

HYUNDAI HEAVY INDUSTRIES CO., LTD.
AND ITS SUBSIDIARIES

Consolidated Financial Statements

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

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

We have audited the accompanying consolidated statements of financial position of Hyundai Heavy Industries Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2010 and 2009 and the related consolidated statements of income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of 15 and 15 subsidiaries, which statements reflect total assets of ₩18,593,067 and ₩8,814,269 million of consolidated totals as of December 31, 2010 and 2009, respectively and total revenues of ₩21,957,201 and ₩5,203,180 million of consolidated totals for the years then ended, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hyundai Heavy Industries Co., Ltd. and its subsidiaries as of December 31, 2010 and 2009 and the results of their operations, the changes in its equity and its cash flows for the years then ended, in conformity with the accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw attention to the following:

As explained in note 1 to the consolidated financial statements, in 2010, the Company included Hyundai Oilbank Co., Ltd., Hyundai (Shandong) Heavy Industry Machinery Co., Ltd., Hyundai Power Transformers USA Inc., HDO Singapore Pte. Ltd. and excluded Changzhou Hyundai Construction Machinery Co., Ltd.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 30, 2011

This report is effective as of March 30, 2011, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Consolidated Statements of Financial Position

As of December 31, 2010 and 2009

(In thousands of won, except share data)

	<u>Note</u>	<u>2010</u>	<u>2009</u>
Assets			
Cash and cash equivalents	28,29	₩ 1,853,853,700	1,921,277,940
Short-term financial instruments	3,28	1,102,866,366	727,339,243
Short-term investment securities	5	1,521,581,923	796,349,283
Accounts and notes receivable - trade, less allowance for doubtful accounts of ₩118,110,660 in 2010 and ₩167,174,928 in 2009	18,27,28, 31	8,753,020,641	6,857,930,991
Accounts receivable - other, less allowance for doubtful accounts of ₩133,609,577 in 2010 and ₩139,693,602 in 2009	27,28	369,531,152	126,442,669
Inventories	4	4,686,656,190	2,623,367,584
Advance payments, less allowance for doubtful accounts of ₩12,553,794 in 2010 and ₩16,029,816 in 2009		1,522,311,026	1,833,535,935
Accrued income, less allowance for doubtful accounts of ₩504,358 in 2010 and ₩174,280 in 2009	28	86,736,007	62,704,254
Financial assets, less allowance for doubtful accounts of ₩461,000 in 2010 and ₩549,746 in 2009		45,357,067	27,174,193
Foreign exchange forward contracts	18	1,248,026,528	1,999,017,757
Current deferred tax assets	24	47,785,949	65,651,956
Other current assets, less allowance for doubtful accounts of ₩5,500,369 in 2010 and ₩4,185,550 in 2009	6,28,31	751,288,045	797,966,560
Total current assets		<u>21,989,014,594</u>	<u>17,838,758,365</u>
Long-term financial instruments	3,28	3,341,448	3,286,378
Long-term investment securities	7	3,708,513,423	3,336,280,769
Equity method investments	9	1,144,796,672	1,389,273,020
Long-term accounts and notes receivable - trade, less allowance for doubtful accounts of ₩238,798,660 in 2010 and ₩27,138,889 in 2009	18,28,31	1,291,384,886	484,497,020
Foreign exchange forward contracts	18	236,722,721	1,128,950,586
Venture investments	8,9	17,368,758	13,804,552
Property, plant and equipment, net	10,30	14,735,526,174	11,044,112,558
Intangible assets	11,30	1,924,289,007	910,088,671
Non-current deferred tax assets	24	76,889,929	39,214,650
Other non-current assets, less allowance for doubtful accounts of ₩265,768 in 2010 and ₩179,339 in 2009	12,28	448,300,181	271,914,180
Total non-current assets		<u>23,587,133,199</u>	<u>18,621,422,384</u>
Total assets		<u>₩ 45,576,147,793</u>	<u>36,460,180,749</u>

See accompanying notes to consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Consolidated Statements of Financial Position, Continued

As of December 31, 2010 and 2009

(In thousands of won, except share data)

	Note	2010	2009
Liabilities			
Accounts and notes payable – trade	27,28	₩ 3,844,242,062	2,014,740,567
Short-term borrowings	13,18,28	6,543,646,551	2,276,082,532
Current portion of debentures and long-term borrowings	15,28	658,108,136	103,494,378
Accounts payable - other	19,28	984,706,126	270,797,798
Advances from customers	31	9,813,686,018	13,318,545,878
Income tax payable	24	1,064,054,269	340,754,689
Foreign exchange forward contracts	18	1,103,918,912	2,188,003,513
Current deferred tax liabilities	24	9,044,978	16,702,447
Other current liabilities	14,19,28,31	1,211,636,055	1,165,419,909
Total current liabilities		<u>25,233,043,107</u>	<u>21,694,541,711</u>
Debentures, net of discount on debentures of ₩2,750,889 in 2010 and ₩930,804 in 2009	15,28	1,197,249,111	299,069,196
Long-term borrowings	15,18,28	1,442,782,692	631,683,700
Provision for retirement and severance benefits, net of deposit for severance benefit insurance and others of ₩896,878,060 in 2010 and ₩1,261,176,453 in 2009	16	173,389,613	274,857,850
Provision for product warranties		75,252,537	61,196,303
Foreign exchange forward contracts	18	252,822,296	1,266,271,406
Non-current deferred tax liabilities	24	1,246,980,471	984,515,579
Other long-term liabilities	17,31	503,175,994	239,366,211
Total non-current liabilities		<u>4,891,652,714</u>	<u>3,756,960,245</u>
Total liabilities		<u>30,124,695,821</u>	<u>25,451,501,956</u>
Stockholders' equity			
Common stock of ₩5,000 par value Authorized – 160,000,000 shares Issued and outstanding – 76,000,000 shares in 2010 and 2009	1	380,000,000	380,000,000
Capital surplus	20	2,947,038,732	2,859,431,086
Capital adjustments	22	(1,726,016,268)	(1,738,662,691)
Accumulated other comprehensive income	5,7,9,18,25	2,094,205,947	1,743,835,780
Retained earnings	21	10,089,012,451	6,555,342,719
Minority interests		1,667,211,110	1,208,731,899
Total stockholders' equity		<u>15,451,451,972</u>	<u>11,008,678,793</u>
Total liabilities and stockholders' equity		<u>₩ 45,576,147,793</u>	<u>36,460,180,749</u>

See accompanying notes to consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Consolidated Statements of Income

For the years ended December 31, 2010 and 2009

(In thousands of won, except earnings per share)

	<u>Note</u>	<u>2010</u>	<u>2009</u>
Sales	27,30,31	₩ 45,073,575,707	29,254,382,089
Cost of sales	11,27,30,31	<u>37,432,427,855</u>	<u>24,708,119,016</u>
Gross profit		<u>7,641,147,852</u>	<u>4,546,263,073</u>
Selling, general and administrative expenses	11,27,32,34	<u>2,297,983,117</u>	<u>1,521,580,226</u>
Operating income		<u>5,343,164,735</u>	<u>3,024,682,847</u>
Interest and dividend income		339,447,248	332,451,603
Gain on foreign currency transactions		832,848,430	1,051,653,686
Gain on foreign currency translation	28	50,370,182	48,498,757
Gain on valuation of equity method investments	9	131,194,228	57,231,894
Gain on disposal of short-term investment securities		2,139,545	11,774,944
Gain on disposal of long-term investment securities		-	3,039,157
Gain on disposal of property, plant and equipment		499,229,555	80,459,161
Gain on reversal of provisions		12,406,978	7,322,100
Gain on foreign exchange forward contracts	18	1,159,787,204	1,942,480,879
Other income		<u>640,283,166</u>	<u>477,606,856</u>
Non-operating income		<u>3,667,706,536</u>	<u>4,012,519,037</u>
Interest expense		288,150,360	86,599,989
Loss on foreign currency transactions		891,088,396	753,326,816
Loss on foreign currency translation	28	74,661,021	66,453,905
Loss on valuation of equity method investments	9	213,191,039	251,198,493
Loss on disposal of short-term investment securities		-	4,677,155
Loss on disposal of long-term investment securities		-	1,229,816
Loss on disposal of property, plant and equipment		23,128,304	19,664,652
Loss on foreign exchange forward contracts	18	1,438,654,903	2,559,161,636
Other expenses	34	<u>253,239,202</u>	<u>117,554,600</u>
Non-operating expenses		<u>3,182,113,225</u>	<u>3,859,867,062</u>
Income before income taxes		5,828,758,046	3,177,334,822
Income taxes	24	1,513,022,124	744,094,617
Net income before acquisition of subsidiaries		<u>255,717,561</u>	-
Net income		₩ <u>4,060,018,361</u>	<u>2,433,240,205</u>
Holding company		<u>3,745,843,939</u>	<u>2,140,748,853</u>
Minority interests		<u>314,174,422</u>	<u>292,491,352</u>
Earnings per share			
Basic earnings per share	26	₩ <u>68,426</u>	<u>39,603</u>

See accompanying notes to consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Consolidated Statements of Changes in Equity

For the years ended December 31, 2010 and 2009

(In thousands of won)

	<u>Common stock</u>	<u>Capital surplus</u>	<u>Capital adjustments</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings</u>	<u>Minority interest</u>	<u>Total stockholders' equity</u>
Balance at January 1, 2010	₩ 380,000,000	2,859,431,086	(1,738,662,691)	1,743,835,780	6,555,342,719	1,208,731,899	11,008,678,793
Dividends	-	-	-	-	(212,174,207)	-	(212,174,207)
Balance after appropriation	-	-	-	-	6,343,168,512	-	10,796,504,586
Net income	-	-	-	-	3,745,843,939	314,174,422	4,060,018,361
Changes in capital surplus	-	87,607,646	-	-	-	-	87,607,646
Changes in treasury stock	-	-	63,517,055	-	-	-	63,517,055
Changes in other capital adjustments	-	-	(50,870,632)	-	-	-	(50,870,632)
Changes in gain and loss on valuation of investment securities	-	-	-	357,908,313	-	-	357,908,313
Changes in equity arising on application of the equity method	-	-	-	10,086,860	-	-	10,086,860
Changes in gain and loss on valuation of derivatives	-	-	-	(38,250,405)	-	-	(38,250,405)
Changes in gain and loss on revaluation of land	-	-	-	16,593,074	-	-	16,593,074
Change in the cumulative translation losses	-	-	-	4,032,325	-	-	4,032,325
Changes in other minority interests	-	-	-	-	-	144,304,789	144,304,789
Balance at December 31, 2010	₩ <u>380,000,000</u>	<u>2,947,038,732</u>	<u>(1,726,016,268)</u>	<u>2,094,205,947</u>	<u>10,089,012,451</u>	<u>1,667,211,110</u>	<u>15,451,451,972</u>

See accompanying notes to consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Consolidated Statements of Changes in Equity, Continued

For the years ended December 31, 2010 and 2009

(In thousands of won)

	<u>Common stock</u>	<u>Capital surplus</u>	<u>Capital adjustments</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings</u>	<u>Minority interest</u>	<u>Total stockholders' equity</u>
Balance at January 1, 2009	₩ 380,000,000	2,805,551,325	(1,718,603,079)	(463,730,511)	4,673,098,378	990,740,750	6,667,056,863
Dividends	-	-	-	-	(258,504,512)	-	(258,504,512)
Balance after appropriation	-	-	-	-	4,414,593,866	-	6,408,552,351
Net income	-	-	-	-	2,140,748,853	292,491,352	2,433,240,205
Changes in capital surplus	-	53,879,761	-	-	-	-	53,879,761
Changes in treasury stock	-	-	65,469,292	-	-	-	65,469,292
Changes in other capital adjustments	-	-	(85,528,904)	-	-	-	(85,528,904)
Changes in gain and loss on valuation of investment securities	-	-	-	873,309,685	-	-	873,309,685
Changes in equity arising on application of the equity method	-	-	-	32,502,112	-	-	32,502,112
Changes in gain and loss on valuation of derivatives	-	-	-	352,888,481	-	-	352,888,481
Changes in gain and loss on revaluation of land	-	-	-	964,458,487	-	-	964,458,487
Change in the cumulative translation losses	-	-	-	(15,592,474)	-	-	(15,592,474)
Changes in other minority interests	-	-	-	-	-	(74,500,203)	(74,500,203)
Balance at December 31, 2009	₩ <u>380,000,000</u>	<u>2,859,431,086</u>	<u>(1,738,662,691)</u>	<u>1,743,835,780</u>	<u>6,555,342,719</u>	<u>1,208,731,899</u>	<u>11,008,678,793</u>

See accompanying notes to consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009

(In thousands of won)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Net income	₩ 4,060,018,361	2,433,240,205
Adjustments for:		
Accrual for retirement and severance benefits	318,767,467	182,479,991
Accrual for allowance for doubtful accounts	228,712,463	66,570,855
Amortization of intangible assets	128,430,155	91,305,225
Depreciation	797,919,682	581,954,177
Amortization of discount on debentures	2,395,092	271,596
Loss on foreign currency translation	74,102,822	63,849,551
Loss on disposal of short-term investment securities	-	4,677,155
Loss on disposal of long-term investment securities	-	1,229,816
Loss on disposal of property, plant and equipment	23,128,304	19,664,652
Loss on valuation of equity method investments	213,191,039	251,198,493
Loss on valuation of foreign exchange forward contracts	1,613,675,501	3,794,806,061
Gain on disposal of property, plant and equipment	(499,229,555)	(80,459,161)
Gain on disposal of short-term investment securities	(2,139,545)	(11,774,944)
Gain on disposal of long-term investment securities	-	(3,039,157)
Gain on foreign currency translation	(49,633,781)	(48,107,597)
Gain on valuation of equity method investments	(131,194,228)	(57,231,894)
Gain on valuation of foreign exchange forward contracts	(664,990,614)	(1,604,501,964)
Gain on reversal of provisions	(12,406,978)	(7,322,100)
Others, net	107,639,212	(146,312,025)
	<u>6,208,385,397</u>	<u>5,532,498,935</u>
Changes in assets and liabilities:		
Accounts and notes receivable - trade	(1,732,132,398)	(1,366,068,150)
Accounts receivable - other	(155,068,030)	253,724,469
Accrued income	(22,760,270)	94,231,690
Advanced payments	312,119,138	(262,876,044)
Inventories	(753,965,641)	836,132,160
Deferred tax assets	(51,356,871)	89,520,181
Accounts and notes payable – trade	1,093,081,260	(893,053,655)
Accounts payable - other	34,448,044	(96,050,120)
Advances from customers	(3,619,330,874)	(3,281,422,307)
Accrued expenses	(51,636,904)	(76,172,438)
Income tax payable	653,737,539	(320,526,334)
Long-term accrued expenses	215,131,505	-
Payment of retirement and severance benefits	(885,749,483)	(207,088,956)
Deposit for severance benefit insurance	416,362,304	38,924,200
Foreign exchange forward contracts	(1,314,365,983)	(2,764,576,997)
Deferred tax liabilities	198,482,677	81,284,029
Others, net	(487,156,789)	184,237,193
Net cash provided by (used in) operating activities	<u>58,224,621</u>	<u>(2,157,282,144)</u>

See accompanying notes to consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2010 and 2009

(In thousands of won)

	<u>2010</u>	<u>2009</u>
Cash flows from investing activities		
Disposal of short-term financial instruments	₩ 1,955,333,723	5,609,350,639
Disposal of short-term investment securities	427,318,040	774,282,506
Disposal of long-term financial instruments	14,000,000	11,947,520
Disposal of equity method investments	46,822,395	-
Disposal of long-term investment securities	55,429,004	54,861,148
Disposal of property, plant and equipment	838,049,418	139,860,339
Disposal of intangible assets	1,795,014	-
Acquisition of short-term financial instruments	(2,177,716,758)	(2,593,998,452)
Acquisition of short-term investment securities	(419,900,000)	(622,717,520)
Acquisition of long-term financial instruments	(7,311,880)	(51,388)
Acquisition of long-term investment securities	(95,520,403)	(91,323,046)
Acquisition of equity method investments	(230,932,730)	(239,014,511)
Acquisition of property, plant and equipment	(1,966,110,107)	(1,693,965,795)
Acquisition of intangible assets	(25,576,331)	(14,062,510)
Expenditures for development costs	(71,316,716)	(73,491,702)
Disposal of other assets	168,827,601	62,621,467
Acquisition of subsidiaries	(2,599,315,726)	-
Acquisition of other assets	(112,943,011)	(513,538,075)
Net cash provided by (used in) investing activities	<u>(4,199,068,467)</u>	<u>810,760,620</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	8,140,922,648	3,880,925,198
Proceeds from long-term borrowings	803,769,826	517,294,252
Proceeds from debentures	199,106,400	298,797,600
Repayment of short-term borrowings	(4,945,307,265)	(2,709,982,169)
Repayment of current portion of debentures and long-term borrowings	(377,393,788)	(2,346,388)
Repayment of long-term borrowings	(93,331,320)	(8,844,000)
Dividends paid	(212,174,207)	(299,667,280)
Others, net	(36,068,110)	(65,179,900)
Net cash provided by financing activities	<u>3,479,524,184</u>	<u>1,610,997,313</u>
The effects of changes in foreign exchange rates	819,006	(13,706,775)
Effect of change in consolidated subsidiaries	593,076,416	(2,275,556)
Net increase (decrease) in cash and cash equivalents	<u>(67,424,240)</u>	<u>248,493,458</u>
Cash and cash equivalents at beginning of year	<u>1,921,277,940</u>	<u>1,672,784,482</u>
Cash and cash equivalents at end of year	<u>₩ 1,853,853,700</u>	<u>1,921,277,940</u>

See accompanying notes to consolidated financial statements.

HYUNDAI HEAVY INDUSTRIES CO., LTD.

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

1. Organization and Description of Business

(1) The Company

Hyundai Heavy Industries Co., Ltd. (the "Company") was incorporated in 1973, under the Commercial Code of the Republic of Korea, and is engaged in the manufacture and sale of ships, offshore structures, plants, engines and other related 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 outstanding as of December 31, 2010. Of the total issued shares, the Company's major stockholders Mong-Joon Chung, Hyundai Mipo Dockyard Co., Ltd., KCC Corporation, Mirae Asset Investment Management Co., Ltd. and National Pension Service own 10.80%, 7.98%, 6.72%, 4.27% and 3.68%, 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 December 31, 2010. The Company may also raise capital by obtaining the approval of the Board of Directors by issuing stock to old shareholders, issuing stock through a general public subscription totalling 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) Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and its consolidated domestic and foreign subsidiaries over which the Company has control. The consolidated subsidiaries as of December 31, 2010 are as follows:

(In millions of won)

Company's name	Business	Shareholders' equity	Number	Percentage of ownership	Location	Fiscal year end
Domestic subsidiaries:						
Hyundai Finance Corporation	Financing	147,528	12,350,000	67.49%	Korea	Dec.31
Hyundai Venture Investment Corporation (*1)	Financing	65,227	4,103,000	68.38%	Korea	Dec.31
Hyundai Futures Corporation (*1)	Financing	45,380	3,000,000	65.22%	Korea	Mar.31
Hyundai Investment Fund 1 on Patent Technology (*1)	Financing	21,524	90	50.00%	Korea	Dec.31
HI Investment & Securities Co., Ltd. (*1)	Financing	552,188	292,493,502	83.24%	Korea	Mar.31
HI Asset Management Co., Ltd. (*1)	Financing	51,266	6,880,613	99.99%	Korea	Mar.31
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding	3,415,231	37,967,000	94.92%	Korea	Dec.31
Hyundai Mipo Dockyard Co., Ltd. (*1)	Shipbuilding	4,209,219	9,208,714	46.04%	Korea	Dec.31
HYMS Co., Ltd.	Shipbuilding	159,583	29,600,000	100.00%	Korea	Dec.31
Hyundai Oilbank Co., Ltd.	Manufacturing of petroleum products	2,326,129	223,331,529	91.13%	Korea	Dec.31

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

1. Organization and Description of Business, Continued

(2) Consolidated Subsidiaries, Continued

(In millions of won)

<u>Company's name</u>	<u>Business</u>	<u>Shareholders' equity</u>	<u>Number</u>	<u>Percentage of ownership</u>	<u>Location</u>	<u>Fiscal year end</u>
Overseas subsidiaries:						
H.C.E. U.S.A	Wholesale	14,625	23,900,000	100.00%	U.S.A	Dec.31
Hyundai Heavy Industries Europe N.V.	Wholesale	28,249	10	100.00%	Belgium	Dec.31
Hyundai Jiangsu Construction Machinery Co., Ltd. (*1,2)	Assembly & wholesale	263,451	-	60.00%	China	Dec.31
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd. (*1,2)	Assembly & wholesale	96,389	-	60.00%	China	Dec.31
Vladivostok Business Center (*2)	Food & lodging	17,075	-	100.00%	Russia	Dec.31
Hyundai Heavy Industries Co. BULGARIA	Electrical equip. manufacturing	48,924	12,155,829	99.09%	Bulgaria	Dec.31
Hyundai Vinashin Shipyard (*1,2)	Ship repairing	260,576	-	65.00%	Vietnam	Dec.31
Yantai Hyundai Moon Heavy Industries Co., Ltd. (*1,2)	Electrical equip. manufacturing	47,067	-	54.99%	China	Dec.31
Hyundai Heavy Industries (China) Electric Co., Ltd. (*1,2)	Electrical equip. manufacturing	48,899	-	100.00%	China	Dec.31
HHI China Investment Co., Ltd. (*2)	Investment and advisory service	161,669	-	100.00%	China	Dec.31
Hyundai Financial Leasing Co., Ltd. (*1,2)	Financing	117,975	-	88.02%	China	Dec.31
Hyundai Ideal Electric Co.	Electrical equip. manufacturing	26,270	1,000	100.00%	U.S.A	Dec.31
Hyundai Construction Equipment India Private Ltd.	Assembly & wholesale	30,141	17,184,775	100.00%	India	Mar.31
Changzhou Hyundai Hydraulic Machinery Co., Ltd. (*1, 2)	Assembly & wholesale	38,219	-	100.00%	China	Dec.31
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd. (*2)	Assembly & wholesale	23,543	-	100.00%	China	Dec.31
Hyundai Power Transformers USA Inc.	Electrical equip. manufacturing	28,048	100	100.00%	U.S.A	Dec.31
HDO Singapore Pte. Ltd. (*1)	Sale of crude oil and petroleum products	1,625	164,000	100.00%	Singapore	Dec.31

(*1) Shares and ownership include indirect shares and ownership, of which its subsidiaries hold as of December 31, 2010.

(*2) The number of shares is not disclosed since it has no face value.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

1. Organization and Description of Business, Continued

(3) Change of Consolidated Subsidiaries

Details of the change of consolidated subsidiaries are as follows:

<u>Subsidiaries</u>	<u>Note</u>
Hyundai Oilbank Co., Ltd.	Acquired control resulting from the acquisition of additional shares of stock.
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	Acquired control resulting from the acquisition of newly issued shares of stock.
Hyundai Power Transformers USA Inc.	Acquired control resulting from the acquisition of newly issued shares of stock.
HDO Singapore Pte. Ltd.	Subsidiary of Hyundai Oilbank Co., Ltd.
Changzhou Hyundai Construction Machinery Co., Ltd.	Missed the control by liquidation.

(4) Detailed Information on the Subsidiaries

(a) Domestic consolidated subsidiaries

Hyundai Finance Corporation ("HFC") was incorporated on February 1, 1996 to engage in factoring finance and others, and changed its name to the present name on July 15, 1999.

Hyundai Venture Investment Corporation ("HVIC") was established on April 8, 1997 to engage in investing in venture firms and was registered with the Small and Medium Business Administration as a venture capital firm. The major services of HVIC are investment in new entrepreneurs and venture companies, and establishment and management of venture funds.

Hyundai Futures Corporation ("HFTC") was incorporated on January 21, 1997 after it had received a preparatory license for domestic and overseas futures brokerage business from the Ministry of Finance and Economy on November 19, 1996. HFTC engages mainly in brokerage of futures transactions and other related business activities.

Hyundai Investment Fund 1 on Patent Technology ("HIF 1") was established on August 28, 2007 to engage in investments in promising entrepreneurs and venture companies holding a patent technology.

HI Investment & Securities Co., Ltd. ("HIIS") was incorporated on October 30, 1989 in the name of Cheil Investment Trust Co., Ltd. and changed its name to Cheil Investment Trust Securities Co., Ltd. with a change of type of business on January 9, 1999. Accordingly, the Company was operated as an agent or intermediary for trading of securities since January 12, 1999. By the confirmation of the Finance Committee on April 13, 2001, the Company was engaged in the sales, underwriting, and collecting of securities.

HI Asset Management Co., Ltd. ("HIAM") was incorporated in February, 1999 and started its business as an investment trust management company in March, 1999 and was engaged in an indirect investment asset management business.

HYUNDAI HEAVY INDUSTRIES CO., LTD.

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

1. Organization and Description of Business, Continued

(4) Detailed Information on the Subsidiaries, Continued

Hyundai Samho Heavy Industries Co., Ltd. ("HSHI") was incorporated on March 23, 1998 under the name of RH Heavy Industries Co., Ltd. ("RHC") as part of the financial restructuring plan of Halla Heavy Industries Co., Ltd. under the Rothschild Program ("the Program") of Rothschild Inc. Pursuant to the Program, RHC acquired the shipbuilding and construction equipment business units from Halla Heavy Industries Co., Ltd. on September 18, 1999, of which it acquired assets and assumed liabilities. On October 27, 1999, RHC changed its name to Samho Heavy Industries Co., Ltd. ("SHIC"), and on the same date, debt of ₩100 billion to financial institutions were converted into equity. Effective October 27, 1999, SHIC entered into a trusteeship agreement with the Company, under which the Company provided management services for a fee equal to ten percent of operating income plus all actual costs incurred. Also, the Company provided guarantees of indebtedness of SHIC. The Company acquired 20,000,000 common shares of SHIC by exercising its call option on May 15, 2002. Accordingly, the Company became a major stockholder of SHIC and the trusteeship agreement between SHIC and the Company was terminated. Pursuant to the resolution at the shareholders' meeting on December 6, 2002, SHIC changed its name to Hyundai Samho Heavy Industries Co., Ltd. ("HSHI").

Hyundai Mipo Dockyard Co., Ltd. ("HMD") was incorporated in 1975 to repair, convert and build ships. The main business of HMD has been shifted from repair of ships to shipbuilding. The shares of HMD were listed on the Korea Stock Exchange on December 20, 1983.

HYMS Co., Ltd. ("HYMS") was incorporated (in the form of investment in kind) by purchasing ship blocks and certain assets of the Company related to construction of piping as of April 25, 2008 and operates mainly for construction of ship blocks, pipe laying, and shipbuilding materials.

Hyundai Oilbank Co., Ltd. ("HDO") was established in 1964 to engage in the production and sale of petroleum products. The Company has a production capacity of 390,000 barrels per stream day (BPSD) in petroleum processing and a production capacity of 400,000 tons per year in aromatic processing. Effective March 1999 and September 1999, Hyundai Oil Sales Co., Ltd. and Hanwha Energy Plaza Co., Ltd., respectively, both of which were engaged in the business of selling petroleum products, merged with the Company.

(b) Overseas consolidated subsidiaries

H.C.E. U.S.A., Inc. ("HCEUSA") was established on November 8, 1991 and primarily sells construction equipment (excavators and loaders) and parts principally in U.S.A. and Canada. All equipment and parts are substantially purchased from the Company.

Hyundai Heavy Industries Europe N.V. ("HHIE") was incorporated in Belgium in 1993 and engages in selling of construction equipment.

Hyundai Jiangsu Construction Machinery Co., Ltd. ("HJCM") was incorporated in Jiangsu, China in 2003 and engages in assembling and selling of construction equipment.

Beijing Hyundai Jingcheng Construction Machinery Co., Ltd. ("BHCM") was incorporated in Beijing, China in 2002 and engages in assembling and selling of construction equipment.

Vladivostok Business Center ("VBC") was incorporated in Vladivostok, Russia in 1994 and engages in the hotel business.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

1. Organization and Description of Business, Continued

(4) Detailed Information on the Subsidiaries, Continued

Hyundai Heavy Industries Co. BULGARIA ("HHIB") was incorporated in Sofia, Bulgaria on May 12, 1997 and engages in the manufacture and sale of power transformers, power-step regulators and other related products.

Hyundai Vinashin Shipyard ("HVS") was incorporated in Vietnam in September 1996 and the principal activities of HVS are to build and repair ships.

Yantai Hyundai Moon Heavy Industries Co., Ltd. ("YHMHI") was incorporated in China in 2004 and engages in the manufacture and sale of generating plants.

Hyundai Heavy Industries (China) Electric Co., Ltd. ("HHIC") was incorporated in China in 2004 and engages in the manufacture and sale of power transformers, automatic voltage regulators and other related products.

HHI China Investment Co., Ltd. ("HCI") was incorporated in Shanghai, China on May 31, 2005 and engages in providing subsidiaries with various kinds of supporting services starting in September 2006.

Hyundai Financial Leasing Co., Ltd. ("HFCL") was incorporated in Shanghai, China in June 2007 and engages in leasing of construction machinery equipment manufactured by subsidiaries.

Hyundai Ideal Electric Co. ("HIE") was incorporated in U.S.A. in 2007 and engages in the manufacture, installation and sale of industrial electric appliances such as electric motors, generators and other related products.

Hyundai Construction Equipment India Private Ltd. ("HCEIP") was incorporated in India in 2007 and engages in the manufacture, installation and sale of construction machinery equipment.

Changzhou Hyundai Hydraulic Machinery Co., Ltd. ("CHHM") was incorporated in China in 2007 and engages in the manufacture and sale of hydraulic cylinders for excavators.

Hyundai (Shandong) Heavy Industry Machinery Co., Ltd. ("HHIM") was incorporated in China in 2010 and engages in the manufacture and sale of wheel loaders.

Hyundai Power Transformers USA Inc. ("HPTU") was incorporated in U.S.A in 2010 and engages in the manufacture and sale of electric transformers.

HDO Singapore Pte. Ltd. ("HDOS") was incorporated in Singapore in 2005 and engages in the introduction of crude oil for Hyundai Oilbank Co., Ltd.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(a) Basis of Presenting Financial Statements

The Company prepares the consolidated financial statements in accordance with generally accepted accounting principles in the Republic of Korea. The Company applied the same accounting policies that were adopted in the previous year's consolidated financial statements.

The Company stated the consolidated statements of financial position and consolidated statements of income, cash flows and changes in shareholders' equity, which are presented for comparative purposes, in accordance with Statements of Korea Accounting Standards ("SKAS") No. 25 "*Consolidated Financial Statements*".

The significant accounting policies followed by the Company in the preparation of its consolidated financial statements are summarized below.

The investment account of the Company and corresponding equity accounts of subsidiaries are eliminated at the dates the Company obtained control over the subsidiaries. The difference between the investment cost and the fair value of the Company's portion of assets acquired less liabilities assumed of a subsidiary is accounted for as goodwill or negative goodwill. Goodwill is amortized on a straight-line basis over its useful life, not exceeding twenty years. The amount of negative goodwill not exceeding the total fair value of acquired identifiable non-monetary assets is recognized as income on a straight-line basis over the remaining weighted average useful life of the identifiable acquired depreciable assets and the amount of negative goodwill in excess of the total fair value of the acquired identifiable non-monetary assets is recognized as current operation at the date of acquisition.

When the shareholders' equity of the subsidiary after the date of acquisition of control over a subsidiary is changed due to a reduction in capital stock, increase in capital stock and others, the minority interest is calculated on the basis of the changed shareholders' equity of the subsidiary.

In a merger between the Company and its subsidiary or between subsidiaries, the carrying amounts in the consolidated financial statements are transferred.

Inter-company receivables, payables, revenues and expenses arising from transactions between the Company and its subsidiaries or among subsidiaries are eliminated against each other in the consolidated financial statements. On sales from the Company to its subsidiaries (downstream sales), the full amounts of unrealized gains or loss are eliminated in the consolidated income. On sales from a subsidiary to the Company (upstream sales), unrealized gains and losses are eliminated and allocated proportionately between controlling and minority interests.

Assets and liabilities of the overseas subsidiaries have been translated at the exchange rate in effect at the end of the fiscal year and equity accounts have been translated at historical rates. Revenues, expenses, gains and losses have been translated at the weighted average rate for the year. Translation adjustments from the translation have been accounted for as a separate component of equity, "accumulated other comprehensive income (loss)," in the consolidated financial statements.

The accounting methods adopted by the Company and its subsidiaries for similar transactions and circumstances are generally the same. However, if the differences resulting from applying different accounting methods are not significant, such different methods are applied.

As of December 31, 2010, we audited the consolidated financial statements of HSHI and overseas subsidiaries in China. The rest of the Company's subsidiaries were audited by other auditors.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(b) 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 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.

In addition, in the case of the overseas futures contract, HFTC recognizes revenue at the date of contracting future trade agreement, while in the case of domestic futures contracts; HFTC recognizes revenue at the following date of domestic future trade agreement.

HDO recognizes revenue net of special consumption tax and others upon delivery of the product. In addition, in accordance with the regulations on petroleum enterprises, certain amounts as calculated based on the published prices of imported crude oil and products, are paid to Korea National Oil Corporation to the Petroleum enterprise fund. The fund is refundable on a special case as stipulated in the regulations on the petroleum enterprises. Such payments of the fund are included in the acquisition cost of the raw materials and products, and receipts of the refund are deducted from the cost of sales.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term deposits and short-term financial instruments with maturities of three months or less on acquisition date, which can be converted into cash and whose risk of value fluctuation arising from changes of interest rates is not material.

(d) Allowance for Doubtful Accounts

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection. When the terms of trade accounts and notes receivable (the principal, interest rate or term) are varied, either through a court order, such as a reorganization, or by mutual formal agreement, resulting in a reduction in the present value of the future cash flows due to the Company, the difference between the carrying value of the relevant accounts and notes receivable and the present value of the future cash flows is recognized as bad debt expense.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(e) Inventories

Inventories are stated at the lower of cost or net realized value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs. Cost is determined using the moving average method, except for materials in-transit for which cost is determined using the specific identification method. Quantities of inventories at year-end are determined based on physical counts.

(f) 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, trading, or available-for-sale 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 statement of income 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 statement of income using the effective interest method.

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.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(f) Investments in Securities, Continued

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 there is no clear evidence 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.

(g) 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.

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 using the straight-line method. Under the equity method, the change in the Company's portion of an investee's net equity resulting from a change in an investee's net equity is reflected in the Company's net income (loss), retained earnings and accumulated other comprehensive income, in accordance with the causes of the change, which consist of the investee's net income (loss), changes in retained earnings and changes in capital surplus, capital adjustments and accumulated other comprehensive income.

Unrealized profit arising from sales by the Company to equity method investees is fully eliminated. The Company's proportionate unrealized profit arising from sales by the equity method investees to the Company or sales between equity method investees is also eliminated.

The Company has used the most available financial statements of the controlled investees, which have not been audited and reviewed due to the timing of closing of the controlled investees' financial statements. If the amount recoverable from investment securities accounted for using the equity method is less than its carrying amount, impairment loss is recognized. The Company determines whether there is objective evidence that impairment loss has been incurred, and when such evidence exists, impairment loss is recognized as impairment losses. The recoverable amount is determined as the higher of value in use or expected amount of net cash inflows from disposal of the investment securities accounted for using the equity method. The amount of impairment loss is included in current earnings.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(g) Investments in Associates and Subsidiaries, Continued

When applying the equity method by translating the financial statements of an investee operating overseas, the Company applies (a) the foreign exchange rate as of the Company's end of the reporting period to the investee's assets and liabilities, (b) the foreign exchange rate as of the date on which the Company acquired its equity interest in the investee to the Company's share of the investee's equity interest, and (c) the foreign exchange rate as of each transaction date to the remaining equity interest in the investee after excluding any increase in retained earnings after the Company's acquisition of its equity interest in the investee. For the statement of income items, the average rate for the pertinent period is applied in the translation. After translating into Korean won (KRW), from the difference between the total equity and the amount obtained by deducting liabilities from assets, the amount relating to the Company's share of the investee's equity interest is accounted for as accumulated other comprehensive income.

(h) Property, Plant and Equipment

Property, plant and equipment are stated at cost. The acquisition cost of property, plant, and equipment is comprised of its purchase price or manufacturing costs and any other directly attributable costs of bringing the asset to the working condition of its intended use.

Significant additions or improvements extending useful lives of assets are capitalized. Normal maintenance and repairs are charged to expense as incurred. The interest incurred on borrowings to finance the purchase of construction of property, plant and equipment and manufacture of inventories are charged to current income.

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	7 ~ 50
Machinery and equipment	3.3 ~20
Ships	12
Vehicles	4~10
Tools, furniture and fixtures	3~10
Heavy machinery	10
Others	3 ~ 40

The Company assesses any possible recognition of impairment loss when there is an indication that expected future economic benefits of a tangible asset is considerably less than its carrying amount as a result of technological obsolescence or rapid decline in market value. When it is determined that a tangible asset may have been impaired and that its estimated total future cash flows from continued use or disposal is less than its carrying amount, the carrying amount of a tangible asset is reduced to its recoverable amount and the difference is recognized as an impairment loss.

If the recoverable amount of the impaired asset exceeds its carrying amount in subsequent reporting period, the amount equal to the excess is treated as reversal of the impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(i) Lease Transactions

The Company classifies and accounts for leases as either operating or finance, depending on the terms. Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

With regard to the finance lease, the Company recognized the same amount of net lease investment as lease payment receivables and the difference between net lease investment and book value of the lease assets is recorded as gain or loss on disposition of leased assets. In addition, the Company recognized interest income by the effective interest method.

With regard to the operating lease, the Company recognized lease revenue on a straight-line basis over the period of the lease and any initial direct costs of the operating lease are recognized as a separate asset.

In addition, the lease asset is depreciated with the same depreciation method of the property which the Company possesses.

(j) Government Grant Received for Capital Expenditure

Government grant received from third parties for capital expenditure are presented as a reduction of the acquisition cost of the acquired assets and, accordingly, reduce depreciation expense related to the acquired assets over their useful lives.

Income from grants that do not require the Company to fulfill any subsequent obligations and is directly related to the Company's operating activities is recognized as operating income, net of related costs. Other income from grants is recognized as other income.

(k) Intangible Assets

Intangible assets, such as development costs and usage rights for the donated properties, are stated at cost, net of accumulated amortization, which is computed using the straight-line method based on the estimated service lives of the intangibles assets as described below.

	<u>Service lives (years)</u>
Development costs	5
Land appropriation	50
Goodwill	16 ~ 20
Other intangible assets	4 ~ 50

Development costs are incurred in respect of particular development activities and directly related to new products or technology. The Company's management believes that the value of development costs will be recovered through their future economic benefits. Land appropriation is generated from HJCM, YHMHI, HHIC and HVS. Other intangible assets consist of usage right for donated properties, harbor facility management rights, industrial complex facility management rights, rights to use a water supply facility and others.

December 31, 2010 and 2009

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

(k) Intangible Assets, Continued

If the recoverable amount of an intangible asset becomes less than its carrying amount as a result of obsolescence, sharp decline in market value or other causes of impairment, the carrying amount of an intangible asset is reduced to its recoverable amount and the reduced amount is recognized as impairment loss. If the recoverable amount of a previously impaired intangible asset exceeds its carrying amount in subsequent periods, an amount equal to the excess is recorded as reversal of impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.

(l) 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 method over the life of the debentures. The amount amortized is included in interest expense.

(m) 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 statement of income. 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 as 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.

(n) Provision for Foreseeable Losses from Construction Contracts

When a loss on construction is expected based on cost estimates, the expected loss is charged to current operations and is included in the statements of financial position as a provision for foreseeable losses from construction contracts.

(o) Provision for Construction Warranty

The Company generally provides a warranty within the contract on rectification of defects after the contract's completion and accrues the rectification expense on defects based on actual claims history as provision for construction warranty.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(p) Provision for Product Warranty

The Company generally provides a warranty relating to product defects for a specified period of time after sales and accrues estimated costs as provision for product warranty, which may occur due to product liability suits.

(q) Retirement and Severance Benefits

Employees who have been with the Company and its domestic subsidiaries 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 and its domestic subsidiaries. The estimated liability under the plan, which would be payable if all employees left at the end of the reporting period, is accrued in the accompanying consolidated statements of financial position. 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 consolidated statements of financial position as a reduction of the liability for retirement and severance benefits. However, some overseas consolidated subsidiaries expense severance insurance paid according to local regulation.

Through March 1999, under the National Pension Scheme of Korea, the Company and its domestic subsidiaries 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 its domestic subsidiaries and is accordingly reflected in the accompanying consolidated 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.

HVIC and HYMS operate defined benefit plans and recognize accrued severance benefits for employees in service and accrued pension liabilities for retired employees who chose to receive pensions, respectively. Retirement annuity asset is deducted from liabilities above. However, if retirement annuity asset is over liabilities above, the excess amount is recognized as investment assets.

(r) 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.

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.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

(r) Income Taxes, Continued

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 carryforwards and tax credit carryforwards. The deferred tax amounts are presented as a net current asset or liability and a net non-current asset or liability.

(s) Derivative Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations.

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 hedge 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 is 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 statement of income in the periods in which the hedged item will affect profit or loss. 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.

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

(t) Venture Investment Assets

According to the provision for small and medium enterprises on foundation support, venture investments companies (HVIC and HIF 1) must invest more than 20%, 30% and 50% of paid capital within one, two and three years, respectively, from registration date or the date of capital increase of small and medium enterprises.

The Company and its subsidiaries hold equity securities, debt securities, project investment and others as venture investment assets, and the accounting policy is as follows:

Equity securities other than those accounted for using the equity method:

Unlisted equity securities are valued at fair value and the difference between their fair value and book value is accounted as unrealized gains or losses on valuation of available-for-sales included in accumulated other comprehensive income (loss). Listed equity security is recognized at market price from the closing date of consolidated statements of financial position, while unmarketable security is valued based on acquisition cost except those that can be reliably measured. In the case the recoverable amount from equity securities is less than acquisition cost of security, which can be objectively proven, unless there is clear counter evidences the impairment in unnecessary, the difference is recognized as impairment loss in current operations.

Investment accounted for using the equity method:

Equity securities held for investment in companies in which the Company and its subsidiaries are able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. Under the equity method, the change in the Company and its subsidiaries' portion of an investee's net equity resulting from a change in an investee's net equity is reflected in the Company and its subsidiaries' net income (loss), retained earnings, capital surplus and accumulated other comprehensive income (loss), in accordance with the causes of the change, which consist of the investee's net income (loss), changes in retained earnings and changes in capital surplus and accumulated other comprehensive income (loss).

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 construction contracts as of December 31, 2010 and 2009 are summarized as follows:

(In millions of won)

		<u>2010</u>	<u>2009</u>
Short and long-term financial instruments	₩	305,911	214,986

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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4. Inventories

Inventories as of December 31, 2010 and 2009 are summarized as follows:

(In millions of won)

		<u>2010</u>	<u>2009</u>
Merchandise	₩	103,341	130,063
Finished goods		1,001,324	262,632
Work-in-progress		803,539	777,357
Raw materials		1,281,357	853,037
Supplies		28,300	17,051
Materials-in-transit		1,468,795	583,228
	₩	<u>4,686,656</u>	<u>2,623,368</u>

5. Short-term Investment Securities

Short-term investment securities as of December 31, 2010 are summarized as follows:

(In millions of won)

		<u>Trading securities</u>	<u>Available-for- sale securities</u>	<u>Held-to-maturity securities</u>	<u>Total</u>
Government bonds	₩	634,792	-	123	634,915
Corporate bonds		713,684	-	-	713,684
Listed securities		33,952	-	-	33,952
Beneficiary certificate		77,435	-	-	77,435
Private equity fund		-	61,596	-	61,596
	₩	<u>1,459,863</u>	<u>61,596</u>	<u>123</u>	<u>1,521,582</u>

Short-term investment securities as of December 31, 2009 were summarized as follows:

(In millions of won)

		<u>Trading securities</u>	<u>Available-for- sale securities</u>	<u>Total</u>
Government bonds	₩	350,205	1,028	351,233
Corporate bonds		361,926	31,010	392,936
Listed securities		5,507	-	5,507
Beneficiary certificate		13,582	2,943	16,525
Private equity fund		-	30,148	30,148
	₩	<u>731,220</u>	<u>65,129</u>	<u>796,349</u>

The Company and its subsidiaries have accounted for gain on valuation of available-for-sale securities, which is reported as gain on valuation of investment securities in accumulated other comprehensive income, amounting to ₩1,209 million and ₩113 million, including portions of minority interests, respectively, as of December 31, 2010 and 2009.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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6. Other Current Assets

Other current assets as of December 31, 2010 and 2009 are summarized as follows:

<i>(In millions of won)</i>		2010	2009
Short-term loans	₩	221,368	253,639
Prepaid expenses		351,615	431,930
Other current deposits		3,896	31,249
Other current assets		67,710	36,357
Income tax refund receivables		59,957	1
Prepaid value added tax		46,742	44,791
	₩	<u>751,288</u>	<u>797,967</u>

7. Long-term Investment Securities

(a) Long-term investment securities, which consist of available-for-sale securities as of December 31, 2010 and 2009 are summarized as follows:

<i>(In millions of won)</i>		2010	2009
Marketable securities	₩	3,303,814	3,071,779
Non-marketable securities		118,697	76,915
Debt securities and others		286,002	187,587
	₩	<u>3,708,513</u>	<u>3,336,281</u>

(b) Equity securities stated at fair value included in long-term investment securities as of December 31, 2010 and 2009 are summarized as follows:

(In millions of won, except percentage of ownership)

	Percentage of ownership (%)	2010		2009
		Acquisition cost	Book value	Book value
Listed equity securities:				
KCC Corporation	11.40	₩ 268,497	473,401	445,800
POSCO (*1)	2.50	1,075,221	1,061,660	1,347,240
Kia Motors Corporation	0.02	2,682	4,465	1,769
Tong Yang Securities	-	-	-	47,841
Mirae Asset Securities Co., Ltd.	0.10	6,654	2,514	2,728
Hyundai Elevator Co., Ltd.	2.16	1,632	25,874	8,933
Hyundai Motor Company (*2)	4.53	705,772	1,712,171	1,194,079
Korea Line Corporation	1.90	55,131	8,166	12,804
Hyundai Construction Co., Ltd.	0.05	4,633	3,822	-
Korea Environment Technology Co., Ltd.	10.88	2,733	10,527	6,174
Haeduk Powerway Co., Ltd.	1.23	900	1,121	1,069
HI Special Purpose Acquisition Company	1.21	40	80	-
Ssangyong Motor Co.,Ltd.	-	23	13	-
Melfas Inc.	-	-	-	3,342
		₩ <u>2,123,918</u>	<u>3,303,814</u>	<u>3,071,779</u>

(*1) HSHI provided 140,000 shares of POSCO for the collateral of the secured loan.

(*2) The Company deposited 650,000 shares of its common stock with the Gunsan city government as a security guarantee for completion of a construction project.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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7. Long-term Investment Securities, Continued

(c) Unlisted equity securities, beneficiary certificates and investments in capital included in long-term investment securities as of December 31, 2010 and 2009 are summarized as follows:

(In millions of won, except percentage of ownership)

	Percentage of ownership (%)		2010		2009
			Acquisition cost	Book value	Book value
Unlisted equity securities: (*1)					
Gangwon Football Club. Co., Ltd.	0.01	₩	1	1	1
Keoyang Co., Ltd.	1.39		95	-	-
DR Tech Corp.	1.68		500	222	500
Digital Rank Co., Ltd.	9.76		400	-	-
Digital CNC Co., Ltd.	0.02		-	-	-
Mico TN Co., Ltd.	-		-	-	1,000
Mipo Engineering Co., Ltd. (*2)	100.00		1,400	1,400	1,400
Aju Hitek Inc.	7.57		1,745	1,745	1,745
Piolink, Inc.	4.51		178	178	178
Prix Co., Ltd.	0.60		67	-	-
The Korea Economic Daily Co., Ltd.	3.25		4,050	3,150	3,150
Kuk Dong Heavy Conveyance Co., Ltd.	7.50		502	502	502
Novelis Korea Ltd.	0.48		16,881	1,405	1,405
Enuri.Com Co., Ltd.	4.78		2,248	2,248	3,000
New Gene Co., Ltd.	7.52		23	-	23
Daehan Oil Pipeline Corp.	6.39		14,512	14,512	14,512
Dong-A Precision Machinery Co., Ltd.	0.01		36	-	-
Doosan Capital Co., Ltd. (*3)	9.99		10,000	22,866	24,762
Bexco, Ltd.	7.96		9,460	9,460	9,460
Chonggu Co., Ltd.	-		188	-	-
Hanchem Co., Ltd.	8.58		300	73	-
Hyundai Research Institute	14.40		1,440	1,440	1,440
Postec Electronic Power Fund Co.	1.75		500	500	500
Hanwha Electric Venture Fund.	2.00		500	500	500
Hyundai Climate Control Co., Ltd.	10.00		50	50	50
Enova System Inc.	1.43		1,315	1,315	1,315
PT. Golden Hyundai Machinery (*2)	20.83		155	155	155
HHI MAURITIUS LIMITED (*2)	100.00		-	-	-
Hynix Semiconductor America Inc.	1.33		34,526	-	-
Hyundai Heavy Industries France SAS(*2)	100.00		23	23	23
Hyundai (Malaysia) SDN BHD (*2)	100.00		17	-	-
Hyundai S/V Indonesia	-		-	-	-
Hyundai Technologies Center Hungary Kft.(*2)	100.00		26	26	26
KC Karpovsky BV	10.00		2	-	2
Korea Ship Finance Co., Ltd.	3.54		300	300	300
NIKORMA-TRANSPORT LIMITED	11.50		11	11	11
PHECO Inc.(*2)	100.00		2,304	237	237
Chem Cross.com	0.64		111	75	-
OSX Construcao Naval S.A.	10.01		29,969	29,969	-
LS Cable Ltd.	0.50		6,565	6,565	-
Korea Exchange (KRX)	0.40		3,000	11,264	9,957
TESNA INC.	4.61		1,377	1,377	-

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7. Long-term Investment Securities, Continued

(In millions of won, except percentage of ownership)

	Percentage of ownership (%)		2010		2009
			Acquisition cost	Book value	Book value
Unlisted equity securities: (*1)					
J-MICRON	2.38	₩	1,001	1,001	-
GLOSIL., Inc.	3.40		1,000	1,000	-
SNTEK Co., Ltd.	4.62		600	600	-
AD Technology Co., Ltd.	2.91		640	640	-
NAMYANGJU PYUNGNAE THE FIRST SECURITIZATION SPECIALTY CO.,LTD	5.00		250	176	-
YesStock Co., Ltd.	6.00		300	145	-
Techwing., INC.	1.81		828	828	-
Korim Co., Ltd.	8.68		761	761	761
Taejin Technology Co., Ltd.	4.90		500	500	-
THE KOREA SECURITIES FINANCE CORPORATION (*4)	0.14		484	1,067	-
Kimpo Solar Co., Ltd.	14.29		50	50	-
Korea Money Brokerage Corporation	0.45		45	316	-
Korea Securities Depository	0.01		4	44	-
			<u>151,240</u>	<u>118,697</u>	<u>76,915</u>
Others					
Beneficiary certificates			157,385	276,759	177,752
Government bonds			2,836	2,838	2,498
Investments in capital (*1)			6,405	6,405	7,336
Other			-	-	1
			<u>166,626</u>	<u>286,002</u>	<u>187,587</u>
		₩	<u>317,866</u>	<u>404,699</u>	<u>264,502</u>

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

(*2) In conformity with financial accounting standards in the Republic of Korea, the equity securities 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 as of December 31, 2010 and 2009, is less than ₩10,000 million, are not material.

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

(*4) The securities were accounted for by a reasonable evaluation model and estimation based on the discounted cash flow model by the independent appraiser.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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7. Long-term Investment Securities, Continued

(d) Debt securities and others as of December 31, 2010 and 2009, included in long-term investment securities, are as follows:

Maturities of debt securities as of December 31, 2010, included in long-term investment securities, are as follows:

	Korean won (in millions)	
2012.01 ~ 2015.12	₩	9,583
2016.01 ~ 2020.12		3,346
	₩	<u>12,929</u>

(e) 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, 2010, is as follows:

(In millions of won)

		2010		
		Balance at	Increase	Balance at
		January 1, 2010	(decrease)	December 31, 2010
KCC Corporation	₩	177,303	27,600	204,903
POSCO		272,018	(285,579)	(13,561)
Kia Motors Corporation		(712)	2,103	1,391
Tong Yang Securities		3,527	(3,527)	-
Mirae Asset Securities Co., Ltd.		(3,063)	(167)	(3,230)
Hyundai Elevator Co., Ltd.		5,694	13,214	18,908
Hyundai Motor Company		400,138	430,272	830,410
Doosan Capital Co., Ltd.		11,514	(1,479)	10,035
Daehan Oil Pipeline Corp.		(33,015)	33,015	-
Ssangyong Motor Co., Ltd.		-	(8)	(8)
HI Special Purpose Acquisition Company		-	24	24
Korea Environment Technology Co., Ltd.		1,369	3,039	4,408
Beneficiary certificates		43,956	47,670	91,626
Others		(3,182)	-	(3,182)
	₩	<u>875,547</u>	<u>266,177</u>	<u>1,141,724</u>

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7. Long-term Investment Securities, Continued

Valuation of available-for-sale securities in accumulated other comprehensive income (net of tax effect), all of which were classified into long-term investment securities stated at fair value as of December 31, 2009, was as follows:

(In millions of won)

		2009		
		Balance at	Increase	Balance at
		January 1, 2009	(decrease)	December 31, 2009
	W	59,673	117,630	177,303
		(192,521)	464,539	272,018
		(1,641)	929	(712)
		(59,052)	62,579	3,527
		(2,912)	(151)	(3,063)
		(6,194)	6,194	-
		6,536	(842)	5,694
		(246,456)	646,594	400,138
		(7,850)	7,850	-
		12,120	(12,120)	-
		11,215	299	11,514
		-	(33,015)	(33,015)
		-	1,369	1,369
		-	43,956	43,956
		(8,575)	5,393	(3,182)
	W	<u>(435,657)</u>	<u>1,311,204</u>	<u>875,547</u>

8. Venture Investment Assets

Venture investment assets as of December 31, 2010 and 2009 are summarized as follows:

(In millions of won)

	2010	2009
Available-for-sale securities	W 13,849	10,089
Equity method accounted investments in partnership	3,520	3,715
	<u>W 17,369</u>	<u>13,804</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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9. Equity Method Investments (Including Equity Method Accounted Investments in Partnership)

(a) Investments in companies accounted for using the equity method as of December 31, 2010 are summarized as follows:

(In millions of won, except share data and percentage of ownership)

Company	Number of shares	Percentage of ownership (%)	Acquisition cost	Book value
Equity Method Investments:				
New Korea Country Club	16,457	20.00	₩ 500	4,379
Hyundai Merchant Marine Co., Ltd. (common stock) (*2)	33,903,211	23.66	584,794	661,488
Hyundai Merchant Marine Co., Ltd. (preferred stock) (*2)	2,544,971	25.45	38,175	42,933
Qinhuangdao Shouqin Metal Materials Co., Ltd. (*1)	-	20.00	67,658	106,914
Wartsila Hyundai Engine Company Ltd. (*1)	-	50.00	33,930	44,126
Ulsan Hyundai Football Club Co., Ltd.	2,800,000	100.00	14,000	3,070
KAM Cop.	23,520,000	49.00	117,600	112,005
Grand China Hyundai Shipping Company Ltd.	1,000,000	50.00	1,016	1,031
KOMAS Corporation	754,414	100.00	3,772	2,446
Hotel Hyundai Co., Ltd.	80,000	100.00	1,397	2,453
Khorol Zerno Ltd. (*1)	-	80.79	6,641	6,126
Hyundai Primorye Ltd. (formerly Khorol Agro Ltd.) (*1)	-	49.99	3,574	3,147
Hyundai Corporation (*3)	4,992,782	22.36	105,134	100,389
Hyundai-Avancis Co., Ltd.	8,000,000	50.00	40,000	39,832
Taebaek Wind Power Co., Ltd.	703,500	35.00	3,518	3,446
Muju Wind Power Co., Ltd.	1,026,000	45.00	5,130	5,045
Jinan Jangsu Wind Power Co., Ltd.	25,600	32.00	128	128
Pyeongchang Wind Power Co., Ltd.	3,500	35.00	18	15
Changjuk Wind Power Co., Ltd.	34,400	43.00	172	171
HC Petrochem Co., Ltd.	17,850,000	50.00	178,500	-
Weihai Hyundai Wind Power Technology Co., Ltd. (*1)	-	80.00	5,653	5,653
			<u>1,211,310</u>	<u>1,144,797</u>
Equity method accounted investments in partnership:				
HVIC IT Fund 3 rd	1.6	55.00	162	378
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	32	40.00	3,200	3,142
			<u>3,362</u>	<u>3,520</u>
			<u>₩ 1,214,672</u>	<u>1,148,317</u>

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

(*2) The closing common stock price of Hyundai Merchant Marine Co., Ltd. on the stock market of the Republic of Korea was ₩38,550 per share at December 31, 2010. Preferred stocks of Hyundai Merchant Marine Co., Ltd. were unlisted equity securities.

(*3) The closing common stock price of Hyundai Corporation on the stock market of the Republic of Korea was ₩25,650 per share at December 31, 2010.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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December 31, 2010 and 2009

9. Equity Method Investments (Including Equity Method Accounted Investments in Partnership), Continued

Investments in companies accounted for using the equity method as of December 31, 2009 were summarized as follows:

(In millions of won, except share data and percentage of ownership)

Company	Number of shares	Percentage of ownership (%)	Acquisition cost	Book value
Equity Method Investments:				
Hyundai Oilbank Co., Ltd.	51,773,834	21.13	₩ 312,250	373,657
New Korea Country Club	16,457	20.00	500	4,045
Hyundai Merchant Marine Co., Ltd. (common stock) (*2)	33,903,211	25.47	584,794	516,221
Hyundai Merchant Marine Co., Ltd. (preferred stock) (*2)	5,089,943	25.45	76,349	87,234
Qinhuangdao Shouqin Metal Materials Co., Ltd. (*1)	-	20.00	67,658	128,358
Wartsila Hyundai Engine Company Ltd. (*1)	-	50.00	33,930	40,496
Ulsan Hyundai Football Club Co., Ltd.	2,000,000	100.00	10,000	913
KAM Cop.	23,520,000	49.00	117,600	117,668
Grand China Hyundai Shipping Company Ltd.	1,000,000	50.00	1,016	1,045
KOMAS Corporation	754,414	100.00	3,772	1,635
Hotel Hyundai Co., Ltd.	80,000	100.00	1,397	1,807
Khorol Zerno Ltd.(*1)	-	67.60	5,547	5,381
Khorol Agro Ltd.(*1)	-	49.99	2,336	2,196
Hyundai Corporation (*3)	4,992,782	22.36	105,134	105,134
Taebaek Wind Power Co., Ltd.	703,500	35.00	3,518	3,483
			<u>1,325,801</u>	<u>1,389,273</u>
Equity method accounted investments in partnership:				
HVIC IT Fund 3 rd	55	55.00	<u>3,729</u>	<u>3,715</u>
			<u>₩ 1,329,530</u>	<u>1,392,988</u>

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

(*2) The closing common stock price of Hyundai Merchant Marine Co., Ltd. on the stock market of the Republic of Korea was ₩26,700 per share at December 31, 2009. Preferred stocks of Hyundai Merchant Marine Co., Ltd. were unlisted equity securities.

(*3) The closing common stock price of Hyundai Corporation on the stock market of the Republic of Korea was ₩21,100 per share at December 31, 2009.

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9. Equity Method Investments (Including Equity Method Accounted Investments in Partnership), Continued

(b) Changes in goodwill for equity method accounted investments for the year ended December 31, 2010 are as follows:

(In millions of won)

Company	Balance at Jan. 1, 2010	Increase (decrease)	Amortized amount	Balance at Dec. 31, 2010
Hyundai Oilbank Co., Ltd.	₩ 25,429	(25,429)	-	-
Hyundai Merchant Marine Co., Ltd. (common stock)	29,321	(129)	(23,746)	5,446
Qinhuangdao Shouqin Metal Materials Co., Ltd.	5,682	-	(2,843)	2,839
Hotel Hyundai Co., Ltd.	316	-	(79)	237
Khorol Zerno Ltd.	1,186	-	(254)	932
Hyundai Primorye Ltd. (formerly Khorol Agro Ltd.)	722	-	(157)	565
Hyundai Corporation	72,335	-	(14,467)	57,868
₩	134,991	(25,558)	(41,546)	67,887

(c) Changes in the opening and closing balances of investments in companies accounted for using the equity method for the year ended December 31, 2010 are as follows:

(In millions of won)

Company	Balance at January 1, 2010	Net income (loss)	Acquisition (disposal)	Other increase (decrease)	Balance at December 31, 2010
Equity Method Investments:					
Hyundai Oilbank Co., Ltd. (*1)	₩ 373,657	-	-	(373,657)	-
New Korea Country Club	4,045	384	-	(50)	4,379
Hyundai Merchant Marine Co., Ltd. (common stock)	516,221	124,080	-	21,187	661,488
Hyundai Merchant Marine Co., Ltd. (preferred stock)	87,234	1,574	(38,825)	(7,050)	42,933
Qinhuangdao Shouqin Metal Materials Co., Ltd.	128,358	(22,262)	-	818	106,914
Wartsila Hyundai Engine Company Ltd.	40,496	3,630	-	-	44,126
Ulsan Hyundai Football Club Co., Ltd.	913	(1,821)	4,000	(22)	3,070
KAM Cop.	117,668	(5,663)	-	-	112,005
Grand China Hyundai Shipping Company Ltd.	1,045	11	-	(25)	1,031
KOMAS Corporation	1,635	811	-	-	2,446
Hotel Hyundai Co., Ltd.	1,807	646	-	-	2,453
Khorol Zerno Ltd.	5,381	34	1,094	(383)	6,126
Hyundai Primorye Ltd. (formerly Khorol Agro Ltd.)	2,196	(141)	1,238	(146)	3,147
Hyundai Corporation	105,134	(4,678)	-	(67)	100,389
Hyundai-Avancis Co., Ltd.	-	24	40,000	(192)	39,832
Taebaek Wind Power Co., Ltd.	3,483	(37)	-	-	3,446
Muju Wind Power Co., Ltd.	-	(85)	5,130	-	5,045
Jinan Jangsu Wind Power Co., Ltd.	-	-	128	-	128
Pyeongchang Wind Power Co., Ltd.	-	(3)	18	-	15
Changjuk Wind Power Co., Ltd.	-	(1)	172	-	171
HC Petrochem Co., Ltd. (*2)	-	(178,500)	173,500	5,000	-
Weihai Hyundai Wind Power Technology Co., Ltd.	-	-	5,653	-	5,653
₩	1,389,273	(81,997)	192,108	(354,587)	1,144,797

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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9. Equity Method Investments (Including Equity Method Accounted Investments in Partnership), Continued

(In millions of won)

<u>Company</u>	<u>Balance at January 1, 2010</u>	<u>Net income (loss)</u>	<u>Acquisition (disposal)</u>	<u>Other increase (decrease)</u>	<u>Balance at December 31, 2010</u>
Equity method accounted investments in partnership:					
HVIC IT Fund 3 rd	3,715	2,878	-	(6,215)	378
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	-	(58)	3,200	-	3,142
	3,715	2,820	3,200	(6,215)	3,520
	<u>₩ 1,392,988</u>	<u>(79,177)</u>	<u>195,308</u>	<u>(360,802)</u>	<u>1,148,317</u>

(*1) The securities classified as equity method investments in the prior year are classified as consolidated subsidiaries in the current year since additional equity of Hyundai Oilbank Co., Ltd. was acquired.

(*2) Use of the equity method was discontinued since the loss on valuation of investment securities accounted for using the equity method exceeded the value of investments and the change of equity amounting to ₩88,332) was not recognized due to the discontinuance of the equity method.

(d) Gain or loss on valuation of investment securities is accounted for after eliminating unrealized gains (losses) from the inter-company transactions. As of December 31, 2010 and 2009, eliminated unrealized gains under the equity method of accounting are ₩225,322 million and ₩2,147 million, respectively.

(e) For the year ended December 31, 2010, the gains (losses) on valuation of investment securities accounted for using the equity method and equity gains and losses on venture fund (Sales and COGS) were ₩131,194 million, ₩(213,191) million, ₩2,878 million and ₩(58) million, respectively. In addition, the cumulative effect of the equity method of accounting in accumulated other comprehensive income was ₩114,243 million including the changes and negative adjustment of equity in equity method investments of ₩115,581 million and ₩(1,338) million, respectively.

(f) Investments in small affiliates and subsidiaries with total assets amounting to less than ₩10,000 million as of the prior fiscal year-end are recorded at cost within available-for-sale securities in accordance with SKAS No. 15 *Equity Method of Accounting*, except where the effect of applying the equity method of accounting is material (see note 7).

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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9. Equity Method Investments (Including Equity Method Accounted Investments in Partnership), Continued

(g) Financial information for equity-accounted investments as of and for the year ended December 31, 2010 is summarized as follows:

(In millions of won)

Company	Assets	Liabilities	Sales	Net income (loss)
New Korea Country Club	₩ 27,930	6,033	12,067	1,934
Hyundai Merchant Marine Co., Ltd.	8,817,797	5,866,631	8,086,981	437,076
Qinhuangdao Shouqin Metal Materials Co., Ltd.	2,239,929	1,719,553	1,372,615	(90,305)
Wartsila Hyundai Engine Company Ltd.	229,504	140,926	130,990	7,585
Ulsan Hyundai Football Club Co., Ltd.	4,106	1,036	18,682	1,767
KAM Cop.	448,704	220,123	68,447	(11,533)
Grand China Hyundai Shipping Company Ltd.	2,062	-	-	39
KOMAS Corporation	4,059	22	413	252
Hotel Hyundai Co., Ltd.	5,868	3,652	30,187	719
Khorol Zerno Ltd.	9,090	2,661	2,257	330
Hyundai Primorye Ltd. (formerly Khorol Agro Ltd.)	5,188	22	173	30
Hyundai Corporation	1,013,514	823,341	3,633,796	45,328
Hyundai-Avancis Co., Ltd.	80,807	1,136	-	(55)
Taebaek Wind Power Co., Ltd.	9,858	13	-	(111)
Muju Wind Power Co., Ltd.	11,250	38	-	(188)
Jinan Jangsu Wind Power Co., Ltd.	400	-	-	-
Pyeongchang Wind Power Co., Ltd.	43	-	-	(7)
Changjuk Wind Power Co., Ltd.	399	-	-	(1)
HC Petrochem Co., Ltd.	883,034	612,563	1,145,084	(81,234)
Weihai Hyundai Wind Power Technology Co., Ltd.	12,503	5,436	-	-
HVIC IT Fund 3 rd	752	65	6,501	5,232
KoFC-HVIC Pioneer Champ 2010-11 Venture Fund	7,857	1	25	(145)

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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10. Property, Plant and Equipment

(a) Property, plant and equipment as of December 31, 2010 and 2009 are summarized as follows:

<i>(In millions of won)</i>		2010	2009
Buildings and structures	₩	6,693,030	5,749,577
Machinery and equipment		4,804,886	3,990,610
Ships		214,715	214,628
Vehicles		77,585	61,213
Tools, furniture and fixtures		1,945,709	1,663,545
		<u>13,735,925</u>	<u>11,679,573</u>
Less : Accumulated depreciation		(5,636,239)	(4,583,262)
Government subsidy		(6,353)	(6,027)
Accumulated impairment loss		(5,171)	(5,171)
		<u>8,088,162</u>	<u>7,085,113</u>
Land		4,456,373	3,413,227
Construction-in-progress		2,190,991	545,773
	₩	<u>14,735,526</u>	<u>11,044,113</u>

(b) Changes in property, plant and equipment for the year ended December 31, 2010 are as follows:

<i>(In millions of won)</i>		2010					
		Land	Buildings	Structures	Machinery and equipment	Others	Total
Beginning of period	₩	3,413,227	3,674,714	2,074,862	3,990,610	2,485,160	15,638,573
Acquisition and other		122,453	98,635	266,505	467,021	954,716	1,909,330
Disposal		(61,117)	(228,928)	(62,501)	(216,339)	(72,709)	(641,594)
Revaluation		32,291	-	-	-	-	32,291
Effect of change in foreign currency exchange rate		(243)	(8,528)	(2,069)	2,853	(11,570)	(19,557)
Effect of change in consolidated subsidiaries		949,762	160,616	719,723	560,741	1,073,403	3,464,245
End of period		<u>4,456,373</u>	<u>3,696,509</u>	<u>2,996,520</u>	<u>4,804,886</u>	<u>4,429,000</u>	<u>20,383,288</u>
Accumulated depreciation		-	(771,218)	(666,359)	(2,567,355)	(1,631,307)	(5,636,239)
Government subsidy		-	(5,497)	-	(387)	(468)	(6,352)
Accumulated impairment loss		-	(5,171)	-	-	-	(5,171)
	₩	<u>4,456,373</u>	<u>2,914,623</u>	<u>2,330,161</u>	<u>2,237,144</u>	<u>2,797,225</u>	<u>14,735,526</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

10. Property, Plant and Equipment, Continued

Changes in property, plant and equipment for the year ended December 31, 2009 were as follows:

(In millions of won)

	2009					
	Land	Buildings	Structures	Machinery and equipment	Others	Total
Beginning of period	₩ 2,084,054	3,192,242	1,410,270	3,283,429	3,112,309	13,082,304
Acquisition and other	95,751	542,031	666,582	881,567	(578,435)	1,607,496
Disposal	(2,850)	(33,428)	(729)	(154,560)	(40,086)	(231,653)
Revaluation	1,236,485	-	-	-	-	1,236,485
Effect of change in foreign currency exchange rate	(213)	(25,459)	(896)	(14,834)	(7,950)	(49,352)
Effect of change in consolidated subsidiaries	-	(672)	(365)	(4,992)	(678)	(6,707)
End of period	<u>3,413,227</u>	<u>3,674,714</u>	<u>2,074,862</u>	<u>3,990,610</u>	<u>2,485,160</u>	<u>15,638,573</u>
Accumulated depreciation	-	(649,909)	(320,833)	(2,300,066)	(1,312,454)	(4,583,262)
Government subsidy	-	(5,459)	-	-	(568)	(6,027)
Accumulated impairment loss	-	(5,171)	-	-	-	(5,171)
	<u>₩ 3,413,227</u>	<u>3,014,175</u>	<u>1,754,029</u>	<u>1,690,544</u>	<u>1,172,138</u>	<u>11,044,113</u>

(c) As of December 31, 2010 and 2009, the officially declared value of land owned by the Company and its subsidiaries is ₩2,679,248 million and ₩1,912,639 million, respectively, as announced by the Minister of Land, Transport and Maritime Affairs.

(d) A substantial portion of buildings, machinery and equipment are insured against fire and other casualty losses up to approximately ₩8,682,659 million as of December 31, 2010. The Company maintains insurance coverage against fire and other casualty losses of up to ₩19,001,997 million for ships and sea structures under construction. Insurance proceeds of ₩3,036,019 million are pledged as collateral for the guarantees from the Export-Import Bank of Korea as of December 31, 2010.

In addition to the above insurance, most valuable property owned by the Company and its subsidiaries is covered by a general liability insurance policy up to ₩19,463,908 million as of December 31, 2010. The Company also maintains insurance on cargo against damage and claims losses of up to ₩8,217,176 million for products being exported and imported as of December 31, 2010.

(e) The land and buildings of HSHI are pledged as collateral for Kookmin Bank loans up to ₩58,106 million as of December 31, 2010.

(f) Property, plant and equipment of HDO are pledged as collateral for Korea Development Bank loans up to ₩2,719,763 million as of December 31, 2010.

(g) Construction-in-progress is development construction of Ihwa Industrial Park and construction of new buildings as of December 31, 2010.

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December 31, 2010 and 2009

11. Intangible Assets

(a) Intangible assets as of December 31, 2010 and 2009 are as follows:

(In millions of won)

Company	2010			
	Goodwill(*)	Development costs	Land usage right	Other
Beginning balance	₩ 564,605	275,544	7,647	62,293
Acquisition and other	-	72,415	-	26,029
Amortized	(63,106)	(54,447)	(182)	(10,695)
Disposal and renewal	-	(738)	-	(5,503)
Effect of change in foreign currency rate	-	31	62	(3,039)
Effect of change in consolidated subsidiaries	1,034,975	4,785	-	13,612
Ending balance	₩ 1,536,474	297,590	7,527	82,697

(In millions of won)

Company	2009			
	Goodwill(*)	Development costs	Land usage right	Other
Beginning balance	₩ 598,120	249,656	7,830	47,631
Acquisition and other	-	74,627	1,949	26,613
Amortized	(33,515)	(46,833)	(198)	(10,759)
Disposal and renewal	-	-	(935)	(2,240)
Impairment losses	-	-	-	-
Effect of change in foreign currency rate	-	(1,906)	(999)	473
Effect of change in consolidated subsidiaries	-	-	-	575
Ending balance	₩ 564,605	275,544	7,647	62,293

(*) The goodwill occurred from the following transactions; 1) the acquisition of securities of Hyundai Oil Refinery Co., Ltd. by the Company, 2) the acquisition of all the assets and liabilities of Halla Heavy Industry Co., Ltd: by subsidiary of the Company, Hyundai Samho Heavy Industry Co., Ltd., and 3) the acquisition of securities of HI Investment Securities Co., Ltd. by the subsidiary of the Company, Hyundai Mipo Dockyard Co., Ltd. The goodwill has been amortized for 20 years.

(b) Research costs amounting to ₩31,907 million and ₩22,117 million, and ordinary development costs amounting to ₩88,974 million and ₩77,502 million are included in selling, general and administrative expenses for the years ended December 31, 2010 and 2009, respectively. Amortized development costs of ₩128,430 million and ₩91,305 million are included in the cost of sales and selling, general and administration expenses for the years ended December 31, 2010 and 2009, respectively.

12. Other Non-current Assets

Other non-current assets as of December 31, 2010 and 2009 are summarized as follows:

(In millions of won)

	2010	2009
Long-term loans	₩ 119,300	20,170
Guarantee deposits	143,416	111,065
Other non-current assets	185,584	140,679
	₩ 448,300	271,914

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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December 31, 2010 and 2009

13. Short-term Borrowings

Short-term borrowings as of December 31, 2010 and 2009 are summarized as follows:

<i>(In millions of won)</i>	Interest rate as of December 31, 2010		2010	2009
The Company and its domestic subsidiaries' borrowings:				
Domestic short-term borrowings	5.39 ~ 5.79 %	₩	1,604,700	301,282
Network loan	3.70 ~ 4.20 %		184,792	460,196
Mutual loan guarantees	-		-	103,119
Draft trade debt	-		-	20,000
Securities finance loans	0.04		30,000	30,000
CP	2.90 ~ 4.72 %		1,510,800	278,600
USANCE	1.14 ~ 2.98 %		1,408,898	45,931
Call money	0.021		308,200	111,400
Securities capital currency loan	6.5~7.50 %		32,652	18,848
Repurchase agreements sales	-		1,045,591	602,460
			<u>6,125,633</u>	<u>1,971,836</u>
Overseas subsidiaries' borrowings:				
Foreign short-term borrowings	12M Euribor+2.75%		418,014	304,247
		₩	<u>6,543,647</u>	<u>2,276,083</u>

14. Other Current Liabilities

Other current liabilities as of December 31, 2010 and 2009 are summarized as follows:

<i>(In millions of won)</i>		2010	2009
Accrued expenses	₩	507,745	582,999
Withholdings		517,483	496,099
Provision for construction losses		27,643	15,305
Other current liabilities		158,765	71,017
	₩	<u>1,211,636</u>	<u>1,165,420</u>

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December 31, 2010 and 2009

15. Debentures and Long-term Borrowings

(a) Debentures as of 2010 and 2009 are summarized as follows:

(In millions of won)

	<u>Maturity</u>	<u>Annual interest rate (%)</u>		<u>2010</u>	<u>2009</u>
The Company:					
112 th non-guaranteed debenture	2012.04.13	5.43	₩	300,000	300,000
Subsidiaries:					
95 th non-guaranteed debenture	2011.04.14	5.54		100,000	-
97 th non-guaranteed debenture	2011.10.25	4.98		100,000	-
98 th non-guaranteed debenture	2014.02.02	5.44		100,000	-
99 th non-guaranteed debenture	2012.03.27	5.23		100,000	-
100 th non-guaranteed debenture	2011.02.20	5.45		136,668	-
101 th non-guaranteed debenture	2013.03.20	6.05		150,000	-
102 th non-guaranteed debenture	2012.01.22	7.65		150,000	-
103 th non-guaranteed debenture	2014.07.03	6.80		100,000	-
104 th non-guaranteed debenture	2012.09.30	5.79		100,000	-
105 th non-guaranteed debenture	2015.06.28	5.75		200,000	-
				1,536,668	300,000
Current portion				(336,668)	-
			₩	<u>1,200,000</u>	<u>300,000</u>

(b) Long-term borrowings as of December 31, 2010 and 2009 are summarized as follows:

(In millions of won)

	<u>Annual interest rate (%)</u>		<u>2010</u>	<u>2009</u>
National Housing Fund	3.00	₩	46,415	48,993
General fund for equipment	5.11~5.69		75,574	152,574
Business loans from Korea National Oil Corporation	1.25		6,336	5,167
CP	4.43~4.91		265,300	265,300
Foreign currency loans	2.04		26,505	-
Energy Rationalization	3.25		4,235	-
Syndicate loans	4.74~4.80		787,000	-
Environmental Improvement Fund	4.83		2,686	-
Foreign long-term borrowings	2.50~5.00		550,280	263,144
			1,764,331	735,178
Current portion			(321,548)	(103,494)
		₩	<u>1,442,783</u>	<u>631,684</u>

Certain property, plant and equipment are pledged as collateral for the above long-term borrowings (see note 10).

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15. Debentures and Long-term Borrowings, Continued

(c) The maturities of debentures and borrowings as of December 31, 2010, before discounts, are as follows:

<i>(In millions of won)</i>		<u>Borrowings</u>	<u>Debentures</u>
2011. 1. 1 ~ 2011.12.31	₩	321,548	336,668
2012. 1. 1 ~ 2012.12.31		30,589	650,000
2013. 1. 1 ~ 2013.12.31		110,282	150,000
2014. 1. 1 ~ 2014.12.31		179,683	200,000
2015. 1. 1 thereafter		1,122,229	200,000
	₩	<u>1,764,331</u>	<u>1,536,668</u>

16. Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2010 and 2009 are as follows:

<i>(In millions of won)</i>		<u>2010</u>	<u>2009</u>
Estimated retirement and severance benefits at beginning of year	₩	1,536,034	1,557,711
Increase due to change of subsidiaries		99,010	-
Payments		(885,749)	(207,089)
Continuation		2,249	3,078
Accrual for retirement and severance benefits		318,767	182,480
Effect of change in foreign currency rate		(43)	(146)
Estimated retirement and severance benefits at end of year		<u>1,070,268</u>	<u>1,536,034</u>
Deposit for severance benefit insurance		(873,231)	(1,224,031)
Retirement annuity asset		(4,781)	(3,367)
Transfer to National Pension Fund		<u>(18,866)</u>	<u>(33,778)</u>
Net balance at end of year	₩	<u>173,390</u>	<u>274,858</u>

The Company and its subsidiaries maintain an employees' severance benefit trust arrangement with Kyobo Life Insurance Co., Ltd. and other insurance companies. Under this arrangement, the Company and its subsidiaries have made a deposit in the amount equal to 82.0% and 79.9% of the reserve balances of retirement and severance benefits as of December 31, 2010 and 2009, respectively. This deposit is to be used to guarantee the required payments to the retirees and is accounted for as a reduction in the reserve balance.

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17. Other Long-term Liabilities

Other long-term liabilities as of December 31, 2010 and 2009 are summarized as follows:

<i>(In millions of won)</i>		<u>2010</u>	<u>2009</u>
Withholdings	₩	21,076	121,482
Provision for constructions warranties		80,341	76,252
Provision for constructions losses		2,963	144
Other non-current liabilities		398,796	41,488
	₩	<u>503,176</u>	<u>239,366</u>

18. Commitments and Contingencies

- (a) The Company and its subsidiaries have entered into bank overdraft agreements and credit facilities agreements such as letters of credit with various banks amounting to ₩493,000 million and USD 3,431,269 thousand as of December 31, 2010. In addition, the Company and its subsidiaries have entered into borrowing agreements with the Export-Import Bank of Korea and others amounting to ₩1,503,700 million as of December 31, 2010.
- (b) In order to secure bank loan construction contract performance guarantees, the Company has provided ten blank notes and one check as of December 31, 2010.
- (c) The outstanding balance of notes receivable guaranteed by the importers' Government or others and sold to financial institutions with recourse is USD 13,377 thousand, equivalent to ₩15,235 million, as of December 31, 2010. The Company's outstanding balance of trade receivables sold with recourse amount to ₩4,642 million as of December 31, 2010.
- (d) As of December 31, 2010, the Company is contingently liable for loan guarantees of its foreign subsidiaries and affiliated companies amounting to USD 193,330 thousand. The Company has provided certain performance guarantees for bareboat charter amounting to USD 475,226 thousand to ship owners on behalf of Hyundai Merchant Marine Co., Ltd. Furthermore, the Company has provided performance guarantees for the mining business in relation to overseas resource developments amounting to USD 61,925 thousand and guarantees on debt obligations for the business participant, Sherritt International Corporation, amounting to USD 24,058 thousand. The Company has also entered into joint shipbuilding contracts with HSHI, one of the Company's subsidiaries, for the construction of four ships at a contract amount of USD 534,179 thousand.
- (e) In connection with the contract performance guarantees, refund guarantees, bid guarantees and raw materials purchase, the Company and its subsidiaries provided guarantees up to ₩1,230,877 million and USD 19,392,018 thousand by various banking facilities. Regarding this, the subsidiaries provided ships under construction and raw materials under construction for guarantees. Also, the subsidiaries have been provided with guarantees up to ₩33,115 million by Seoul Guarantee Insurance Company.
- (f) HMD, a subsidiary, provided guarantees up to ₩11,389 million for HVS to the Export-Import Bank of Korea.
- (g) In an effort to facilitate financial transactions of HDOS, HDO has provided a payment guarantee on L/C transactions up to USD 150,000 thousand, through four financial institutions including Korea Exchange Bank, on behalf of HDOS, as of December 31, 2010.

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18. Commitments and Contingencies, Continued

- (h) As the subsidiary, HSHI, agreed to wage negotiation, it gave in trust 156,387 shares and 179,469 shares of stock of HMD to Korea Exchange Bank in order to support the purchase of treasury stock in the future, respectively. The periods are from November 2009 to August 2013 and from November 2010 to August 2014, respectively and withdrawal is limited during that period. (It is available to withdraw in case of the retirement of employees.)
- (i) 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 and the payment of imported raw-materials and on the changes in price of crude oil, the Company, HSHI, HMD and HDO have entered into derivative contracts with various banks including Korea Exchange Bank. As of December 31, 2010, the Company and its subsidiaries apply cash flow hedge accounting, out of which the Company and its subsidiaries accounted for the effective portion of the hedge amounting to ₩12,706 million, net of deferred tax adjustment of ₩3,978 million, as gain (loss) on valuation of derivatives in accumulated other comprehensive income. The expected period of exposure to cash flow risk, where cash flow hedge accounting is applied, is approximately within 24 months, and the amount among gain (loss) on valuation of foreign exchange contracts that is expected to be realized as addition to transaction gain or deduction from transaction loss within 12 months from December 31, 2010 is ₩14,007 million.

The Company and its subsidiaries entered into foreign exchange forward contracts and accounted for such contracts as fair value hedges. As a result, the net balance of firm commitment assets and liabilities was ₩709,291 million and related gain and loss on valuation of the firm commitments were recorded as ₩157,053 million and ₩801,262 million, respectively, in non-operating income and expenses.

Besides the above financial derivatives, realized gain and loss on derivatives transactions were recorded as ₩494,797 million and ₩472,933 million, respectively and unrealized gain and loss on derivatives valuations were recorded as ₩507,938 million and ₩164,460 million in non-operating income and expenses, respectively.

In relation to valuation of derivatives that have not reached their maturity dates, the Company and its subsidiaries accounted for derivative assets of ₩420,637 million and derivative liabilities of ₩1,001,920 million.

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19. Litigations

- (a) Hynix Semiconductor Inc. ("HSI") sold 13 million shares of Hyundai Investment Trust & Securities Co., Ltd. ("HITS") for USD 13.46 per share to Canadian Imperial Bank of Commerce ("CIBC") on June 4, 1997. In relation to this transaction, the Company made a share option agreement with CIBC under which the Company was obligated to buy back the 13 million shares of HITS for USD 16.96 per share, if CIBC exercised its option. Based on this agreement, the 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 did not accept the court's decision. Pursuant to the resolution of the board of directors on January 27, 2002, the Company filed an appeal claiming the whole amount of the principal and accrued interest. Also, the Company has filed a lawsuit for the advance payments and reimbursable expenses from those companies that were not covered in the litigation above. In relation to the intermediate appeal for a partial settlement of the claim, the Company partially won the litigation at Seoul High Court on June 14, 2006 for the settlement of the claim amounting to ₩192,900 million of principal and accrued interest. However, the Company did not accept the Court's decision and filed an appeal with the Supreme Court of Korea. The Supreme Court of Korea annulled the original judgment on March 26, 2009. On August 21, 2009, the Company won its claim amounting to ₩241,200 million of principal, excluding ₩4,300 million and accrued interest thereon, and recovered ₩86,200 million. The Company filed an appeal to the Supreme Court claiming the principal amount of ₩4,300 million, which was pending as of December 31, 2010. In addition, on October 22, 2009, the Company won its claim for incidental expenses amounting to ₩50,300 million of principal and accrued interest thereon and recovered ₩73,700 million. However, Hynix Semiconductor Inc. filed an appeal, which was pending as of December 31, 2010.
- (b) 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 experiencing a foreign currency exchange crisis in the late 1990s. The National Tax Service ruled this capital increase to be unfair financial support for the insolvent affiliate. The Company's appeal to the National Tax Tribunal was dismissed, but was partially successful. On April 27, 2009, the Company filed administrative litigation. However, the Company lost the first trial on January 5, 2011 and appealed on January 25, 2011. The litigation is currently in pendency.
- (c) 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 of its intention 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. On November 12, 2009, the arbitrators passed judgment on IPIC's significant breach of contract. According to the deemed offer, that the Company was notified of based on IPIC's breach of contract ordering IPIC to sell its 171,557,695 shares (70%) of Hyundai Oilbank at the price of ₩15,000 per share in accordance with the deemed offer. However, IPIC did not accept the arbitration decision and on December 2, 2009, the Company filed a lawsuit in Seoul Central District Court for approval of the arbitration decision and enforcement claim. On July 9, 2010, the Company won its claim.

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19. Litigations, Continued

The Company paid the acquisition cost on August 12, 2010 and IPIC issued 171,557,695 shares of Hyundai Oilbank to the Company.

(d) Pending litigations of HSHI, one of the Company's subsidiaries, as of December 31, 2010 are as follows:

(In millions of won)

Plaintiff	Defendant	Description	Amount of damage claim(*)	Progress
HSHI	Shinhan Investment Corp.	Claim for bankruptcy dividends	₩ 3,467	HSHI partially won the second trial; currently under appeal

(*) In relation to the above claim for bankruptcy dividends, after the subsidiary partially won the second trial, the amount of damage claim including the interest recognized as withholdings amounted to ₩3,482 million.

(e) As of December 31, 2010, HMD, one of the subsidiaries, is in litigation as a defendant in two cases for USD 9,976 thousand. The Company has recognized the probable loss as a provision and the subsidiary, HMD is of the opinion that the lawsuit will not have a material adverse effect on the Company's financial position.

(f) As of December 31, 2010, HIIS, one of the subsidiaries, is in litigation as a plaintiff in three cases for ₩1,162 million and as a defendant in eight cases for ₩3,858 million. The Company has recognized the probable loss as a provision and the subsidiary, HIIS, is of the opinion that the lawsuit will not have a material adverse effect on the Company's financial position.

The litigations amounting to more than ₩100 million as of December 31, 2010, are as follows.

(In millions of won)

Date	Plaintiff	Defendant	Description	Amount
August 20, 2009	Mr. Shin	HIIS	Claim for incomplete sale of beneficiary certificate.	₩ 496
November 3, 2009	Mr. Lee	HIIS	Claim for the loss due to private transactions with employees.	3,000
October 13, 2010	Mr. Yang	HIIS	Claim to HIIS, the third party debtor.	100
April 30, 2009	HIIS	OO Fire Insurance Co., Ltd.	Claim for finance comprehensive insurance.	1,111

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19. Litigations, Continued

(g) As of December 31, 2010, the subsidiary, HDO's significant litigations are as follows:

In February 2001, the Ministry of National Defense filed a lawsuit against the five domestic oil refinery companies, including the subsidiary, for alleged collusive bidding for the supply of oil products to the Korean military, with total claim amount of ₩158,420 million. Considering the progress of the lawsuit, the subsidiary accounts for certain amounts as allowance for the loss from lawsuits in its financial statements since June 30, 2006. Meanwhile, in January 2007, Seoul Central District Court rendered a judgment that five domestic oil refinery companies including the subsidiary should compensate the Ministry of National Defense for ₩80,997 million on joint responsibility. The subsidiary appealed to Seoul High Court in February 2007 but the Seoul High Court sentenced the five domestic oil refinery companies to compensate the Korean military for damages in the amount of ₩130,992 million on December 30, 2009. Therefore, the five domestic oil refinery companies including the subsidiary paid the cost of damages on December 30, 2009 and appealed to the Supreme Court in January 2010.

In February 2007, the Fair Trade Commission ("FTC") imposed penalties on the four domestic oil refinery companies, including the subsidiary, for alleged collusive price-fixing. With regard to the imposition, the subsidiary filed an official protest to FTC in May 2007, but FTC announced the rejection of the protest in July 2007. The subsidiary has recognized certain amounts as allowances for the imposition and plans to file an administrative litigation. The subsidiary filed to Seoul High Court for the administrative litigation in September 2007 and the case is currently pending. Potential negative impact of this ongoing litigation are reserved for in the financial statements as of December 31, 2010.

FTC imposed penalties on the four domestic oil refinery companies and two LPG importers, including the subsidiary, for alleged collusive price-fixing from January 1, 2003 to December 31, 2008. The penalty amounting to ₩26,314 million was paid on June 29, 2010. However, the subsidiary filed a petition during May 2010 and the litigation is still pending.

Additionally, per FTC, the total number of 31,380 private taxi business operators filed a litigation amounting to ₩3,138 million against the four domestic oil refinery companies and two LPG importers, including the subsidiary. The case is currently pending in the Seoul Central District Court and potential financial effects are not reflected in the financial statements as of December 31, 2010.

The Saeseoul Oil Corporation filed litigation in Seoul Central District Court in June 2010 for the subsidiary, amounting to ₩4,944 million, for the error in the settlement of the transaction from April 1, 2003 to May 31, 2008. The litigation is still pending. Resulting financial effects were not reflected in the financial statements as of December 31, 2010.

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20. Capital Surplus

Capital surplus as of December 31, 2010 and 2009 are summarized as follows:

<i>(In millions of won)</i>		<u>2010</u>	<u>2009</u>
Paid-in capital in excess of par value	₩	843,324	843,324
Asset revaluation surplus		1,862,725	1,862,725
Other capital surplus		240,990	153,382
	₩	<u>2,947,039</u>	<u>2,859,431</u>

Other capital surplus is composed of ₩33,381 million of gain on disposal of investment in HMD, which was transferred to HSHI, ₩145,981 million 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.

21. Retained Earnings

Retained earnings as of December 31, 2010 and 2009 are summarized as follows:

<i>(In millions of won)</i>		<u>2010</u>	<u>2009</u>
Legal reserves:			
Legal appropriated retained earnings (*1)	₩	190,000	190,000
Reserve for corporate development (*2)		30,000	30,000
		<u>220,000</u>	<u>220,000</u>
Voluntary reserves:			
Reserve for business rationalization		87,277	87,277
Reserve for research and human development (*3)		446,667	223,333
Reserve for facilities (*3)		78,270	78,270
Others		5,459,557	3,748,576
		<u>6,071,771</u>	<u>4,137,456</u>
Retained earning before appropriations		3,797,241	2,197,886
	₩	<u>10,089,012</u>	<u>6,555,342</u>

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

(*3) 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.

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December 31, 2010 and 2009

22. Capital Adjustments

(a) Treasury Stock

As of December 31, 2010 and 2009, treasury stock is summarized as follows:

<i>(In millions of won)</i>		<u>2010</u>	<u>2009</u>
Treasury stock owned by the Company	₩	(1,400,455)	(1,463,973)
Treasury stock owned by subsidiaries		(103,565)	(103,565)
	₩	<u>(1,504,020)</u>	<u>(1,567,538)</u>

In accordance with the expiration of special money in trust for treasury stock on April 20, 2010, 11,432,270 shares of treasury stock indirectly acquired by trust contract were transferred to the directly acquired treasury stock account. In addition, pursuant to the resolution of the board of directors on August 25, 2010, the Company contributed 667,238 shares to the Employee Stock Ownership Association.

(b) Other Capital Adjustments

As of December 31, 2010 and 2009, other capital adjustments are summarized as follows:

<i>(In millions of won)</i>		<u>2010</u>	<u>2009</u>
Adjustments to equity in equity method investments	₩	(221,996)	(171,125)

(c) HMD had 6,063,000 shares of the Company stock and the acquisition cost amounts to ₩236,721 million (fair value: ₩2,685,909 million). Among the acquisition cost, the portion of controlling interest amounting to ₩103,565 million is recorded as treasury stock in capital adjustments as of December 31, 2010.

23. Dividends

(a) The Company's dividends paid for 2010 and 2009 are as follows:

(In millions of won, except par value)

<u>Year</u>	<u>Description</u>	<u>Number of shares (*)</u>	<u>Par value</u>	<u>Dividend rate</u>	<u>Cash dividend</u>	<u>Net income</u>	<u>Dividend to net income</u>
2010	Common stock	61,288,440	₩ 5,000	140%	₩ 429,019	₩ 3,761,140	11.41%
2009	Common stock	60,621,202	5,000	70%	212,174	2,146,489	9.88%

(*) Net of 14,711,560 shares and 15,378,798 shares of treasury stock as of December 31, 2010 and 2009, respectively.

(b) Yield to market price of paid dividend for 2010 and 2009 are as follows:

(In won)

<u>Year</u>	<u>Description</u>	<u>Dividend per share</u>	<u>Standard price (*)</u>	<u>Yield to market price</u>
2010	Common stock	₩ 7,000	₩ 446,100	1.57%
2009	Common stock	3,500	166,625	2.10%

(*) The standard price is the arithmetic mean of the closing price in the seven-day period ending two days prior to the closing date of shareholders' list.

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24. Income Taxes

(a) The Company was subject to income taxes on taxable income at the following normal tax rates for the years ended December 31, 2010 and 2009.

Taxable income	Tax rates		
	2009	2010 & 2011	Thereafter
Up to ₩200 million	12.1%	11.0%	11.0%
Over ₩200 million	24.2%	24.2%	22.0%

In December 2009, the Korean government postponed the reduction of the corporate income tax rate (including resident tax) from 24.2% to 22%, until 2012.

(b) Income tax expense for the years ended December 31, 2010 and 2009 are as follows:

(In millions of won)

		2010	2009
Current income tax	₩	1,386,725	574,166
Changes in deferred taxes due to temporary differences		235,092	1,199,485
Changes in deferred taxes directly adjusted in equity		(108,795)	(1,029,556)
Income tax expense		1,513,022	744,095
Income before income taxes		5,828,758	3,177,335
Effective tax rate	%	25.96	23.42

(c) Details of changes in and effects on income tax expense of cumulative temporary differences for the years ended December 31, 2010 and 2009 are as follows:

(In millions of won)

		2010		2009	
		Balance at	Balance at	Balance at	Balance at
		January 1, 2010	December 31, 2010	January 1, 2009	December 31, 2009
Equity method investments	₩	(1,563,921)	(3,428,299)	(1,510,596)	(1,563,921)
Available-for-sale securities		(1,744,979)	(1,015,602)	1,047,341	(1,744,979)
Impairment losses on investments		67,960	113,577	74,558	67,960
Reserve for research and human development		(448,267)	(473,100)	(223,333)	(448,267)
Allowance for doubtful accounts		105,043	276,964	159,980	105,043
Accrued income		(9,184)	(7,675)	(137,541)	(9,184)
Loss on valuation of receivables		-	-	860	-
Accrued severance benefits		142,732	191,241	115,813	142,732
Severance insurance deposits		(121,397)	(123,007)	(102,070)	(121,397)
Goodwill		(13,141)	(11,781)	(14,500)	(13,141)
Impairment losses on property, plant and equipment		8,344	8,344	8,344	8,344
Provision for foreseeable losses from construction contracts		31,995	49,717	198,547	31,995
Provision for construction warranties		71,374	98,049	75,590	71,374
Revaluation of land		(1,236,485)	(1,074,756)	-	(1,236,485)
Depreciation		15,944	37,216	14,704	15,944
Derivatives		(196,029)	(464,993)	808,569	(196,029)
Gain on settlement of futures		(2,757)	-	-	(2,757)

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24. Income Taxes, Continued

(In millions of won)

		2010		2009	
		Balance at January 1, 2010	Balance at December 31, 2010	Balance at January 1, 2009	Balance at December 31, 2009
Deferred foreign exchange translation loss	₩	37,178	41,579	42,398	37,178
Dividend income		154,596	675	117,997	154,596
Government subsidy		2,761	3,137	2,516	2,761
Others		159,183	(178,627)	448,278	159,183
Loss carryforwards		91,892	5,356	-	91,892
		<u>(4,447,158)</u>	<u>(5,951,985)</u>	<u>1,127,455</u>	<u>(4,447,158)</u>
Tax rate (*)		<u>22.0% (24.2%)</u>	<u>22.0% (24.2%)</u>	<u>27.5%</u>	<u>22.0% (24.2%)</u>
Cumulative tax effects		(896,351)	(1,131,350)	344,271	(896,351)
Deferred tax assets (current), end of period			47,786		65,652
Deferred tax assets (non-current), end of period			76,890		39,215
Deferred tax liabilities (current), end of period			(9,045)		(16,702)
Deferred tax liabilities (non-current), end of period			(1,246,980)		(984,516)
Deferred tax assets, beginning of period			(104,867)		(414,887)
Deferred tax liabilities, beginning of period			<u>1,001,218</u>		<u>70,616</u>
Changes in deferred taxes on temporary differences	₩		<u><u>234,998</u></u>		<u><u>1,240,622</u></u>

(*) Income tax rate applied for the Company and its subsidiaries in Korea was 22.0% (24.2%) excluding 34.0% for HCEUSA and 11% for HVIC.

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25. Comprehensive Income

Comprehensive income for the years ended December 31, 2010 and 2009 are as follows:

(In millions of won)

		<u>2010</u>	<u>2009</u>
Net income	₩	3,745,844	2,140,749
Other comprehensive income		350,370	2,207,566
Gain on valuation of investment securities		357,908	873,310
Changes in equity arising on application of the equity method		10,996	32,932
Negative changes in equity arising on application of the equity method		(909)	(430)
Gain (loss) on valuation of derivatives		(38,250)	352,888
Gain on revaluation of land		16,593	964,458
Overseas operation translation debit		4,032	(15,592)
Comprehensive income	₩	<u>4,096,214</u>	<u>4,348,315</u>

26. Earnings per Share

Basic earnings per share for the years ended December 31, 2010 and 2009 are as follows:

		<u>2010</u>	<u>2009</u>
Net income (In millions of won)	₩	3,745,844	2,140,749
Weighted average number of common shares outstanding (In thousands of shares)		54,743	54,055
Earnings per share (In won)	₩	<u>68,426</u>	<u>39,603</u>

The Company and its subsidiaries did not issue any kind of dilutive potential ordinary shares. Therefore, basic earnings per share and diluted earnings per share are the same.

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27. Significant Transactions with Consolidated Companies and Affiliated Companies

(a) Significant transactions and outstanding balances with the Company and subsidiaries (affiliated companies) are as follows:

(In millions of won)

Selling company	Purchasing company		Sales	Receivables
The Company	HDO	₩	22,162	727
	HSHI		622,176	231,256
	HMD		392,052	122,539
	HYMS		9,354	2,456
	BHCM		157,556	30,149
	HJCM		458,801	110,056
	HHIC		6,555	4,446
	HHIE		141,468	9,584
	HCEUSA		185,168	25,503
	HIE		11,309	5,660
	HCEIP		75,391	47,191
HDO	The Company		2,999	918
HSHI	The Company		4,268	1,977
HMD	The Company		16,073	1,855
HYMS	The Company		412,348	63,618
BHCM	The Company		1,916	38
HJCM	The Company		1,098	80
HHIC	The Company		16,891	1,151
YHMHI	The Company		82,632	-
HHIE	The Company		4,485	387
HCEUSA	The Company		1,936	210
HIE	The Company		527	187
HCEIP	The Company		775	65
		₩	2,627,940	660,053

The Company has entered into rental agreements (deposits received of ₩990 million) with HMD and other affiliated companies as of December 31, 2010. In addition, the Company is contingently liable for loan guarantees and performance guarantees of construction contracts of HSHI and other affiliated companies, including joint construction contracts with HSHI.

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December 31, 2010 and 2009

**27. Significant Transactions with Consolidated Companies and Affiliated Companies,
Continued**

(b) Significant transactions and outstanding balances with subsidiaries and affiliated companies are as follows:

(In millions of won)

<u>Selling company</u>	<u>Purchasing company</u>		<u>Sales</u>	<u>Receivables</u>
HDO	HSHI	₩	6,953	2,006
	HMD		4,346	1,535
	HYMS		40,800	10,851
	HDOS		561	561
BHCM	HFLC		-	6,845
	HHIC		5,178	1,178
HJCM	BHCM		-	25
	HFLC		-	8,743
HCI	HHIC		-	58,388
	HSHI		1,452	231
HFLC	HMD		730	-
	BHCM		303	-
	HJCM		531	17
	HHIC		279	9
	YHMHI		152	1
	HFLC		903	86
	CHHM		367	130
	HJCM		-	43,296
	HHIE		-	482
	HCEUSA		24	23
HDOS		2,958,053	224,278	
		₩	<u>3,020,632</u>	<u>358,685</u>

(c) Significant payment guarantees between consolidated units in 2010 are summarized as follows:

(In millions of won)

<u>Details</u>	<u>Guarantor</u>	<u>Guarantee</u>		<u>Amount</u>
Debt guarantee	The Company	HCEUSA	₩	47,378
		HIE		9,111
		HHIE		72,274
		HCEIP		59,644
		HHIM		31,775
		HVS		11,389
L/C transactions	HMD			
	HDO			170,835
			₩	<u>402,406</u>

In addition, the Company has provided certain performance guarantees amounting to USD 475,226 thousand to ship owners on behalf of Hyundai Merchant Marine Co., Ltd. (see note 18).

(d) Compensation for key management of the Company in 2010 and 2009 are as follows:

(In millions of won)

<u>Description</u>	<u>2010</u>	<u>2009</u>
Management salary	3,625	1,325

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December 31, 2010 and 2009

28. Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies as of December 31, 2010 and 2009 are as follows:

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

Account	Currency	Foreign currencies		Korean won	
		2010	2009	2010	2009
Assets:					
Cash and cash equivalents	USD	351,721	644,308 W	400,575	752,295
	EUR	317	6,081	480	10,183
	Others			32,477	25,393
Accounts and notes receivable - trade	USD	5,859,121	5,156,276	6,672,954	6,020,470
	EUR	235,487	141,566	356,432	237,022
	Others			304,281	50,828
Accounts receivable - other	USD	32,099	75,002	36,557	87,572
	EUR	118	152	178	254
	Others			170	1,290
Long-term accounts and notes receivable - trade	USD	410,450	67,131	467,461	78,382
Long-term financial instruments & others	USD	38,430	57,036	43,768	66,616
	EUR	2,026	49,549	3,066	82,959
	Others			1,767	1,725
			W	<u>8,320,166</u>	<u>7,414,989</u>
Liabilities:					
Accounts and notes payable - trade	USD	1,303,983	152,751 W	1,485,109	178,433
	EUR	31,519	280,287	47,707	376,973
	Others			28,781	318
Short-term borrowings	USD	1,118,198	39,337	1,273,516	45,930
	EUR	74,250	26,000	112,384	43,531
	Others		-	65,365	-
Long-term borrowings	USD	28,767	4,489	32,841	5,167
Debentures	USD	120,000	-	136,668	-
Accounts payable - other & others	USD	367,591	457,123	418,649	533,741
	EUR	25,368	18,868	38,398	31,590
	Others			59,495	33,514
			W	<u>3,698,913</u>	<u>1,249,197</u>

29. Non-cash Investing and Financing Activities

Significant non-cash investing and financing activities for the years ended December 31, 2010 and 2009 are summarized as follows:

(In millions of won)

		2010	2009
Transfer of construction-in-progress to plant assets	W	749,390	1,788,079
Gain and loss on revaluation of land		16,593	964,458

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30. Consolidated Financial Statements by Industry

The consolidated statements of financial position as of December 31, 2010 and 2009, and consolidated statements of income for the years then ended, by industry, under which the Company and its subsidiaries' business are classified, are as follows:

(a) Consolidated statements of financial position as of December 31, 2010 and 2009 are summarized as follows:

(In millions of won)

		Non-financial Industry		Financial Industry	
		2010	2009	2010	2009
Assets					
Current assets	₩	19,571,851	16,514,726	2,417,164	1,324,032
Investments		4,712,495	4,533,420	280,825	229,395
Property, plant and equipment, net		14,714,959	11,011,325	20,567	32,788
Intangible assets		1,912,561	892,301	11,728	17,788
Others		976,680	1,357,243	957,318	547,163
Non-current assets		22,316,695	17,794,289	1,270,438	827,134
Total assets	₩	41,888,546	34,309,015	3,687,602	2,151,166
Liabilities					
Current liabilities		23,304,968	20,419,335	1,928,075	1,275,207
Non-current liabilities:		4,105,120	3,537,479	786,533	219,481
Total liabilities	₩	27,410,088	23,956,814	2,714,608	1,494,688

(b) Consolidated statements of income for the years ended December 31, 2010 and 2009 are as follows:

(In millions of won)

		Non-financial Industry		Financial Industry	
		2010	2009	2010	2009
Sales	₩	44,565,420	28,825,274	508,156	429,108
Cost of sales		37,209,543	24,515,062	222,885	193,057
Selling, general and administrative expenses		2,078,125	1,336,080	219,858	185,500
Operating income		5,277,752	2,974,132	65,413	50,551
Other income, net		469,231	148,968	16,363	3,684
Income before income tax		5,746,982	3,123,100	81,776	54,235
Income taxes		1,494,132	732,452	18,890	11,643
Net income		4,252,850	2,390,648	62,886	42,592
Net income before acquisition of subsidiaries		255,718	-	-	-
Consolidated net income		3,997,132	2,390,648	62,886	42,592
Minority interests		300,427	283,279	13,747	9,212
Holding Company		3,696,705	2,107,369	49,139	33,380

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

30. Consolidated Financial Statements by Industry, Continued

(c) The Company and its subsidiaries' industries can be divided into other transportation equipments and others. The status and operation result by industry are as follows:

<u>Industry</u>	<u>Primary products</u>	<u>Affiliated subsidiaries</u>
Other transportation equipments	Ships, industrial plants and offshore and engineering department	The Company, HSHI, HMD, HYMS, BHCM, HJCM, HHIC, YHMHI, CHHM, HHIE, HHIB, HCEUSA, HIE, HVS, HCEIP, HHIM, HPTU
Others		HDO, HDOS, HIIS and financial companies and other companies.

(d) Results of operations

As of and for the year ended December 31, 2010

(In millions of won)

		<u>Other transportation equipment</u>	<u>Others</u>	<u>Consolidation adjustments</u>	<u>Consolidated amounts</u>
Total sales	₩	33,902,766	16,821,613	(5,650,803)	45,073,576
Inter-company sales		(2,630,141)	(3,020,662)	5,650,803	-
Net sales		31,272,625	13,800,951	-	45,073,576
Operating income		5,122,145	262,634	(41,614)	5,343,165
Total assets		44,295,171	13,546,278	(12,265,301)	45,576,148

As of and for the year ended December 31, 2009

(In millions of won)

		<u>Other transportation equipment</u>	<u>Others</u>	<u>Consolidation adjustments</u>	<u>Consolidated amounts</u>
Total sales	₩	31,309,518	452,803	(2,507,939)	29,254,382
Inter-company sales		(2,489,218)	(18,721)	2,507,939	-
Net sales		28,820,300	434,082	-	29,254,382
Operating income		2,996,366	57,463	(29,146)	3,024,683
Total assets		40,227,578	2,334,965	(6,102,362)	36,460,181

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

30. Consolidated Financial Statements by Industry, Continued

(e) Results of operations by area

As of and for the year ended December 31, 2010

(In millions of won)

		<u>Domestic</u>	<u>Export</u>	<u>Others</u>	<u>Consolidation adjustments</u>	<u>Consolidated amounts</u>
Total sales	₩	17,020,545	27,799,911	5,903,923	(5,650,803)	45,073,576
Inter-company sales		(1,536,324)	(1,036,248)	(3,078,231)	5,650,803	-
Net sales		15,484,221	26,763,663	2,825,692	-	45,073,576
Operating income			5,059,869	324,910	(41,614)	5,343,165
Total assets			54,338,241	3,503,208	(12,265,301)	45,576,148

As of and for the year ended December 31, 2009

(In millions of won)

		<u>Domestic</u>	<u>Export</u>	<u>Others</u>	<u>Consolidation adjustments</u>	<u>Consolidated amounts</u>
Total sales	₩	4,552,496	26,780,548	429,277	(2,507,939)	29,254,382
Inter-company sales		(1,959,180)	(548,424)	(335)	2,507,939	-
Net sales		2,593,316	26,232,124	428,942	-	29,254,382
Operating income			3,048,401	5,428	(29,146)	3,024,683
Total assets			42,517,950	44,593	(6,102,362)	36,460,181

(f) Financial information by industry segment of the Company

As of and for the year ended December 31, 2010

(In millions of won)

		<u>Shipbuilding</u>	<u>Offshore & Engineering</u>	<u>Industrial Plant & Engineering</u>	<u>Engine & Machinery</u>	<u>Electro Electric Systems</u>	<u>Construction Equipment</u>	<u>Others</u>
Sales	₩	7,849,210	3,412,758	2,644,514	2,834,722	3,242,219	2,274,585	147,172
Operating income (loss)		1,176,521	737,807	325,355	739,733	531,433	191,041	(262,454)
Tangible and intangible assets		2,265,840	544,055	32,853	935,943	666,316	193,922	3,667,271
Depreciation		(162,864)	(57,296)	(6,339)	(89,323)	(45,283)	(22,120)	(56,820)

As of and for the year ended December 31, 2009

(In millions of won)

		<u>Shipbuilding</u>	<u>Offshore & Engineering</u>	<u>Industrial Plant & Engineering</u>	<u>Engine & Machinery</u>	<u>Electro Electric Systems</u>	<u>Construction Equipment</u>	<u>Others</u>
Sales	₩	9,002,641	3,423,457	1,897,903	2,771,471	2,712,143	1,190,383	144,199
Operating income (loss)		532,372	462,689	245,456	808,516	453,103	(29,642)	(249,920)
Tangible and intangible assets		2,352,722	577,185	32,824	889,044	625,382	197,625	3,759,200
Depreciation		(150,488)	(53,970)	(4,343)	(75,352)	(36,356)	(20,114)	(59,071)

HYUNDAI HEAVY INDUSTRIES CO., LTD.
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December 31, 2010 and 2009

31. Outstanding Contracts

(a) The Company's outstanding contracts as of December 31, 2010 are as follows:

<i>(In millions of won)</i>		<u>Shipbuilding</u>	<u>Others</u>	<u>Total</u>
Beginning of period (*)	₩	20,320,557	18,340,636	38,661,193
Increase during the period		4,678,942	15,016,879	19,695,821
Recognized as revenue in current income		<u>(7,849,210)</u>	<u>(14,555,971)</u>	<u>(22,405,181)</u>
End of period	₩	<u>17,150,289</u>	<u>18,801,544</u>	<u>35,951,833</u>

(*) The beginning of period balances for backlog were recalculated with the appropriate exchange rate in effect at the end of 2009.

As of December 31, 2010, in connection with construction contracts, the Company has provided a certain amount of financial institution guarantee deposits or letters of guarantees from various financial institutions to the customers (see note 18).

As of December 31, 2010, accumulated cost of construction and others connected with construction in progress by major industry segments of the Company before the elimination of transactions between consolidated companies are as follows:

		<u>Accumulated cost of construction</u>	<u>Accumulated profit and loss</u>	<u>Advances on construction contracts</u>	<u>Accounts receivable</u>	<u>Billed receivables on construction contracts</u>	<u>Unbilled receivables on construction contracts</u>
Shipbuilding	₩	12,606,097	3,122,692	3,968,842	3,048,381	37,488	3,010,893
Offshore & Engineering		8,124,401	1,785,482	804,009	454,491	148,138	306,353
Industrial & Plant Engineering		7,197,827	939,535	620,603	392,497	24,012	368,485
Engine & Machinery		4,557,155	2,153,713	672,630	507,625	263,019	244,606
Electro Electric Systems		45,518	21,350	74,596	1,178,127	979,416	198,711
Construction Equipment (*)		-	-	1,289	286,121	286,121	-
Others (*)		-	-	705	627,974	627,974	-
	₩	<u>32,530,998</u>	<u>8,022,772</u>	<u>6,142,674</u>	<u>6,495,216</u>	<u>2,366,168</u>	<u>4,129,048</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 ₩25,634 million.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

31. Outstanding Contracts, Continued

(b) HSHI's outstanding contracts as of December 31, 2010 are as follows:

(In millions of won)

		<u>Contract assets</u>
Beginning of period (*)	₩	10,614,237
Increase during the period		1,504,020
Recognized as revenue in current income		<u>(4,439,525)</u>
End of period	₩	<u>7,678,732</u>

(*) The beginning of period balances for backlog were recalculated with the appropriate exchange rate in effect at the end of 2009.

HSHI deposited a certain amount of the deposits for the guarantees on outstanding contracts and provided performance bonds. In addition, the total carrying amounts of provision for construction warranties and provision for construction losses as of December 31, 2010 were ₩9,864 million and ₩1,566 million, respectively.

As of December 31, 2010, accumulated cost of construction and others connected with construction in progress by major industry segment before the elimination of transactions between consolidated companies are as follows:

(In millions of won)

	<u>Accumulated cost of construction</u>	<u>Accumulated profit and loss</u>	<u>Advances on construction contracts</u>	<u>Accounts receivable</u>
₩	2,669,562	782,282	1,810,239	1,423,788

(c) HMD's outstanding contracts as of December 31, 2010 are as follows:

(In millions of won)

		<u>Contract assets</u>
Beginning of period (*)	₩	11,318,112
Increase during the period		1,176,811
Recognized as revenue in current income		<u>(3,739,174)</u>
End of period	₩	<u>8,755,749</u>

(*) The beginning of period balances for backlog were recalculated with the appropriate exchange rate in effect at the end of 2009.

As of December 31, 2010, accumulated cost of construction and others connected with construction in progress by major industry segment before the elimination of transactions between consolidated companies are as follows:

(In millions of won)

	<u>Accumulated cost of construction</u>	<u>Accumulated profit and loss</u>	<u>Advances on construction contracts</u>	<u>Accounts receivable</u>	<u>Billed receivables on construction contracts</u>	<u>Unbilled receivables on construction contracts</u>
₩	4,627,422	5,671,789	1,796,069	568,391	42,829	525,562

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

32. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ending December 31, 2010 and 2009 are as follows:

(In millions of won)

		2010	2009
Salaries	₩	615,476	481,206
Accrual for retirement and severance benefits		52,575	35,324
Employee welfare		119,431	104,957
Advertising		67,668	47,670
Ordinary development costs		88,974	77,502
Accrual for allowance for doubtful accounts		228,712	66,571
Depreciation		112,823	59,142
Amortization		72,851	35,263
Service charges		158,813	137,728
Transportation		184,918	63,684
Sales commissions		111,934	82,221
After-sale service expenses		68,600	49,233
Others		415,208	281,079
	₩	2,297,983	1,521,580

33. Environmental Standards and Policies

The Company has adopted and implemented an environmental management system, run by its environmental management group, to effectively manage the environmental impact of its operations. The Company has obtained ISO 14001 certification for its environmental management system from DNV-QA (Det Norske Veritas QA Ltd.) to ensure transparency in the environmental management system and also to prepare for the expected imposition of environmental standards-based trade barriers. 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, purchasing, and production to transport and disposal by adopting advanced environmental management practices such as the periodic evaluation of the activities of the environment management group, environmental protection plans and the evaluation of environmental performance.

The Company operates air pollution control and wastewater treatment facilities to handle pollutants generated by its manufacturing operations. It has adopted its own environmental standards, which are twice as strict as current regulations in the Republic of Korea. In addition to maintaining emissions below 20% of the legal mandate, the Company has achieved a waste reclamation rate of 51% by minimizing the generation of waste and sorting it at the source. The Company also operates an incinerator equipped with advanced emissions control equipment that has the capacity to handle 400 tons of waste per day.

HDO, one of the Company's subsidiaries, has declared, "All management activities carried out by HDO must be done in eco-friendly ways; therefore, its employees can be proud of its environmental management." In order for all employees to fully recognize this policy, the subsidiary operates an environmental management system with CEO at the top of the organization. In order for this environmental management to be effective, the subsidiary establishes the environmental goal every year and tries to devise an improvement plan for insufficient areas.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

33. Environmental Standards and Policies, Continued

Also, in order to enhance environmental management throughout every level of the Company, the subsidiary has established an environment risk management committee, which hosts meetings with management from environment related departments every month to check the current status and make plans accordingly, in regard to the subsidiary's environmental initiative.

As oil refineries can bring about massive losses and damages in the event that safety accidents occur such as fires, explosions and others, the subsidiary has prepared systems to respond to fires, injuries and environmental accidents as well as marine pollution by establishing Emergency Disaster Organization, Marine Pollution Response Organization and Self-Protecting Fire Fighting Squad, which are headed by Production Division Chief with the CEO at the top of the organizations.

Marine disaster response training programs are implemented two times a year, including its own disaster prevention training and trainings jointly held with the National Maritime Police Station and the Korea Marine Pollution Response Corporation. Fire fighting drills, including their own developed drills and joint drills, with fire stations in the area, are held more than 18 times a year. The subsidiary conducts regular education programs and drills so that emergency response organization and system can take an optimal effect in case of emergency.

HDO built a Bunker-C Cracking Unit for the first time in Korea from the time it began to operate the Daesan Plant in 1988. Since then, continuous investments have been made in desulfurizing facilities. Therefore, the subsidiary has maintained excellent quality not only compared to domestic environmental standards but also to those of advanced countries.

In addition, HDO will do its best to preserve clean air by reducing sulfur content of diesel to less than 30ppm as it plans to make investments of ₩661 billion in building desulfurizing facilities for gasoline and diesel by 2005 and tries to put more effort into producing eco-friendly products. Since the end of 2008, the subsidiary produces the world's best level of gasoline and diesel by reducing sulfur content to less than 10ppm.

Investment results and plans for cracking and desulfurizing facilities for fuel oil are described as follows:

(In billions of won)

	Division Phase 1 (1989)	Phase 2 (1996)	Phase 2 (2005)
Details	Desulfurizing Unit for Heavy Fuel Oil /Desulfurizing Unit for Fuel Oil	Desulfurizing Unit for Fuel Oil	Desulfurizing Unit for Fuel Oil
Amount	1,675	2,838	2,100

HDO has played a leading role in the industry in reducing environmental pollution caused by plant operation. One-step-ahead investments have been made in the environmental management field, such as air, water and soil, and others, and open environmental management is being actualized as the subsidiary takes a lead in monitoring neighborhood air quality and opening it to the public. In addition, there are electric dust collectors, stack TMS and VOC prevention facilities (wastewater treatment facilities, product storage tanks, others), and others.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

33. Environmental Standards and Policies, Continued

Investments have been made constantly in the environment every year as shown below:

(In billions of won)

	2006	2007	2008	2009	2010
Investment in environment	64	76	73	15	29
Environmental operational costs	204	200	200	200	200
Total	268	276	273	215	229

In an effort to effectively and perfectly maintain and process pollutants and byproducts, HDO consigns the process of pollutants and byproducts to the professional pollutant processors.

Also, in an effort to alleviate soil spoilage as resulting from product facilities and storage tanks, HDO has constructed watch towers around the storage tanks to continuously monitor potential accidents. In case pollution is detected, the spoiled areas are secured and diagnosed immediately, and restored as appropriate.

As a result of its eco-friendly management, HDO acquired ISO 14001 Certification, awarded second prize of Green Energy Corp for two consecutive years, and was awarded a medal issued by the Korean Government in industry sectors for developing an energy saving manufacturing process.

HDO publishes its business performance in a sustainable management report which includes discussions on the subsidiary's environmental initiatives (investments) therein.

34. Employee Welfare and Contributions to Society

For employee welfare, the Company granted scholarship funds of ₩53,038 million for the middle school, high school and college age children of employees and ₩10,398 million for medical benefits, such as health examinations and medical treatment, to its employees and their families during the year ended December 31, 2010. In addition, the Company provided 16,000 apartment units for employee housing, achieving a 94% housing-supply ratio. The Company also operates seven cultural and arts centers, including the Hyundai Arts Center established in December 1998, to provide members of the community and its employees with a wide variety of cultural and leisure opportunities.

(In millions of won)

		2010	2009
Support for employee development	₩	76,917	13,596
Donations to social welfare and religious organizations		16,837	5,432
Donations for infrastructure and support of national and local governments		1,014	83
	₩	94,768	19,111

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

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35. Planning and Adoption of K-IFRS (Korean International Financial Reporting Standards)

(a) K-IFRS Adoption Plan and current status of progress

The Company subsequently plans to issue financial statements prepared in accordance with K-IFRS from 2011. The Company organized a task force team to perform preliminary analysis of the effects of K-IFRS adoption and establish accounting systems to apply the new accounting treatments, and trained its relevant personnel internally and externally. The task force team regularly reports the details and status of the adoption plan to its board of directors and management. The details of the K-IFRS Adoption Plan are as follows:

Main Activities	Preparation Plan	State at December 31, 2010
Formation of the K-IFRS adoption task force team and analysis of the likely effects of K-IFRS adoption	Complete the K-IFRS adoption plan by the end of 2010.	June 2008: Established the K-IFRS adoption task force team. Oct. - Dec. 2008: Engaged an accounting firm to carry out an analysis of the likely effects of K-IFRS adoption. Apr. - Aug. 2009: Engaged an accounting firm to carry out an establishment of closing process and basic design of IT.
Training	Acquire the skills required for IFRS conversion by the end of 2010.	Oct. 2008 – present: Held training for in-charge staff (training provided by the Korean Accounting Standards Board).
Alignment of accounting systems	Complete the establishment of accounting systems to apply the new accounting treatments under K-IFRS by the end of 2010.	Sep. - Dec. 2009: Completed the analysis of the scope of required changes to the system.

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

**35. Planning and Adoption of K-IFRS (Korean International Financial Reporting Standards),
Continued**

(b) Differences between Accounting under K-IFRS and under K-GAAP expected to have a material effect on the Company are as follows:

Area		K-IFRS	Current K-GAAP
First-time adoption of K-IFRS	Employee benefits	All cumulative actuarial gains (losses) on defined benefit plans as of January 1, 2010 (the date of transition to K-IFRS) will be recognized as equity.	-
	Equity method	The book value under the previous GAAP would be utilized as the deemed cost and cost method would be applied after January 1, 2010 (the date of transition to K-IFRS).	The Company accounts for associates and subsidiaries using the equity method.
	Property, plant and equipment	The book value under the previous GAAP would be utilized as the deemed cost and cost method would be applied after January 1, 2010 (the date of transition to K-IFRS).	-
	Borrowing costs	Interest expenses are capitalized after January 1, 2010 (the date of transition to K-IFRS).	All interest is presented as expense.
Employee benefits		Under the Projected Unit Credit method, the Company recognizes a defined benefit obligation calculated using an actuarial technique and a discount rate based on the present value of the projected benefit obligation.	The Company establishes an allowance for severance liability equal to the amount which would be payable if all employees left at the end of the reporting period.
Allowance for doubtful accounts		Impairment losses for financial instruments (receivables and held-to-maturity investments) that are recorded at amortized cost are recognized when there is objective evidence that an impairment event has occurred.	The Company recognizes allowance for doubtful accounts by estimating bad debt losses on receivables with uncertain collection based on reasonable and objective criteria.
Recognition of warranty costs in relation to percentage of completion method		The Company excludes expected warranty costs from costs incurred to date for determining the stage of completion.	The Company includes expected warranty costs in costs incurred to date for determining the stage of completion and recognizes warranty costs as a cost in the fiscal year of the contract's completion.

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December 31, 2010 and 2009

**35. Planning and Adoption of K-IFRS (Korean International Financial Reporting Standards),
Continued**

(b) Differences between Accounting under K-IFRS and under K-GAAP expected to have a material effect on the Company, Continued

Area	K-IFRS	Current K-GAAP
Classification of due from customers for contract work and due to customers for contract work	If costs incurred plus recognized profits (less recognized losses) exceed progress billings, the net amount shall be accounted for due from customers for contract work. However, if progress billings exceed costs incurred plus recognized profits (less recognized losses), the net amount shall be accounted for due to customers for contract work.	-
Change in revenue recognition criteria of large engines for vessels	Revenue is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer.	Revenue is recognized based on the percentage of completion method.
Reclassification of guarantee deposits for membership, etc.	The Company recognizes guarantee deposits for membership as intangible assets with an indefinite useful life.	Guarantee deposits for membership are recognized as other non-current assets.

(c) Changes in scope of consolidation

The Company is required under K-IFRS to present consolidated financial statements. Changes in the scope of consolidation from K-GAAP to K-IFRS as of December 31, 2010 are as follows

Consolidated Subsidiaries under K-GAAP	Consolidated Subsidiaries under K-IFRS	Difference
Hyundai Finance Corporation	Hyundai Finance Corporation	-
Hyundai Venture Investment Corporation	Hyundai Venture Investment Corporation	-
Hyundai Futures Corporation	Hyundai Futures Corporation	-
Hyundai Investment Fund 1 on Patent Technology	Hyundai Investment Fund 1 on Patent Technology	-
HI Investment & Securities Co., Ltd.	HI Investment & Securities Co., Ltd.	-
HI Asset Management Co., Ltd.	HI Asset Management Co., Ltd.	-
Hyundai Samho Heavy Industries Co., Ltd.	Hyundai Samho Heavy Industries Co., Ltd.	-
Hyundai Mipo Dockyard Co., Ltd.	Hyundai Mipo Dockyard Co., Ltd.	-
H.C.E U.S.A	H.C.E U.S.A	-
Hyundai Heavy Industries Europe N.V.	Hyundai Heavy Industries Europe N.V.	-
Hyundai Jiangsu Construction Machinery Co., Ltd.	Hyundai Jiangsu Construction Machinery Co., Ltd.	-

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

**35. Planning and Adoption of K-IFRS (Korean International Financial Reporting Standards),
Continued**

(c) Changes in scope of consolidation, Continued

Consolidated Subsidiaries under K-GAAP	Consolidated Subsidiaries under K-IFRS	Difference
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	-
Vladivostok Business Center	Vladivostok Business Center	-
Hyundai Heavy Industries Co. BULGARIA	Hyundai Heavy Industries Co. BULGARIA	-
Hyundai Vinashin Shipyard	Hyundai Vinashin Shipyard	-
Yantai Hyundai Moon Heavy Industries Co., Ltd.	Yantai Hyundai Moon Heavy Industries Co., Ltd.	-
Hyundai Heavy Industries (China) Electric Co., Ltd.	Hyundai Heavy Industries (China) Electric Co., Ltd.	-
HHI China Investment Co., Ltd.	HHI China Investment Co., Ltd.	-
Hyundai Financial Leasing Co., Ltd.	Hyundai Financial Leasing Co., Ltd.	-
Hyundai Ideal Electric Co.	Hyundai Ideal Electric Co.	-
Hyundai Construction Equipment India Private Ltd.	Hyundai Construction Equipment India Private Ltd.	-
Changzhou Hyundai Hydraulic Machinery Co., Ltd.	Changzhou Hyundai Hydraulic Machinery Co., Ltd.	-
HYMS Co., Ltd.	HYMS Co., Ltd.	-
Hyundai Oilbank Co., Ltd.	Hyundai Oilbank Co., Ltd.	-
Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	Hyundai (Shandong) Heavy Industry Machinery Co., Ltd.	-
Hyundai Power Transformers USA Inc.	Hyundai Power Transformers USA Inc.	-
HDO Singapore Pte. Ltd.	HDO Singapore Pte. Ltd.	-
-	Ulsan Hyundai Football Club Co., Ltd.	Under Art. 1-3 par. 2 of the Presidential Decree enacting the Act on External Audit of Stock Companies, it was excluded from consolidation, however under K-IFRS it is a consolidated subsidiary.
-	KOMAS Corporation	
-	Hotel Hyundai Co., Ltd.	
-	Mipo Engineering Co., Ltd.	
-	HVIC IT Fund 3 rd	
-	Weihai Hyundai Wind Power Technology Co., Ltd.	
-	Khorol Zerno Ltd.	
-	HHI MAURITIUS LIMITED	
-	Hyundai Heavy Industries France SAS	
-	Hyundai (Malaysia) SDN BHD	
-	Hyundai Technologies Center Hungary Kft.	
-	PHECO Inc.	
-	LS LeadingSolution Private Security Investment Trust (Equity)	
-	BGF World Gold Fund A Class	