Korea Ltd.	0.39%		14,598,913	1,405,452
Daehan Oil Pipeline Corp.(*2)	6.39%		14,511,802	30,051,393
Dong-A Precision Machinery Co., Ltd.	0.01%		35,640	-
Doosan Capital Co., Ltd.(*3)	9.99%		10,000,000	24,378,000
Bexco, Ltd.	7.96%		9,460,000	9,460,000
Chonggu Co., Ltd.	0.00%		188,260	-

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(In thousands of Won, except percentage of ownership)

	Percentage of ownership		2009		2008
			Acquisition cost	Fair value	Fair value
Postec Electronic Power Fund Co.	1.75%	₩	500,000	500,000	500,000
Hanwha Electric Venture Fund.	2.00%		500,000	500,000	500,000
Hyundai Research Institute	14.40%		1,440,000	1,440,000	1,440,000
Hyundai Climate Control Co., Ltd.	10.00%		50,000	50,000	50,000
Enova System Inc.	1.43%		1,314,583	1,314,583	1,314,583
PT. Golden Hyundai Machinery(*4)	20.83%		155,250	155,250	155,250
HHI Mauritius Limited(*4)	100.00%		122	122	122
Hynix Semiconductor America Inc.	1.33%		34,525,619	-	-
Hyundai Heavy Industries France SAS.(*4)	100.00%		22,787	22,787	22,787
Hyundai (Malaysia.) SDN BHD (*4)	100.00%		17,286	-	-
Hyundai S/V Indonesia.(*4)	45.00%		261,864	-	-
Hyundai Technologies Center Hungary Kft.(*4)	100.00%		26,302	26,302	26,302
Hyundai-Enova Innovative Technology Center Inc.(*4)	60.00%		3,360,000	3,360,000	3,360,000
KC Karpovsky BV	10.00%		2,443	2,443	2,443
Korea Ship Finance Co., Ltd.	2.36%		200,000	200,000	200,000
Nikorma -Transport Limited	11.50%		10,914	10,914	10,914
Pheco Inc.(*4)	100.00%		2,303,555	236,621	236,621
			<u>93,988,060</u>	<u>73,616,587</u>	<u>73,616,587</u>
Subordinated Bonds (Tong Yang Securities Inc.)(*5)			-	-	47,776,067
Marketable securities			20,110,728	10,368,863	9,964,384
Investments in capital			5,160,910	5,160,910	5,158,110
		₩	<u>119,259,698</u>	<u>89,146,360</u>	<u>136,515,148</u>

(*1) The book value of unlisted equity securities was recorded at their acquisition cost because the fair value cannot be estimated reliably.

(*2) The fair value is calculated by using the discounted cash flow and imputed market value method at December 31, 2008.

(*3) The fair value is calculated by using the free cash flows to shareholders method and estimation of stock price distribution at December 31, 2008.

(*4) In conformity with financial accounting standards in the Republic of Korea, the equity securities of Hyundai Technologies Center Hungary Kft. and others were not accounted for using the equity method of accounting since the Company believes the changes in the investment value resulting from the changes in the net assets of the investees, whose individual beginning balance of total assets or paid-in capital as of December 31, 2008, is less than ₩ 10,000 million, are not material.

(*5) The fair value is measured at the discounted future cash flows by using a discount rate that appropriately reflects the credit rating of the issuing entity assessed by a publicly reliable independent credit rating agency.

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7. Long-Term Investments Securities, Continued

(d) Valuation of available-for-sale securities in accumulated other comprehensive income (net of tax effect), all of which are classified into long-term investment securities stated at fair value as of June 30, 2009, is as follows:

(In thousands of Won)

		2009	
	Balance at January 1, 2009	Increase (decrease)	Balance at June 30, 2009
Kia Motors Corp.	₩ (1,640,817)	416,428	(1,224,389)
Korea Line Corp.	(26,925,588)	(1,023,039)	(27,948,627)
Tong Yang Investment Bank	(14,974,952)	21,611,999	6,637,047
Mirae Asset Securities Co., Ltd.	(2,911,530)	(3,910)	(2,915,440)
SK Broadband Corp.	5,084	(5,084)	-
Hyundai Elevator Co., Ltd.	6,535,032	132,139	6,667,171
Hyundai Motor Company	(170,751,231)	205,201,099	34,449,868
Hyundai Corp.	340,402	(25,030)	315,372
Daehan Oil Pipeline Corp.	12,120,881	-	12,120,881
Doosan Capital Co., Ltd.	11,214,840	-	11,214,840
	<u>(186,987,879)</u>	<u>226,304,602</u>	<u>39,316,723</u>
Subordinated bonds (Tong Yang Securities Inc.)	(1,734,668)	1,734,668	-
Marketable securities	(7,914,149)	315,495	(7,598,654)
₩	<u>(196,636,696)</u>	<u>228,354,765</u>	<u>31,718,069</u>

(d) Valuation of available-for-sale securities in accumulated other comprehensive income (net of tax effect), all of which are classified into long-term investment securities stated at fair value as of December 31, 2008, is as follows:

(In thousands of Won)

		2008	
	Balance at January 1, 2008	Increase (decrease)	Balance at December 31, 2008
Kia Motors Corp.	₩ (1,297,998)	(342,819)	(1,640,817)
Korea Line Corp.	-	(26,925,588)	(26,925,588)
Tong Yang Investment Bank	20,087,727	(35,062,679)	(14,974,952)
Mirae Asset Securities Co., Ltd.	159,360	(3,070,890)	(2,911,530)
SK Broadband Corp.	8,919	(3,835)	5,084
Hyundai Elevator Co., Ltd.	13,890,185	(7,355,153)	6,535,032
Hyundai Motor Company	18,239,512	(188,990,743)	(170,751,231)
Hyundai Corp.	793,331	(452,929)	340,402
Daehan Oil Pipeline Corp.	971,228	11,149,653	12,120,881
Doosan Capital Co., Ltd.	11,705,850	(491,010)	11,214,840
	<u>64,558,114</u>	<u>(251,545,993)</u>	<u>(186,987,879)</u>
Investments in capital	304,530	(304,530)	-
Subordinated bonds (Tong Yang Securities Inc.)	-	(1,734,668)	(1,734,668)
Marketable securities	-	(7,914,149)	(7,914,149)
₩	<u>64,862,644</u>	<u>(261,499,340)</u>	<u>(196,636,696)</u>

Hyundai Heavy Industries Co., Ltd. Notes to Financial Statements

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8. Equity Method Accounted Investments

(a) Investments in companies accounted for using the equity method as of June 30, 2009 is as follows:

(In thousands of Won)

Company	Number of share	Percentage of ownership		Historical cost	Book value
Hyundai Oilbank Co., Ltd. (*1)	48,700,540	19.87%	₩	266,150,343	341,310,114
Hyundai Finance Corp. (*2)	12,350,000	67.49%		78,197,738	89,548,303
Hyundai Samho Heavy Industries Co., Ltd. (*2)	37,967,000	94.92%		204,259,700	1,290,554,837
Incheon Airport Energy	3,284,884	31.00%		16,424,420	-
Hyundai Heavy Industries Co. Bulgaria (*2)	12,155,829	99.09%		11,620,593	43,301,816
New Korea Country Club	16,457	20.00%		500,000	3,875,369
Hyundai Heavy Industries Europe N.V. (*2)	10	100.00%		35,656,728	4,112,402
Hyundai Vinashin Shipyard (*2,3,4)	-	10.00%		2,543,678	18,749,275
H.C.E U.S.A (*2)	23,900,000	100.00%		26,712,810	-
Vladivostock Business Center (*2,3)	-	57.14%		5,891,667	-
Koentec Co., Ltd. (*5)	3,792,000	7.58%		6,617,040	4,357,528
HHI China Investment Co., Ltd. (*2,3)	-	100.00%		160,804,529	284,949,800
Hyundai Merchant Marine Co., Ltd. (Common stock) (*6)	23,424,037	17.60%		404,039,118	462,509,488
Hyundai Merchant Marine Co., Ltd. (Preferred stock) (*6)	3,516,688	17.58%		52,750,320	55,248,449
Qinhuangdao Shouqin Metal Materials Co., Ltd. (*3)	-	20.00%		67,658,226	149,146,494
Hyundai Ideal Electric Co. (*2)	1,000	100.00%		18,119,600	25,763,162
Hyundai Financial Leasing Co., Ltd. (*2,3)	-	66.02%		37,622,743	46,737,000
Hyundai Construction Equipment India Private Ltd. (*2)	17,184,775	100.00%		39,354,139	28,542,543
Wartsila Hyundai Engine Company Ltd. (*3)	-	50.00%		33,930,000	35,110,900
Ulsan Hyundai Football Club. Ltd.	2,000,000	100.00%		10,000,000	407,840
HYMS(*2)	29,600,000	100.00%		148,000,000	121,560,837
KAM Corp.	16,660,000	49.00%		83,300,000	83,716,303
Grand China Hyundai Shipping Company Ltd.	1,000,000	50.00%		1,016,600	1,242,092
Komas Corp.	754,414	100.00%		3,772,070	1,567,228
Hotel Hyundai Co., Ltd.	80,000	100.00%		1,397,000	1,516,639
Khorol Zerno Ltd.(*3)	-	33.33%		2,140,777	2,140,777
Khorol Agro Ltd.(*3)	-	33.33%		1,749,492	1,749,492
			₩	<u>1,720,229,331</u>	<u>3,097,718,688</u>

(b) Investments in companies accounted for using the equity method as of December 31, 2008 is as follows:

(In thousands of Won)

Company	Number of share	Percentage of ownership		Historical cost	Book value
Hyundai Oilbank Co., Ltd. (*1)	48,700,540	19.87%	₩	266,150,343	289,760,570
Hyundai Finance Corp. (*2)	12,350,000	67.49%		78,197,738	88,945,279
Hyundai Samho Heavy Industries Co., Ltd. (*2)	37,967,000	94.92%		204,259,700	1,040,405,978
Incheon Airport Energy	3,284,884	31.00%		16,424,420	-
Hyundai Heavy Industries Co. Bulgaria (*2)	12,155,829	99.09%		11,620,593	38,119,093
New Korea Country Club	16,457	20.00%		500,000	3,613,235
Hyundai Dongahn Steel (*2,3)	-	54.99%		1,231,036	-
Hyundai Heavy Industries Europe N.V. (*2)	10	100.00%		35,656,728	8,884,122
Hyundai Vinashin Shipyard (*2,3,4)	-	10.00%		2,543,678	14,982,234
H.C.E U.S.A (*2)	23,900,000	100.00%		26,712,810	4,170,513
Vladivostock Business Center (*2,3)	-	57.14%	₩	5,891,667	-

Hyundai Heavy Industries Co., Ltd.

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(In thousands of Won)

Company	Number of share	Percentage of ownership	Historical cost	Book value
Koentec Co., Ltd. (*5)	3,792,000	7.58%	6,617,040	4,721,024
HHI China Investment Co., Ltd. (*2,3)	-	100.00%	154,057,029	246,276,553
Hyundai Merchant Marine Co., Ltd. (Common stock) (*6)	23,424,037	17.60%	404,039,118	481,689,397
Hyundai Merchant Marine Co., Ltd. (Preferred stock) (*6)	3,516,688	17.58%	52,750,320	56,303,455
Qinhuangdao Shouqin Metal Materials Co., Ltd. (*3)	-	20.00%	67,658,226	164,661,077
Hyundai Ideal Electric Co. (*2)	1,000	100.00%	11,241,600	17,943,929
Hyundai Financial Leasing Co., Ltd. (*2,3)	-	60.03%	16,988,743	24,053,234
Hyundai Construction Equipment India Private Ltd. (*2)	17,184,775	100.00%	39,354,139	34,423,101
Wartsila Hyundai Engine Company Ltd. (*3)	-	50.00%	33,930,000	32,894,351
Ulsan Hyundai Football Club. Ltd. (*2)	2,000,000	100.00%	10,000,000	1,181,505
HYMS(*2)	29,600,000	100.00%	148,000,000	114,593,849
KAM Corp.	8,330,000	49.00%	41,650,000	42,481,873
Grand China Hyundai Shipping Company Ltd.	1,000,000	50.00%	1,016,600	1,261,438
Komas Corp.	754,414	100.00%	3,772,070	1,459,500
			₩ 1,640,263,598	2,712,825,310

(*1) The Company accounted for its investment using the equity method of accounting despite its ownership percentage being under 20% as it has ability to significantly influence financial and operating policy decision-making.

(*2) The Company's subsidiaries.

(*3) Number of shares is not presented because they are non-par stock.

(*4) Since the percentage of ownership of the Company and its subsidiary is more than 20% and the Company is able to exercise significant influence over the operating and financial policies, equity securities are accounted for using the equity method.

(*5) Since the Company is able to exercise significant influence over the operating and financial policies, investment in Koentec Co., Ltd. was accounted for using the equity method of accounting despite its ownership percentage is under 20%. In addition, the closing price on the KOSDAQ of Koentec Co., Ltd. is ₩ 1,130 per share at June 30, 2009.

(*6) Since the ownership's percentage of the Company and its subsidiary exceeded over 20% and the Company is able to exercise significant influence over the operating and financial policies, investment in these securities are accounted for using the equity method of accounting. In addition, the closing common stock price of Hyundai Merchant Marine Co., Ltd. on the stock market of the Republic of Korea was ₩ 24,450 per share at June 30, 2009. Its preferred stock has no market price because it is unlisted.

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8. Equity Method Accounted Investments, Continued

- (c) Under the equity method of accounting, the differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee are amortized over the reasonable periods within 20 years and the changes in the differences for the year ended June 30, 2009 were as follows:

(In thousands of Won)

Company		Balance at January 1, 2009	Increase	Amortization	Balance at June 30, 2009
Koentec Co., Ltd.	₩	691,486	-	(345,743)	345,743
Hyundai Merchant Marine Co., Ltd. (common stock)		36,466,286	-	(8,103,619)	28,362,667
Qinhuangdao Shouqin Metal Materials Co., Ltd.		8,524,737	-	(1,421,532)	7,103,205
Hotel Hyundai Co., Ltd.		-	394,700	(39,470)	355,230
Khorol Zerno Ltd.		-	1,141,631	-	1,141,631
Khorol Agro Ltd.		-	898,450	-	898,450
	₩	45,682,509	2,434,781	(9,910,364)	38,206,926

- (d) Changes in the opening and closing balances of investments in companies accounted for using the equity method for the year ended June 30, 2009 were as follows:

(In thousands of Won)

Company		Balance at January 1, 2009	Net income (loss)	Accumulated other comprehen- sive income	Other increase (decrease)	Balance at June 30, 2009
Hyundai Oilbank Co., Ltd.	₩	289,760,570	44,816,990	6,732,554	-	341,310,114
Hyundai Finance Corp.		88,945,279	544,278	58,746	-	89,548,303
Hyundai Samho Heavy Industries Co., Ltd.		1,040,405,978	106,868,080	200,231,279	(56,950,500)	1,290,554,837
Incheon Airport Energy(*2)		-	-	-	-	-
Hyundai Heavy Industries Co. Bulgaria		38,119,093	7,152,817	392,308	(2,362,402)	43,301,816
New Korea Country Club		3,613,235	262,134	-	-	3,875,369
Hyundai Dongahn Steel Tower Co., Ltd.(*3)		-	-	-	-	-
Hyundai Heavy Industries Europe N.V.		8,884,122	(5,546,671)	774,951	-	4,112,402
Hyundai Vinashin Shipyard		14,982,234	3,620,467	146,574	-	18,749,275
H.C.E U.S.A.(*4)		4,170,513	(4,776,303)	605,790	-	-
Vladivostok Business Center (*1)		-	-	-	-	-
Koentec Co., Ltd.		4,721,024	(326,525)	949	(37,920)	4,357,528
HHI China Investment Co., Ltd.		246,276,553	27,024,228	4,901,518	6,747,501	284,949,800
Hyundai Merchant Marine Co., Ltd. (Common stock)		481,689,397	(67,815,630)	60,347,740	(11,712,019)	462,509,488
Hyundai Merchant Marine Co., Ltd. (Preferred stock)	₩	56,303,455	1,055,006	-	(2,110,012)	55,248,449
Qinhuangdao Shouqin Metal		164,661,077	(10,239,507)	4,235,000	(9,510,076)	149,146,494

Hyundai Heavy Industries Co., Ltd.
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(In thousands of Won)

Company	Balance at January 1, 2009	Net income (loss)	Accumulated other comprehen- sive income	Other increase (decrease)	Balance at June 30, 2009
Materials Co., Ltd.					
Hyundai Ideal Electric Co.	17,943,929	1,134,323	(193,090)	6,878,000	25,763,162
Hyundai Financial Leasing Co., Ltd.	24,053,234	2,895,960	(846,194)	20,634,000	46,737,000
Hyundai Construction Equipment India Private Ltd.	34,423,101	(6,823,807)	943,249	-	28,542,543
Wartsila Hyundai Engine Company Ltd.	32,894,351	2,216,549	-	-	35,110,900
Ulsan Hyundai Football Club. Ltd.	1,181,505	(773,665)	-	-	407,840
HYMS	114,593,849	6,966,988	-	-	121,560,837
KAM Corp.	42,481,873	(212,049)	(203,520)	41,649,999	83,716,303
Grand China Hyundai Shipping Company Ltd.	1,261,438	(48,561)	29,215	-	1,242,092
Komas Corp.	1,459,500	107,728	-	-	1,567,228
Hotel Hyundai Co., Ltd.	-	119,639	-	1,397,000	1,516,639
Khorol Zerno Ltd.	-	-	-	2,140,777	2,140,777
Khorol Agro Ltd.	-	-	-	1,749,492	1,749,492
₩	<u>2,712,825,310</u>	<u>108,222,469</u>	<u>278,157,069</u>	<u>(1,486,160)</u>	<u>3,097,718,688</u>

(*1) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit. In addition, cumulative unrecognized loss due to suspension of applying the equity method amounts to ₩ 90,272 million including ₩ 2,807 million increased for the year ended June 30, 2009 and allowance amounting to ₩ 81,544 million was set up for accounts receivables - other related to the Vladivostok Business Center.

(*2) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit. In addition, cumulative unrecognized loss due to suspension of applying the equity method amounts to ₩ 4,356 million including ₩ 758 million decreased for the year ended June 30, 2009.

(*3) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit for the year ended December 31, 2008 and the equity method investment was sold during the year ended June 30, 2009.

(*4) Use of the equity method was discontinued since the book value of investments is less than unrealized gains on transactions between the Company and H.C.E U.S.A. In addition, cumulative unrecognized loss due to suspension of applying the equity method amounts to ₩ 5,313 million for the year ended June 30, 2009.

Hyundai Heavy Industries Co., Ltd.

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8. Equity Method Accounted Investments, Continued

- (e) Gain or loss on valuation of investment securities is accounted after eliminating unrealized profit arising from the inter-company transactions. For the years ended June 30, 2009 and December 31, 2008, unrealized gain eliminated under the equity of accounting method of accounting are ₩ 127,898 million and ₩ 119,094 million, respectively.
- (f) Equity securities accounted for using the equity method as of June 30, 2009 are valued based on the financial statements of the investees as of the same balance sheet date, which were neither audited nor reviewed by an external auditor. Those net asset values from using the provisional settlement were as follows:

(In thousands of Won)

	Net asset value before adjustments	Adjustments	Net asset value after adjustments
Hyundai Oilbank Co., Ltd.	₩ 341,310,114	-	341,310,114
Hyundai Finance Corp.	89,548,303	-	89,548,303
Hyundai Samho Heavy Industries Co., Ltd.(*1)	1,601,316,405	(297,615,254)	1,303,701,151
Incheon Airport Energy	-	-	-
Hyundai Heavy Industries Co. Bulgaria	43,317,686	-	43,317,686
New Korea Country Club	3,875,369	-	3,875,369
Hyundai Heavy Industries Europe N.V.	40,173,963	-	40,173,963
Hyundai Vinashin Shipyard	18,749,275	-	18,749,275
H.C.E U.S.A.	12,748,105	-	12,748,105
Vladivostok Business Center	-	-	-
Koentec Co., Ltd.	4,011,785	-	4,011,785
HHI China Investment Co., Ltd.(*1)	290,108,446	18,021,752	308,130,198
Hyundai Merchant Marine Co., Ltd. (Common stock)	434,146,821	-	434,146,821
Hyundai Merchant Marine Co., Ltd. (Preferred stock)	55,248,449	-	55,248,449
Qinhuangdao Shouqin Metal Materials Co., Ltd.	142,043,289	-	142,043,289
Hyundai Ideal Electric Co.	25,763,162	-	25,763,162
Hyundai Financial Leasing Co., Ltd.	46,737,000	-	46,737,000
Hyundai Construction Equipment India Private Ltd.	34,651,527	-	34,651,527
Wartsila Hyundai Engine Company Ltd.	35,110,900	-	35,110,900
Ulsan Hyundai Football Club. Ltd.	407,840	-	407,840
HYMS	155,970,902	-	155,970,902
KAM Corp.	83,716,303	-	83,716,303
Grand China Hyundai Shipping Company Ltd.	1,242,092	-	1,242,092
Komas Corp.	3,793,872	-	3,793,872
Hotel Hyundai Co., Ltd.	1,161,409	-	1,161,409
Khorol Zerno Ltd.	999,146	-	999,146
Khorol Agro Ltd.	851,042	-	851,042
₩	<u>3,467,003,205</u>	<u>(279,593,502)</u>	<u>3,187,409,703</u>

(*1) The Company adjusted the material difference of accounting principle for similar transactions and accounting events between the Company and investees.

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8. Equity Method Accounted Investments, Continued

(g) Summarized financial information of equity-accounted investments as of and for the year ended June 30, 2009 is as follows:
(In millions of Won)

Company		Assets	Liabilities	Sales	Net income (loss)
Hyundai Oilbank Co., Ltd.	₩	4,976,994	3,243,952	4,941,744	225,865
Hyundai Finance Corp.		133,704	1,013	3,727	807
Hyundai Samho Heavy Industries Co., Ltd.		7,310,724	5,623,662	2,132,276	116,173
Incheon Airport Energy		148,288	162,340	35,929	(3,674)
Hyundai Heavy Industries Co. Bulgaria		58,719	15,003	44,619	7,181
New Korea Country Club		26,167	6,791	6,125	1,289
Hyundai Heavy Industries Europe N.V.		146,631	106,457	71,067	(3,152)
Hyundai Vinashin Shipyard		419,455	231,963	161,558	36,205
H.C.E U.S.A.		80,395	67,647	36,894	(4,859)
Vladivostok Business Center		25,175	183,159	5,215	(1,139)
Koentec Co., Ltd.		67,080	14,182	11,307	251
HHI China Investment Co., Ltd.		335,773	45,665	7,920	4,007
Hyundai Merchant Marine Co., Ltd.		8,613,915	5,833,296	3,125,172	(331,934)
Qinhuangdao Shouqin Metal Materials Co., Ltd.		2,205,421	1,495,204	745,758	(44,090)
Hyundai Ideal Electric Co.		46,053	20,291	31,064	1,466
Hyundai Financial Leasing Co., Ltd.		325,751	254,959	13,752	4,386
Hyundai Construction Equipment India Private Ltd.		96,499	61,848	21,835	(5,396)
Wartsila Hyundai Engine Company Ltd.		227,719	157,496	52,114	4,433
Ulsan Hyundai Football Club. Ltd.		1,301	893	7,665	(774)
HYMS		282,286	126,315	136,002	6,776
KAM Corp.		226,288	55,439	-	(433)
Grand China Hyundai Shipping Company Ltd.		2,531	47	-	(93)
Komas Corp.		3,808	14	140	28
Hotel Hyundai Co., Ltd.		5,855	4,693	12,309	182
Khorol Zerno Ltd.		4,336	1,339	1,441	176
Khorol Agro Ltd.		2,555	2	40	6

9. Property, Plant and Equipment

(a) Property, plant and equipment as of June 30, 2009 and December 31, 2008 are as follows:

(In thousands of Won)

		2009	2008
Buildings and structures	₩	3,486,825,248	3,049,528,786
Machinery and equipment		2,686,929,612	2,404,550,660
Ships		209,861,271	208,674,068
Vehicles		34,873,353	33,420,855
Tools, furniture and fixtures		1,182,582,797	1,111,073,115
		7,601,072,281	6,807,247,484
Less: Accumulated depreciation		(3,349,757,937)	(3,194,142,671)
		4,251,314,344	3,613,104,813
Land		1,633,611,437	1,586,959,576
Construction-in-progress		950,756,892	989,889,374
	₩	6,835,682,673	6,189,953,763

9. Property, Plant and Equipment, Continued

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(b) The changes in property, plant and equipment for the year ended June 30, 2009 are as follows:

(In thousands of Won)

		2009					
		Land	Buildings	Structures	Machinery and equipment	Other	Total
Beginning of period	₩	1,586,959,576	2,132,007,385	917,521,401	2,404,550,660	2,343,057,412	9,384,096,434
Acquisition and other		46,651,861	247,811,835	206,172,687	308,003,196	44,264,562	852,904,141
Disposal		-	(16,688,060)	-	(25,624,244)	(9,247,661)	(51,559,965)
End of period		1,633,611,437	2,363,131,160	1,123,694,088	2,686,929,612	2,378,074,313	10,185,440,610
Depreciation		-	(29,246,551)	(13,287,629)	(84,075,498)	(65,485,410)	(192,095,088)
Accumulated depreciation		-	(422,157,039)	(194,018,959)	(1,743,212,786)	(990,369,153)	(3,349,757,937)
	₩	1,633,611,437	1,940,974,121	929,675,129	943,716,826	1,387,705,160	6,835,682,673

(c) The changes in property, plant and equipment for the year ended December 31, 2008 are as follows:

(In thousands of Won)

		2008					
		Land	Buildings	Structures	Machinery and equipment	Other	Total
Beginning of period	₩	1,550,415,149	1,769,948,921	802,803,260	2,169,947,389	1,620,014,642	7,913,129,361
Acquisition and other		120,969,000	434,394,979	128,142,829	319,250,723	788,675,142	1,791,432,673
Disposal		(84,424,573)	(72,336,515)	(13,424,688)	(84,647,452)	(65,632,372)	(320,465,600)
End of period		1,586,959,576	2,132,007,385	917,521,401	2,404,550,660	2,343,057,412	9,384,096,434
Depreciation		-	(50,334,387)	(20,842,084)	(159,234,377)	(116,917,115)	(347,327,963)
Accumulated depreciation		-	(396,796,079)	(180,731,330)	(1,682,561,906)	(934,053,356)	(3,194,142,671)
	₩	1,586,959,576	1,735,211,306	736,790,071	721,988,754	1,409,004,056	6,189,953,763

A substantial portion of buildings, machinery and equipment are insured against fire and other casualty losses up to approximately ₩ 2,752,755 million as of June 30, 2009. The Company maintains insurance coverage against fire and other casualty losses of up to ₩ 15,445,784 million for ships and sea structures under construction and the insurance proceed of ₩ 295,224 million is pledged as collateral for loans from the Export-Import Bank of Korea as of June 30, 2009.

In addition to the above insurance, most valuable property owned by the Company is covered by a general liability insurance policy up to ₩ 7,476,446 million as of June 30, 2009. The Company also maintains insurance on cargo against damage and claims losses of up to ₩ 7,065,850 million for products being exported and imported as of June 30, 2009.

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9. Property, Plant and Equipment, Continued

Construction in progress is Gun-san Shipbuilding Dock, Yeompo Port and quay wall construction for the year ended June 30, 2009.

As of June 30, 2009 and December 31, 2008, the value of land owned by the Company is ₩ 1,462,628 million and ₩ 1,458,969 million, respectively, as announced by the Korean government.

10. Intangible Assets

(a) Intangible assets as of June 30, 2009 and December 31, 2008 are as follows:

<i>(In thousands of Won)</i>		2009	2008
Development costs	₩	255,130,788	242,161,165
Usage right for donated properties		19,115,490	20,135,131
	₩	<u>274,246,278</u>	<u>262,296,296</u>

(b) Details of changes in Intangible assets for the years ended June 30, 2009 and December 31, 2008 are summarized as follows:

<i>(In thousands of Won)</i>		Development Cost		Usage right for donated properties	
		2009	2008	2009	2008
Beginning balance	₩	242,161,165	213,873,947	20,135,131	22,174,415
Capitalized		34,417,662	69,711,128	-	-
Amortization		(21,448,039)	(41,423,910)	(1,019,641)	(2,039,284)
Ending balance	₩	<u>255,130,788</u>	<u>242,161,165</u>	<u>19,115,490</u>	<u>20,135,131</u>

Research costs amounting to ₩ 9,682 million and ₩ 7,660 million, and ordinary development costs amounting to ₩ 35,287 million and ₩ 34,716 million are included in selling and administrative expenses for the years ended June 30, 2009 and 2008, respectively. The amortized development costs of ₩ 21,448 million and ₩ 20,344 million are included in the cost of sales and selling and administration expenses for the years ended June 30, 2009 and 2008, respectively.

11. Other Non-Current Assets

Other non-current assets as of June 30, 2009 and December 31, 2008 are summarized as follows:

<i>(In thousands of Won)</i>		2009	2008
Guarantee deposits	₩	7,393,117	6,519,197
Other non-current assets		88,942,057	82,046,020
	₩	<u>96,335,174</u>	<u>88,565,217</u>

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12. Other Current Liabilities

Other current liabilities as of June 30, 2009 and December 31, 2008 are summarized as follows:

<i>(In thousands of Won)</i>		2009	2008
Withholdings of income taxes	₩	84,535,193	129,518,237
Unearned revenues		21,382	19,276
Provision for construction losses		40,447,185	104,228,901
	₩	<u>125,003,760</u>	<u>233,766,414</u>

13. Debenture, Short-Term and Long-Term Borrowings

(a) Debenture as of June 30, 2009 and December 31, 2008 is summarized as follows:

<i>(In thousands of Won)</i>	Maturity	Annual interest rate	2009	2008
112th Non-guaranteed debenture	2012.04.13	5.43%	300,000,000	-

(b) Short-term borrowings as of June 30, 2009 and December 31, 2008 are as follows:

<i>(In thousands of Won)</i>	Lender	Annual interest rate	2009	2008
	The Export-Import Bank Korea	4.26 %	₩ 119,319,382	-
	Korea Exchange Bank	4.31~4.52 %	69,541,048	-
	The Export-Import Bank	4.31%	230,524,000	-
			₩ <u>419,384,430</u>	<u>-</u>

(c) Long-term borrowings denominated in foreign currency as of June 30, 2009 and December 31, 2008 are as follows:

(In thousands of Won and in Dollar)

		Interest rate as of June 30, 2009	2009		2008	
Business from National Corporation	loans from Korea Oil		Foreign currency	Won equivalent	Foreign currency	Won equivalent
		2.00 %	USD 3,022,762	₩ 3,435,581	USD 2,929,258	₩ 3,314,633

(d) The maturities of long-term debt as of June 30, 2009 are not readily determinable since the long-term debt is paid by installment in case of success on oil development business.

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14. Retirement and Severance Benefits

Accrued severance benefits of June 30, 2009 and December 31, 2008 are as follows:

<i>(In thousands of Won)</i>		2009	2008
Beginning balance	₩	1,251,923,440	1,190,834,067
Retirement and severance payment		(46,666,816)	(169,062,230)
Provisions		57,083,989	230,151,603
		1,262,340,613	1,251,923,440
Less: Retirement and severance insurance		(1,047,746,165)	(1,080,063,958)
National pension		(31,663,919)	(32,841,150)
Ending balance	₩	182,930,529	139,018,332

Accrued retirement and severance benefits are funded approximately 83.0% and 86.3% as of June 30, 2009 and December 31, 2008, respectively, through certain insurance plans with Kyobo Life Insurance Co., Ltd. and other insurance companies. The unused portion of retirement and severance insurance deposits for these insurance plans is deducted from accrued retirement and severance benefits.

15. Other Long-Term Liabilities

Other long-term liabilities as of June 30, 2009 and December 31, 2008 are summarized as follows:

<i>(In thousands of Won)</i>		2009	2008
Deposits received	₩	12,920,722	12,467,827
Provision for construction warranties		27,971,941	22,343,521
Provision for product warranties		34,097,184	44,008,707
	₩	74,989,847	78,820,055

16. Commitments and Contingencies

- (a) The Company has entered into bank overdraft agreements with 8 banks amounting to ₩ 188,100 million as of June 30, 2009.
- (b) As of June 30, 2009, the Company has entered into credit facilities agreements with various banks for the Company's exports and imports such as letter of credit including Usance L/C, totaling USD 1,631,702 thousand.
- (c) In order to secure the guarantees provided by the banks for the borrowings and the performance of construction contracts entered into by the Company, the Company has provided 14 blank checks and notes as of June 30, 2009.
- (d) The outstanding balance of note receivables, guaranteed by the importers' Government or others and sold to financial institutions with recourse is USD 31,514 thousand, equivalent to ₩ 40,486 million, as of June 30, 2009. Also, the Company's outstanding balance of trade receivables sold with recourse amounts to ₩ 6,171 million as of June 30, 2009.

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16. Commitments and Contingencies, Continued

- (e) As of June 30, 2009, the Company is contingently liable for loan guarantees of its foreign subsidiaries and affiliated companies, amounting to USD 167,732 thousand and ₩ 36,024 million. The Company has provided certain performance guarantees for the bareboat charter amounting to USD 550,778 thousand to ship owners on behalf of Hyundai Merchant Marine Co., Ltd. Also, the Company entered into joint shipbuilding contracts with Hyundai Samho Heavy Industries Co., Ltd. ("HSHI"), one of the Company's subsidiaries, for the construction of 15 ships (Contract amount: USD 1,952,042 thousand).
- (f) In connection with the Company's contract performance guarantees, the Company has also been provided with guarantees up to ₩ 1,498,228 million and USD 13,874,257 thousand by various banking facilities.
- (g) In an effort to alleviate fluctuations on the future cash flows that would be incurred out of the timing difference between the receipt of the ship sales amounts and the payment of imported raw-materials, the Company has entered into currency forward contracts with 22 banks including Korea Exchange Bank. As of June 30, 2009, the valuation and gain (loss) on transaction of the forward contracts are as follows:

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

	Description				Total
	Cash flow hedge	Fair value hedge	For trading		
Contract amount	USD 1,207,266	USD 15,723,165	USD 388,022	USD	17,318,453
	EUR 56,527	-	EUR 367	EUR	56,894
	KRW 140,597	-	-	JPY	140,597
Adjustment to sales	(269,817)	(1,228,902)	-	₩	(1,498,719)
Non - operating income (expense)	7,418	(195,493)	(170,419)		(358,494)
Other comprehensive income	(209,814)	-	-		(209,814)
Firm commitment – assets	-	3,823,644	-		3,823,644
Firm commitment – liabilities	-	78,704	-		78,704
Derivatives – assets					146,987
Derivatives – liabilities					4,462,190

As of June 30, 2009, the Company applies cash flow hedge accounting, out of which the Company accounted for the effective portion of the hedge amounting to ₩ (-)158,772 million (net of deferred income tax adjustment of ₩ (-)51,042 million) as gain on valuation of derivative in accumulated other comprehensive income (net of tax effect). The expected period of exposure to cash flow risk, where cash flow hedge accounting is applied, is approximately within 30 months, and the amount among gain on valuation of foreign exchange contract that is expected to be realized as addition to transaction gain or deduction from transaction loss within 12 months from June 30, 2009 is ₩ (-)223,854 million. The valuation of the ineffective portion of the hedge and the valuation of other derivatives to which cash flow hedge accounting is not applied, are reflected in current income.

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16. Commitments and Contingencies, Continued

In relation to the shipbuilding contracts in foreign currency as of June 30, 2009, the Company entered into foreign exchange forward contracts and accounted for such contracts as fair value hedge. As a result, net balance of firm commitment assets and liabilities were ₩ 3,744,940 million and related gain and loss on valuation of the firm commitments were recorded as ₩ 728,228 million and ₩ 89,908 million, respectively, in non-operating income and expenses.

Gain and loss on derivatives transactions that mature within the current year were recorded in the amounts of ₩ 129,798 million and ₩ 1,126,612 million, respectively in non-operating income and expense.

In relation to valuation of derivatives that are not reached to maturity dates, the Company accounted for derivative assets of ₩ 146,987 million and derivative liabilities of ₩ 4,462,190 million.

17. Litigation

- (a) The Company has filed a protest against a penalty amounting to ₩ 19,415 million that had been imposed on the Company by the Korean Fair Trade Commission, relating to construction equipment sales with affiliated companies occurring between 2001 and 2004. As a result, the penalty decreased by ₩ 6,142 million pursuant to the resolution of the Korea Fair Trade Commission and the Company appeal to the Supreme Court for the remainder of the penalty to Seoul High Court on April 16, 2009. In addition, the Company has been brought into 3 legal actions by its employees with claims amounting to ₩ 210 million for damages from industrial disasters, all of which are pending as of June 30, 2009.
- (b) Hynix Semiconductor Inc. ("HSI") sold 13 million shares of Hyundai Investment Trust & Securities Co., Ltd. ("HITS") for USD13.46 per share to Canadian Imperial Bank of Commerce ("CIBC") on June 4, 1997. In relation to this transaction, the Company made a Share Option Agreement with CIBC under which the Company was obligated to buy back the 13 million shares of HITS for USD16.96 per share, if CIBC exercised its option. Based on this agreement, the Company was provided a written promissory note from HSI and Hyundai Securities Co., Ltd. ("HSC") on July 1, 1997 to compensate the Company for losses incurred in connection with the transaction with CIBC under certain circumstances. Based on the above agreement, on July 20, 2000, the Company repurchased the 13 million shares from CIBC for USD 220,480 thousand. The Company required HSI and HSC to honor their written promissory note; however, HSI and HSC refused. Accordingly, the Company 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 Company 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.

However, the Company didn't accept the court's decision. Pursuant to the resolution of the board of directors on January 27, 2002, the Company filed an appeal to the High Court claiming the whole amount of the principal and accrued interest. Also, the Company has filed a lawsuit for the advanced payments and reimbursable expenses for June 14, 2006 for the settlement of the claim amounting to ₩ 192,900 million of principal and accrued interest. However, the Company didn't accept the Court's decision and filed an appeal to the Supreme Court of Korea. The Supreme Court of Korea annulled the original judgment on March 26, 2009 and it is pending as of June 30, 2009.

The Company has set up a provision the above amount as of June 30, 2009. The management and legal advisor of the Company predict that the case will be decided in the Company's favor; however, the ultimate effect of these litigations cannot presently be determined and no adjustment that may result has been made in the accompanying financial statements.

Hyundai Heavy Industries Co., Ltd.

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17. Litigations, Continued

- (c) The National Tax Service imposed additional income tax amounting to ₩ 107,600 million on March 27, 2006. The assessment resulted from the participation in the capital increase of Hyundai Space and Aircraft Co., Ltd. when Korea was under foreign currency exchange crisis in late 1990's. The National Tax Service concluded this capital increase to be unfair financial support for the insolvent affiliate. However, the Company didn't accept the National Tax Tribunal's decision and file for administrative litigation as of April 27, 2009.
- (d) As of March 25, 2008, the Company determined that International Petroleum Investment Co. (hereafter "IPIC"), the major shareholder of Hyundai Oilbank, breached the Contract between Shareholders entered into with the former shareholders of the Hyundai Group, including Hyundai Heavy Industries and notified IPIC to exercise IPIC's Deemed Offer (stock purchase option) against its 171,557,695 shares (70%) of Hyundai Oilbank. The Company also filed for arbitration at the International Court of Arbitration of the International Chamber of Commerce (hereafter "ICC"), in regard to IPIC's breach of contract and exercise of the Deemed Offer. The case is in progress according to law of ICC and in case IPIC does not agree to the stock purchase, the offer will need to be determined by the arbitration judgment. As of June 30, 2009, the fixed date of arbitration judgment is undetermined.

18. Capital Surplus

Capital surplus as of June 30, 2009 and December 31, 2008 are as follows:

(In thousands of Won)

		2009	2008
Paid-in capital in excess of par value	₩	843,324,390	843,324,390
Asset revaluation surplus		1,862,725,081	1,862,725,081
Other capital surplus		65,334,216	65,334,216
Capital surplus on valuation of equity method investments		47,207,001	47,207,001
	₩	<u>2,818,590,688</u>	<u>2,818,590,688</u>

Other capital surplus is composed of ₩ 33,381 million of gain on disposal of investment in Hyundai Mipo Dockyard Co. Ltd., which was transferred to Hyundai Samho Heavy Industries Co., Ltd., ₩ 10,123 million thousand of gain on disposal of treasury stock (net of tax effect) and ₩ 21,830 million of gain on business combination and others.

Capital surplus is only available for the reduction of accumulated deficit or transfer to capital stock.

19. Retained Earnings

(a) Retained earnings as of June 30, 2009 and December 31, 2008 are as follows:

(In thousands of Won)

		2009	2008
Appropriated:			
Legal reserve (*1, 3)	₩	190,000,000	211,543,400
Reserve for corporate development (*3)		30,000,000	30,000,000
Reserve for research and human development (*2)		223,333,333	230,000,000
Reserve for facilities (*2)		78,270,000	78,270,000
Other voluntary reserves (*4)		3,835,852,998	1,850,645,368
Unappropriated retained earnings		891,341,798	2,256,664,849
	₩	<u>5,248,798,129</u>	<u>4,657,123,617</u>

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19. Retained Earnings, Continued

(*1) The Korean Commercial Code requires the Company to appropriate as a legal reserve an amount equal to at least 10% of annual cash dividends for each accounting period until the reserve equals 50% of capital. This reserve is not available for the payment of cash dividends but may be transferred to capital stock or used to offset accumulated deficit, if any, through a resolution of shareholders.

(*2) Under provisions of the Tax Exemption and Reduction Control Law, an amount equivalent to the amount of income tax benefits to which the Company is entitled in connection with tax credits for research and human development and investment for facilities is required to be recorded as a reserve for research and human development and investment for facilities.

(*3) Only available for the reduction of accumulated deficit or transfer to capital stock in accordance with related laws.

(*4) Pursuant to the Tax Exemption and Reduction Control Law, the Company is allowed to make a reserve for overseas market development, a reserve for export losses and a reserve for research and human development by appropriating retained earnings. These reserves are voluntary reserves, which are available for the payment of dividends when these reserves are properly reversed.

20. Capital Adjustments

(a) Treasury Stock

As of June 30, 2009 and December 31, 2008, treasury stock is as follows:

<i>(In thousands of Won)</i>		<u>2009</u>	<u>2008</u>
Treasury stock	₩	(1,529,441,294)	(1,529,441,294)

The Company has been operating special money in trust for treasury stock amounting to ₩705,000 million since January 2000 for the purpose of stabilizing the share price of the Company, and disposed 11,631,580 shares of treasury stock amounting to ₩ 392,000 million in 2003.

(b) Other Capital Adjustments

As of June 30, 2009 and December 31, 2008, other capital adjustments are as follows:

<i>(In thousands of Won)</i>		<u>2009</u>	<u>2008</u>
Treasury stock owned by subsidiaries	₩	(103,565,209)	(103,565,209)
Capital adjustments on valuation of equity method		(130,257,265)	(129,033,528)
	₩	<u>(233,822,474)</u>	<u>(232,598,737)</u>

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21. Sales and Cost of Sales

(a) Sales and cost of sales, by major industry segment, for the years June 30, 2009 and 2008 are as follows:

(In thousands of Won)

		2009		2008	
		Sales	Cost of sales	Sales	Cost of sales
Shipbuilding	₩	4,688,110,565	4,490,407,039	4,373,060,816	3,553,588,614
Offshore & Engineering		1,953,085,872	1,695,526,299	1,111,314,753	965,871,803
Industrial Plant & Engineering		762,140,458	662,469,860	555,000,742	588,552,220
Engine & Machinery		1,442,421,445	973,010,493	988,834,248	737,133,932
Electro Electric Systems		1,376,892,843	1,020,885,598	905,400,531	702,728,007
Construction Equipment		526,732,557	464,603,500	1,049,800,724	825,696,842
Others		75,291,291	70,970,542	79,646,115	72,819,007
	₩	<u>10,824,675,031</u>	<u>9,377,873,331</u>	<u>9,063,057,929</u>	<u>7,446,390,425</u>

(b) The Company's outstanding contracts as of June 30, 2009 are summarized as follows:

(In millions of Won)

		Shipbuilding	Others	Total
Beginning of period	₩	38,029,713	20,794,212	58,823,925
Increase during the period		5,289	4,275,359	4,280,648
Recognized as revenue in current income		(4,688,111)	(6,136,564)	(10,824,675)
End of period	₩	<u>33,346,891</u>	<u>18,933,007</u>	<u>52,279,898</u>

As of June 30, 2009, in connection with construction contracts, the Company has provided certain amount of financial institution guarantee deposits or letters of guarantees from various financial institutions to the customers (See Note 16).

(c) As of June 30, 2009, accumulated cost of construction and others connected with construction in progress by major industry segment are as follows:

(In millions of Won)

		Accumulated cost of construction	Accumulated profit and loss	Advances on construction contracts	Accounts receivable	Billed receivables on construction contracts	Not billed receivables on construction contracts
Shipbuilding	₩	9,179,927	359,690	6,720,460	2,034,957	67,152	1,967,805
Offshore & Engineering		6,334,335	620,045	1,375,668	741,133	50,317	690,816
Industrial & Plant Engineering		4,249,190	184,367	684,701	121,245	10,860	110,385
Engine & Machinery		3,168,834	1,544,450	891,963	607,058	142,913	464,145
Electro Electric Systems		55,035	23,106	172,746	820,236	708,734	111,502
Construction Equipment (*)		-	-	670	180,421	180,421	-
Others(*)		-	-	430	664,628	664,628	-
	₩	<u>22,987,321</u>	<u>2,731,658</u>	<u>9,846,638</u>	<u>5,169,678</u>	<u>1,825,025</u>	<u>3,344,653</u>

(*) Industry segment recognized revenues by delivery basis. For those contracts whose contract costs will exceed contract revenue, the Company recognized the estimated loss on the construction contracts amounting to ₩ 40,447million.

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22. Income Taxes

- (a) The Company was subject to income taxes on taxable income at the following normal tax rates for the three and six month periods ended June 30, 2009 and 2008.

Taxable income	Tax rate		
	2008	2009	Thereafter
Up to ₩200 million	12.1%	12.1%	11%
Over ₩200 million	27.5%	24.2%	22%

In December 2008, the Korean government reduced the corporate income tax rate (including resident tax) and increased the tax base from ₩100 million to ₩200 million beginning in 2008. Effective January 1, 2008, the income tax rate for those having their taxable income less than ₩200 million was reduced from 14.3 % to 12.1%.

- (b) Income tax expense for the years ended June 30, 2009 and 2008 is as follows:

(In thousands of Won)

	2009	2008
Current income tax	₩ 146,437,417	390,292,334
Changes in deferred income taxes due to temporary differences	241,287,388	(585,139,977)
Changes in deferred income taxes directly adjusted in equity	(174,816,733)	650,715,099
Income tax expense	212,908,072	455,867,456
Income before income tax	1,104,249,864	1,553,379,793
Effective income tax rate	19.30%	29.30%

- (c) For the years ended June 30, 2009 and 2008, the differences between income before income tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows:

(In thousands of Won)

	2009	2008
Income before income tax	₩ 1,104,249,864	1,553,379,793
Temporary differences	(402,671,893)	(118,717,366)
Non-temporary differences	(30,786,509)	(1,631,089)
Taxable income	670,791,462	1,433,031,338

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22. Income Taxes, Continued

(d) Details of changes in, and effects on income tax expense of, cumulative temporary differences for the years ended June 30, 2009 and 2008 are summarized as follows:

(In thousands of Won)

	2009		2008	
	Balance at January 1, 2009	Balance at June 30,2009	Balance at January 1, 2008	Balance at June 30,2008
Investment securities accounted for using the equity method (*1)	₩ (788,296,615)	(957,302,302)	(815,831,141)	(640,441,326)
Loss on valuation of investment securities	74,558,133	66,610,466	74,558,133	74,558,133
Reserve for technology development	(223,333,333)	(185,000,000)	(230,000,000)	(226,666,666)
Allowance for doubtful accounts (*1)	158,039,183	153,898,945	146,465,573	149,089,581
Accrued income	(56,690,429)	(28,125,748)	(28,499,206)	(40,908,641)
Loss on valuation of receivables	859,903	859,903	859,903	859,903
Currency forward contracts	710,042,273	155,141,985	37,679,354	2,006,307,342
Other	395,956,287	22,645,075	67,906,967	58,122,993
	₩ 271,135,402	(771,271,676)	(746,860,417)	1,380,921,319
Tax rate		22%(24.2%)		27.5%
Deferred income tax assets, end of period		(162,322,879)		379,753,362
Deferred income tax assets, beginning of period		78,964,509		(205,386,615)
Changes in deferred income taxes on temporary differences		₩ (241,287,388)		585,139,977

(*1) The temporary difference amounting to ₩ (-) 290,044 million, which were not recognized as deferred income tax asset is included.

(e) The deferred tax assets and liabilities that were directly charged or credited to capital adjustments as of June 30, 2009 are as follows:

(In thousands of Won)

	2009
Capital surplus on valuation of equity method investments	₩ 345,157
Loss on valuation of short-term and long-term investment securities	(63,812,482)
Changes in equity arising on application of the equity method	(23,773,828)
Negative changes in equity arising on application of the equity method	(37,425,095)
Loss on valuation of foreign exchange forward contract	(50,150,485)

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22. Income Taxes, Continued

(f) Deferred income tax assets (liabilities) as of June 30, 2009 are as follows:

(In thousands of Won)

		Current	Non-current	Total
Accumulated of temporary difference	₩	334,404,067	(1,105,675,743)	(771,271,676)
Tax rate		24.2%	22.0%	22.0%(24.2%)
Tax effects		80,925,784	(243,248,663)	(162,322,879)
Deferred income tax assets (liabilities)	₩	80,925,784	(243,248,663)	(162,322,879)

23. Statements of Comprehensive Income

Statements of comprehensive income for the years ended June 30, 2009 and 2008 are as follows:

(In thousands of Won)

		Three-month	period	Six-month	period
		2009	2008	2009	2008
Net income	₩	393,072,410	655,214,846	891,341,792	1,097,512,337
Other comprehensive income		424,404,896	(919,798,550)	603,558,380	(1,623,315,697)
Gain (loss) on valuation of short-term and long-term investment securities,		129,328,709	(56,190,112)	226,490,236	(27,181,975)
Tax effects		(36,477,328)	21,313,491	(63,812,482)	10,310,404
Changes in equity arising on application of the equity method,		(8,601,317)	20,658,540	85,669,102	(101,861,300)
Tax effects		1,979,124	(7,521,723)	(23,773,828)	38,246,158
Negative changes in equity arising on application of the equity method,		108,909,290	(117,197,959)	132,688,973	(184,189,028)
Tax effects		(30,718,005)	44,454,398	(37,425,095)	69,864,804
Gain (loss) on valuation of financial derivatives,		194,768,214	(767,069,019)	158,710,069	(1,310,083,394)
Tax effects		(62,239,655)	290,957,214	(50,150,485)	496,928,184
Comprehensive income		817,477,306	(264,583,704)	1,494,900,172	(525,803,360)

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24. Earnings Per Share

Basic earnings per share for the three six-month periods ended June 30, 2009 and 2008 were as follows:

		2009		2008	
		Three-month period	Six-month period	Three-month period	Six-month period
Net income (In thousands of Won)	₩	393,072,410	891,341,792	655,214,846	1,097,512,237
Weighted average number of outstanding common shares (In thousands of shares)		59,933	59,933	60,130	60,948
Income per share (In Won)		6,558	14,872	10,896	18,007

25. Transactions and Balances with Related Companies

(a) The Company is the ultimate holding company and its subsidiaries as of June 30, 2009 are as follows:

Controlled subsidiary	Particulars
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding
Hyundai Mipo Dockyard Co., Ltd.	Shipbuilding
Hyundai Finance Corporation	Granting of credit
Hyundai Venture Investment Corporation	Granting of credit
Hyundai Futures Corporation	Entrust and brokerage of futures transaction
HVIC IT Fund 3 rd	Other financial intermediation
Hyundai Investment Fund 1 on patent Technology	Other financial intermediation
Mipo Engineering Co., Ltd.	Other engineering service
Changzhou Hyundai Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
Hyundai Heavy Industries Europe N.V.	Sale of machinery equipment for construction
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
H.C.E U.S.A	Sale of machinery equipment for construction
Hyundai Heavy Industries Co. Bulgaria	Sale and manufacture of transformers
Vladivostok Business Center	Hotels
Hyundai Vinashin Shipyard	Repairing of ships
Yantai Hyundai Moon Heavy Industries Co., Ltd.	Sale and manufacture of industrial boilers
Hyundai Heavy Industries (China) Electric Co., Ltd.	Sale and manufacture of switch boards for electric distribution
Hyundai Jiangsu Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
HHI China Investment Co., Ltd.	Holding company
Changzhou Hyundai Hydraulic Machinery Co., Ltd.	Sale and manufacture of hydraulic cylinders for construction equipment
Hyundai Technologies Center Hungary Kft	Research and development on technology
Hyundai (Malaysia) SDN BHD	Trading
Hyundai S/V Indonesia	Maintenance and repair services of transformers
HHI Mauritius	Manufacturing
PHECO Inc.	Design services for offshore facilities
Hyundai-Enova Innovative Technology Center Inc.	Research and experimental development on technology

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Controlled subsidiary	Particulars
Hyundai Heavy Industries France SAS	Manufacturing
Hyundai Ideal Electric Co.	Sale and manufacture of industrial electric equipment
Hyundai Financial Leasing Co., Ltd.	Financial lease and operating lease
Hyundai Construction Equipment India Private Ltd.	Sale and manufacture of machinery equipment for construction
Ulsan Hyundai Football Club. Ltd.	Football Club
HYMS	Sale and manufacture of machinery equipment for shipbuilding
Komas Corp.	Shipbuilding
HI Investment & Securities Co., Ltd	Securities brokerage
HI Management Co., Ltd	Asset management
Hotel Hyundai Co., Ltd.	Hotels

- (b) Significant transactions and outstanding balances with subsidiaries and affiliated companies within the Hyundai Heavy Industries Group of companies and former affiliated companies of Hyundai Group for the year ended and as of June 30, 2009 are as follows:

(In thousands of Won)

		Sales	Purchases	Receivables	Payables
Hyundai Samho Heavy Industries Co., Ltd.	₩	355,563,461	97,743,242	268,106,161	59,529,296
Hyundai Mipo Dockyard Co., Ltd.		216,027,040	9,825,166	137,437,238	1,274,640
Hyundai Oilbank Co., Ltd.		1,230,112	34,964,729	15,039	4,519,394
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.		47,229,860	422,107	14,184,348	22,805
Hyundai Heavy Industries Europe N.V.		28,076,703	2,145,485	35,920,053	556,025
H.C.E U.S.A.		29,349,681	465,449	13,119,215	269,077
Hyundai Jiangsu Construction Machinery Co., Ltd		99,227,684	8,756	12,971,929	270,782
Yantai Hyundai Moon Heavy Industries Co., Ltd.		-	12,889,613	-	96,609
Hyundai Heavy Industries (China) Electric Co., Ltd.		2,223,421	10,032,302	2,560,619	1,366,392
HYMS		5,016,783	134,415,138	2,933,122	48,687,004
Hyundai Construction Equipment India Private Ltd.		14,320,707	-	19,479,537	-
Hyundai Ideal Electric Co.		3,947,888	7,559	2,659,076	-
	₩	<u>802,213,340</u>	<u>302,919,546</u>	<u>509,386,337</u>	<u>116,592,024</u>

25. Transactions and Balances with Related Companies, Continued

- (c) The Company has entered into rental agreements (deposits received of ₩ 119 million) with Hyundai Mipo Dockyard Co., Ltd. and other affiliated companies as of June 30, 2009. In addition, the Company is contingently liable for loan guarantees and performance guarantees of construction contracts of Hyundai Samho Heavy Industries Co., Ltd. (HSHI) and other affiliated companies including joint construction contracts with HSHI (See Note 16).

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(d) The Company has fully provided an allowance for receivable from Vladivostok Business Center amounting to ₩ 81,544 million as of June 30, 2009.

(e) The compensation for the key management of the Company for the year ended June 30, 2009 is as follows:

(In thousands of Won)

		2009
The compensation for the key management	₩	504,880

The key management of the Company comprises directors and internal auditors who have important right and responsibility of planning, operation and control of the Company.

26. Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies as of June 30, 2009 and December 31, 2008 are as follows:

Account	Currency	Foreign currencies (In thousands)			Korean won (In thousands)	
		2009	2008		2009	2008
Assets:						
Cash and cash equivalents	USD	237,372	84,777	₩	304,952,125	106,606,752
	EUR	280	1,568		507,063	2,785,069
	Others				28,021,491	23,354,869
Trade accounts and notes receivable	USD	3,055,402	2,695,452		3,925,274,840	3,389,531,038
	EUR	134,393	104,122		243,158,171	184,942,816
	Others				73,804,927	52,977,506
Accounts receivable - other	USD	70,727	65,852		90,863,604	82,808,521
	EUR	1,882	1,766		3,404,562	3,136,317
	Others				485	118,799
Long-term trade accounts and notes receivable	USD	47,785	66,164		61,389,287	83,200,909
Long-term financial instruments & others	USD	1,574	7,965		2,022,565	10,016,181
	EUR	1,938	3,079		3,505,898	5,469,733
	Others				2,128,273	2,539,770
				₩	<u>4,739,033,291</u>	<u>3,947,488,280</u>
Liabilities:						
Trade accounts and notes payable	USD	179,840	332,382	₩	231,040,258	417,970,851
	EUR	42,733	41,649		77,317,428	73,977,828
	Others				20,878,242	47,487,173
Current maturities of long-term borrowings	USD	3,023	2,929		3,435,581	3,314,633
Accounts payable-other and other liabilities	USD	198,010	247,260		254,383,986	310,929,310
	EUR	33,936	10,850		61,400,977	19,272,376
	Others				37,053,200	27,761,676
				₩	<u>685,509,672</u>	<u>900,713,847</u>

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27. Segment Information

The Company is classified into industry segments of Shipbuilding, Offshore & Engineering, Industrial Plant & Engineering, Engine & Machinery, Electro Electric Systems, Construction Equipment and others on the basis of product, feature of manufacturing process, market and sales method. Financial information by industry segment is as follows:

(a) As of and for the year ended June 30, 2009

(In thousands of Won)

		Industrial						Others
		Shipbuilding	Offshore & Engineering	Plant & Engineering	Engine & Machinery	Electro Electric Systems	Construction Equipment	
Sales	₩	4,688,110,565	1,953,085,872	762,140,458	1,442,421,445	1,376,892,843	526,732,557	75,291,291
Operating income								
(loss)		126,393,382	226,896,321	81,952,453	433,550,813	298,673,377	(29,439,481)	(126,890,062)
Tangible & intangible assets								
assets		2,333,330,719	594,180,956	34,394,891	863,968,349	603,201,087	190,761,346	2,490,091,603
Depreciation		(71,020,929)	(27,316,387)	(2,495,765)	(35,109,981)	(17,709,231)	(9,661,369)	(28,781,426)

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27. Segment Information, Continued

(b) As of and for the year ended June 30, 2008

(In thousands of Won)

		Industrial					
		Offshore &	Plant &	Engine &	Electro Electric	Construction	
	Shipbuilding	Engineering	Engineering	Machinery	Systems	Equipment	Others
Sales	₩ 4,373,060,816	1,111,314,753	555,000,742	988,834,248	905,400,531	1,049,800,724	79,646,115
Operating income							
(loss)	754,642,780	115,374,328	(50,055,293)	220,205,643	155,236,680	111,931,885	(120,273,073)
Tangible & intangible assets	1,780,408,630	463,559,308	30,795,776	619,442,016	311,618,997	163,132,070	2,312,389,914
Depreciation	(63,514,000)	(20,979,714)	(2,591,291)	(31,495,613)	(14,773,564)	(8,157,603)	(24,670,502)

28. Selling, General and Administrative Expenses

Selling and administrative expenses for the years ended June 30, 2009 and 2008 are as follows:

(In thousands of Won)

		2009		2008	
		Three-month period	Six-month period	Three-month period	Six-month period
Wages	₩	70,696,346	142,750,310	61,012,242	127,109,279
Provision for severance benefits		4,247,837	8,545,695	6,606,779	13,124,064
Employee welfare		15,145,301	36,346,703	14,944,209	34,116,097
Advertisement		10,101,737	17,944,588	10,287,165	19,247,243
Ordinary development expenses		17,349,041	35,286,917	17,830,301	34,716,191
Provision for doubtful accounts		-	8,949,984	326,422	11,125,363
Depreciation		9,959,974	20,918,441	7,242,254	14,230,158
Service charges		23,144,505	44,750,673	15,903,524	31,033,744
Transportation		12,832,626	26,669,616	25,161,957	49,432,510
Sales commission		12,779,675	21,504,020	9,247,024	19,879,883
After-service expenses		5,741,839	11,604,012	9,276,271	16,436,634
Others		33,004,882	60,393,938	29,679,475	59,153,388
	₩	<u>215,003,763</u>	<u>435,664,897</u>	<u>207,517,623</u>	<u>429,604,554</u>

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29. The Company's Environmental Standards and Policies

The Company has introduced and constructed an environmental management system, operated systematically by its environmental management organization, to effectively manage any environmental effects incurred from its business activities. The Company obtained the ISO-14001 certification for its environmental management system from the DNA-QA (Det Norske Veritas QA Ltd.) to ensure transparent environmental management system and also to prepare for environmental trade barrier. To maintain and develop its environmental management system, the Company continuously works to minimize the environmental effects from its overall business activities, from research and development, purchase, production, transport and disposal, by adopting advanced environmental management systems such as periodic evaluation of activities of environment management, eco-friendly planning and evaluation of environment results.

The Company has established and applies its own standards, which are twice as strict compared to current regulations for permissible exhaust standards, to the operations of the air exhaust facility, control facility and waste water disposal plant that treat the pollution generated from its manufacturing processes. The Company maintains its actual exhaust density below 20%. In addition, the Company achieved 63.1% of waste reclamation rate by minimizing the generation of waste and managing proper separate garbage collection. Also, to properly treat waste, the Company operates an incinerator that has a capacity to treat waste of 400 tons per day, furnished with advanced equipment to prevent environmental pollution.

30. Employee Welfare and Contributions to Society

For employee welfare, the Company granted scholarship funds of ₩ 27,880 million for the employees' children (middle, high, college students) and ₩ 2,388 million for medical benefits, such as health inspection and medical treatment, to its employees and their families during the year ended June 30, 2009. In addition, the Company provided 16,000 apartment buildings for employee housing and the rate of housing supplied for employees reached approximately 94%. The Company also operates 7 culture welfare union halls and the Hyundai Arts Center, established in December 1998, to provide members of the community and its employees with various art and musical performances.

(In millions of Won)

	2009	2008
Expense for human development and discipline	₩ 9,840	9,538
Expense for social welfare facilities and religion donation	1,547	2,042
Donation for Social Overhead Capital and Government	126	13
	₩ 11,513	11,593

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31. Non-Cash Investing and Financing Activities

Significant non-cash investing and financing activities for the years ended June 30, 2009 and 2008 are summarized as follows:

(In thousands of Won)

	2009	2008
Transfer of long-term trade accounts to current assets	₩ 10,123,792	19,176,466
Transfer of construction-in-progress to plant assets	670,661,157	377,791,478
Investment in kind of equity method accounted investments	-	127,952,347
Unrealized gain on valuation of available-for-sale securities	226,490,236	27,181,975
Treasury shares owned by companies accounted for using the equity method	-	11,234,489
Capital adjustment on valuation of equity method	1,223,737	91,600,495
Unrealized gain on valuation of equity method accounted investments	85,669,102	101,861,300
Unrealized loss on valuation of equity method accounted investments	132,688,973	184,189,028
Unrealized gain on valuation of derivatives	158,710,069	1,310,083,394

32. Planning and Adoption of K-IFRS (International Financing Reporting Standards)

The Company plans to prepare its financial statements under K-IFRS from 2011. To manage all the things accompanied with adoption of K-IFRS, the Company has organized a separate task force, and it has analyzed the impact of the adoption of K-IFRS and has been on the process of modification of system. Also, the Company has trained persons in charge of adoption of K-IFRS in HHI and its subsidiaries and it is reporting the results of its operation to the audit committee and management group periodically.