

Strength in Diversity

Table of Contents

Strength in Diversity	01
Financial Highlights HHI at a Glance Share Performance	02
Keeping the Seas Sustainable – Shipbuilding Division	06
Unlocking Oceans of Energy – Offshore & Engineering Division	10
Generating a World of Power – Industrial Plant & Engineering Division	16
Building Engines of Growth – Engine & Machinery Division	20
Empowering Greater Efficiency – Electro Electric Systems Division	24
Making the Earth Move – Construction Equipment Division	28
Tapping the Power of Nature – Renewable Energy	34
Innovating to Shape Tomorrow – Research & Development	38
Sustaining the Future – HHI and the Community HHI and the Environment	40
Leading the Way – CEO Message Board of Directors Executive Officers Vision & Philosophy	44
Creating Greater Value	50
Management's Discussion & Analysis	52
Independent Auditors' Report	56
Non-Consolidated Statements of Financial Position	57
Non-Consolidated Statements of Income	59
Non-Consolidated Statements of Appropriation of Retained Earnings	60
Non-Consolidated Statements of Changes in Equity	61
Non-Consolidated Statements of Cash Flows	63
Notes to Non-Consolidated Financial Statements	65
Independent Accountants' Review Report on Internal Accounting Control System	100
Overseas Network	102
Affiliated Companies & Corporate Data	103

THE PRESENT IS CHALLENGING.
THE FUTURE IS PROMISING.
OUR STRENGTH IS IN DIVERSITY.

At Hyundai Heavy Industries, our vision, ingenuity, and hard work have made us the world's largest shipbuilder and a global player in each of our businesses. Over the past four decades, we have earned a reputation for excellence by meeting and exceeding the expectations of customers around the globe. And now our talented people, world-class capabilities, focused strategy, and increasingly diversified business portfolio are transforming us into a company that is much more than simply successful and respected as we help our customers create value and prosperity for all.

Financial Highlights

Performance Overview	in USD millions		in KRW billions	
For the Year	2009	2009	2008	2007
Sales	18,107.4	21,142.2	19,957.1	15,533.0
Gross Profit	2,693.4	3,144.8	3,145.1	2,556.9
Operating Income	1,903.6	2,222.6	2,206.2	1,750.7
Net Income	1,838.4	2,146.5	2,256.7	1,736.1
At Year-End				
Total Assets	21,302.3	24,872.6	25,280.4	16,798.7
Total Liabilities	12,901.8	15,064.2	19,685.2	11,351.0
Total Debt	761.9	889.6	3.3	189.0
Total Stockholders' Equity	8,400.5	9,808.4	5,595.2	5,447.7
Financial Indicators				
Liabilities-to-Equity Ratio	153.6%	153.6%	351.8%	208.4%
Debt-to-Equity Ratio	9.1%	9.1%	0.1%	3.5%
EPS in KRW	USD 30.58	35,705	37,340	27,778
EBITDA	2,285.3	2,668.3	2,597.0	2,142.6
EV/EBITDA (multiple)	5.0x	5.0x	4.9x	14.1x
ROA	8.6%	8.6%	10.7%	11.7%
ROE	27.9%	27.9%	40.9%	35.5%

- Won amounts for FY2009 have been translated at KRW 1,167.60 per USD 1.00, the basic rate as of Dec. 31, 2009
- EBITDA = Operating Income + Depreciation + Amortization
- EV = Total Market Capitalization + Net Debt
(Net Debt = Total Debt - Cash & Cash Equivalents - Short-Term Financial Instruments - Short-Term Investment Securities)

in USD billions

Orders & Backlog	2009	2008	2007
Orders	10.7	27.5	25.0
Backlog	51.1	61.2	52.7

- The backlog above is on a delivery basis. Percentage-of-completion basis backlog was USD 37.9 bil. (2009), USD 48.3 bil. (2008), USD 40.7 bil. (2007).

Sales

in KRW billions



Total Assets

in KRW billions



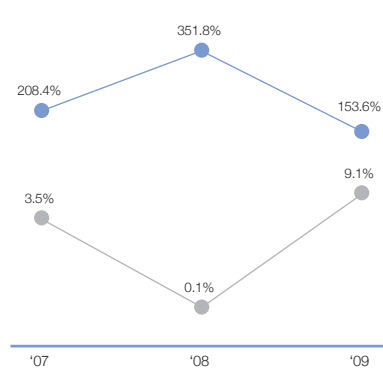
EPS

in KRW



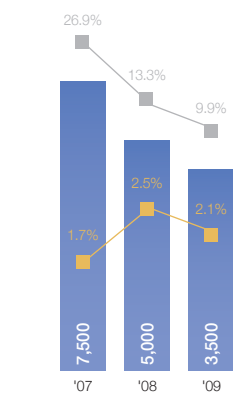
Financial Stability Ratios

■ Liabilities-to-Equity ■ Debt-to-Equity



Dividends Per Share

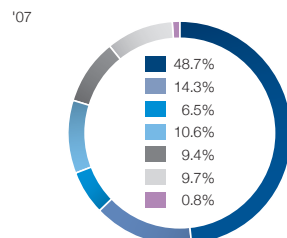
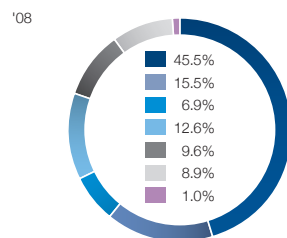
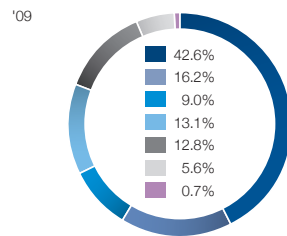
■ Payout Ratio ■ Dividend Yield
■ Dividends Per Share in KRW



HHI at a Glance

At Hyundai Heavy Industries, we're best known as the world's leading shipbuilder. But shipbuilding is just one of the six broad businesses where we are a world-class player. Our portfolio is as synergistic as it is diversified, giving us the ability to survive in tough times and thrive in good ones.

Sales Breakdown by Division



Division



SHIPBUILDING

Since 1983, we have held the distinction of being the world's No. 1 shipbuilder. During our 37 years in the business, we have delivered approximately 1,600 vessels to 252 shipowners in 47 countries. Today, the nine dry docks at our main Ulsan yard and single dock at our new Gunsan yard build around 90 vessels a year for the shipping, energy transport and exploration, and naval markets.



OFFSHORE & ENGINEERING

Since 1976, we have handled over 170 turnkey EPIC projects in the fields of oil and gas field development and production for more than 30 of the world's oil and gas clients. Our recently expanded Ulsan yard facilities include the 1-million-ton capacity H-Dock with two 1,600-ton gantry cranes, greatly enhancing our ability to win and build the world's largest floating offshore facilities.



INDUSTRIAL PLANT & ENGINEERING

Since 1975, we have delivered a wide range of power, desalination, and process plant facilities to customers around the globe. Today, we are a global EPC contractor executing some of the industry's largest power and oil and gas projects to date in the Middle East and Africa regions, including a 1,000 mmscfd gas facility in Abu Dhabi and a 2,000 MW combined-cycle plant in Kuwait.



ENGINE & MACHINERY

Since 1979, we have established ourselves as the world's No. 1 builder of two-stroke marine diesel engines with 35% of the global market share and over 90 million bhp produced to date. Today, we produce state-of-the-art engines for marine vessels and stationary power plants as well as a wide range of industrial machinery including pumps, steam turbines, and robotic systems for the steelmaking, automobile, and semiconductor industries.



ELECTRO ELECTRIC SYSTEMS

Since 1977, we have established ourselves as world-class producer of electrical systems for power generation, transmission, and distribution that are second to none. Today, we are an emerging global player in the solar and wind power fields with state-of-the-art manufacturing capabilities and a focus on providing turnkey solutions for tomorrow's energy markets.



CONSTRUCTION EQUIPMENT

Since 1985, we have been delivering quality construction equipment and industrial vehicles to customers around the world. Today, our state-of-the-art automated manufacturing facilities in Korea, China, and India produce equipment that is sold and serviced through a global network of over 460 dealers in some 110 countries worldwide.

Our diversified business portfolio keeps tomorrow growing.

Orders in USD millions	Backlog in USD millions	Sales in KRW billions	Major Products	Operational Highlights
<p>'07 '08 '09 15,730 13,635 444</p>	<p>'07 '08 '09 31,691 33,543 26,681</p>	<p>'07 '08 '09 7,557 9,085 9,003</p>	<ul style="list-style-type: none"> VLCCs, Tankers, Product Carriers, Chemical Tankers Containerships, Bulk Carriers, OBO Carriers Ro-Pax Ships, Ro-Ro Ships, Pure Car Carriers LNG Carriers, LPG Carriers Drillships Submarines, Destroyers, Frigates 	<ul style="list-style-type: none"> World's largest facilities World's No. 1 shipbuilder Completed world's first T-shaped dry dock Adoption of wireless IT technology Developed EcoBallast water treatment system Launched Korea's first hybrid ship for ROK Coast Guard
<p>'07 '08 '09 1,102 2,978 2,352</p>	<p>'07 '08 '09 10,608 12,593 9,714</p>	<p>'07 '08 '09 2,222 3,095 3,424</p>	<ul style="list-style-type: none"> Floating Units: FPSOs, FLNGs, FPU's, TLPs, Semi-Submersible Units Fixed Platforms: Topsides, Jackets & Piles, Jack-ups, Modules & Quarters Pipelines & Subsea Facilities: Subsea Pipelines Offshore Installations: Platforms, Pipelines Land-Based Modules 	<ul style="list-style-type: none"> Completed H-Dock USD 2.06 billion LNG module order in Australia Launched last offshore platform for Umm Shaif project in the UAE Held keel-laying ceremony for Usan FPSO at H-Dock
<p>'07 '08 '09 1,544 2,076 2,826</p>	<p>'07 '08 '09 4,688 6,563 7,191</p>	<p>'07 '08 '09 1,017 1,374 1,888</p>	<ul style="list-style-type: none"> Power Plants: Combined-Cycle, Cogeneration, and Thermal Power Plants Process Plants: Oil and Gas, Refinery, Tank Farm, GTL, and LNG Facilities Plant Equipments: Industrial Boiler, Heat Recovery Steam Generator(HRSG), Circulating Fluidized Bed Combustion(CFBC) Boiler, Regenerator & Reactor 	<ul style="list-style-type: none"> Won USD 1 billion order for gas plant in UAE Won USD 2.6 billion EPC order for 2,000 MW CCPP in Kuwait Won USD 77 million order for CFBC boiler in Korea Naro Space Center project
<p>'07 '08 '09 3,248 4,646 1,452</p>	<p>'07 '08 '09 4,495 7,086 5,722</p>	<p>'07 '08 '09 1,646 2,522 2,772</p>	<ul style="list-style-type: none"> Two-Stroke Diesel Engines Four-Stroke (HiMSEN) Engines Propellers and Crankshafts Steam Turbines and Turbochargers Diesel and Gas Power Plant Engines Industrial and Marine Pumps Industrial Robots • Side Thrusters Presses, Conveyor Systems, and Steel Strip Process Lines 	<ul style="list-style-type: none"> Surpassed cumulative two-stroke engine production of 90 million bhp Received 30 MW DPP order from Iraq Won iF Product Design Award for HiMSEN engine
<p>'07 '08 '09 1,766 2,281 2,556</p>	<p>'07 '08 '09 1,237 1,397 1,839</p>	<p>'07 '08 '09 1,453 1,925 2,712</p>	<ul style="list-style-type: none"> Transformers Gas Insulated Switchgears Switchgears Low- and Medium-Voltage Circuit Breakers Rotating Machinery Power Electronics and Control Systems Solar Power Systems Wind Power Systems 	<ul style="list-style-type: none"> Developed the industry's smallest cubic static capacity bank with switchgear Named Asia-Pacific Power Transmission Equipment Company of the Year by Frost & Sullivan
<p>'07 '08 '09 1,630 1,857 1,105</p>	<p>'07 '08 '09 1,512 1,769 1,190</p>	<p>'07 '08 '09 1,512 1,769 1,190</p>	<ul style="list-style-type: none"> Excavators Wheel Loaders Forklifts Skid Loaders 	<ul style="list-style-type: none"> Introduce Hi-Mate remote management system 9-series excavators recognized at Korea's Pin-Up Design Awards Opened Southeast China After-Service Training Center

• The backlog above is on a delivery basis.

Share Performance

2009 HHI Share Performance vs. KOSPI



Commentary

Governments around the globe pursued economic stimulus policies that included interest rate cuts and increased budget spending in the wake of the global financial crisis that hit in 2008, leading to rising expectations of economic recovery. As a result, global stock markets recovered across the board in 2009, with the Korean bourse rising approximately 45% for the year. Notably, the continued global weakness of the US dollar and favorable domestic economic fundamentals boosted net buying by overseas investors by more than KRW 30 trillion, raising their holdings from 28.7% of total market capitalization to their pre-crisis level of 32.7%.

Although we continued to maintain financial soundness and profitability in 2009, excessive concerns about the shipbuilding downturn led the industry to fall out of favor with investors. This, combined with an undervaluation of our non-shipbuilding businesses, led to a 19% share price decline for the year. After hitting a low of KRW 148,500 on November 27, renewed interest by overseas and institutional investors driven by our steadily rising profitability, favorable market trends in our non-shipbuilding businesses, and expectations of a recovery in the shipbuilding industry helped our shares rally to close the year at KRW 173,500.

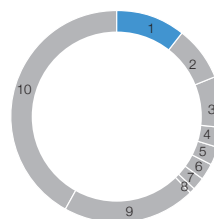
Stock Facts	2009	2008	2007
Face Value in KRW	5,000	5,000	5,000
Number of Shares Issued	76,000,000	76,000,000	76,000,000
Total Market Capitalization in KRW billions	13,186	15,162	33,630
Share Price - High in KRW, Closing	250,000	438,000	528,000
- Low in KRW, Closing	148,500	115,500	123,500
- End in KRW, Closing	173,500	199,500	442,500
Foreign Ownership	17.4%	14.8%	19.5%
PER - High/Low/End	7.0x / 4.2x / 4.9x	11.7x / 3.1x / 5.3x	19.0x / 4.4x / 15.9x
Dividends Per Share in KRW	3,500	5,000	7,500
Payout Ratio	9.9%	13.3%	26.9%

2009 HHI Foreign Ownership & Share Price



Shareholder Structure

(As of Dec. 31, 2009)



1. Chung Mong-joon	10.80%
2. KCC	8.15%
3. Hyundai Mipo Dockyard	7.98%
4. Hyundai Motor Company	2.88%
5. National Pension Service	2.71%
6. Asan Foundation	2.53%
7. Posco	1.94%
8. Mirae Asset Global Investments	1.01%
9. Treasury Shares	20.24%
10. Others	41.76%

WHAT DO YOU DO
WHEN ORDERS IN
YOUR BIGGEST
BUSINESS DRY UP ?

Find better ways to
build better ships.

At
Hyundai
Heavy Industries,
we are thinking big.

We're **gearing up** to **lead**
the **next wave** of shipbuilding
as we develop the technologies
that will bring a new level of efficiency and
eco-friendliness to the business of shipping.

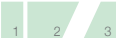


Ivana 11,700 TEU containership

Keeping the Seas Sustainable

The global maritime industry is coming together to progressively adopt advanced standards, systems, and technologies to protect and preserve the often-fragile marine environment.

At Hyundai Heavy Industries, we've maintained our position as the world's No. 1 shipbuilder since 1983 by giving shipowners a competitive edge in technology, quality, and safety. Today, we're adding sustainability to the list as we help make global trade cleaner and greener one ship at a time.



1. Patrolling with Hybrid Power

In September 2009, we launched Korea's first hybrid ship. The 3,000-ton Taeyeongyang 9 Korea Coast Guard patrol vessel is equipped with twin 10,000 bhp diesel engines and a 750 kW electric motor, which provides quieter, smoother, more fuel-efficient operation at speeds of up to 12 knots.

2. Delivering LNG More Economically

We have delivered 36 LNG carriers to date, including the state-of-the-art Q-Flex 210,000~216,000 cum carriers which feature 40% lower energy requirements and carbon emissions with 50% more capacity than conventional carriers. We expect to build many more advanced carriers like these in the years ahead as global LNG demand continues to rise.

3. Protecting Marine Biodiversity

In June 2009, we delivered the 7,000 TEU Astrid Schulte containership to Bernhard Schulte of Germany. This vessel is particularly memorable because it is the first to be equipped with our new EcoBallast UV-based ballast water treatment system. We received the final approval for EcoBallast from the International Maritime Organization in March 2010.

The global shipbuilding industry experienced a dramatic decline in newbuild orders in 2009 as backlogs remained high and the global economic downturn chilled demand for new vessels. According to Lloyd's Register, the industry booked orders of 32.3 million gross tons (mgt) during the year, roughly one-third of the 100 mgt annual average recorded during the six-year boom that ran from 2003 to 2008. This rapid drop-off in orders combined with stable steel plate prices pushed newbuild vessel prices down 30% to 40% from their 2008 market peak. Falling vessel prices also caused financing difficulties for some shipowners, leading them to seek delivery date delays, vessel-type changes, or order cancellations. While orders booked only reached USD 444 million, sales remained close to their all-time highs, edging down just 1% to KRW 9.0 trillion as our industry-leading backlog kept our shipyard operating at full capacity throughout the year.

Looking at the highlights for the year, we marked several "firsts" involving eco-friendly technologies, including the deliveries of our first vessels equipped with our advanced chemical-free EcoBallast ballast water treatment system and hybrid diesel-electric propulsion system as we positioned ourselves to take a leadership role in an area that will become increasingly important in the years ahead. We also upgraded our production capabilities with the expansion of our Ulsan Dock No. 1 and completion of our Gunsan shipyard on Korea's west-central coast. At year-end, our orderbook

Shipbuilding



STRATEGIC INVESTMENT IN QUALITY, PRODUCTIVITY, SPECIALTY VESSELS, AND INNOVATIVE GREEN TECHNOLOGIES IS LAYING THE FOUNDATION FOR A STRONG, DIVERSIFIED PORTFOLIO THAT WILL KEEP US AT THE INDUSTRY FOREFRONT.

stood at 249 vessels worth USD 26.7 billion, enough work to keep us operating into 2012.

The overall ocean shipping market is projected to grow in 2010 as global economic recovery boosts seaborne trade volume. As fleet utilization rises, the vessel supply glut will ease and vessel prices will recover, steadily increasing demand for newbuild vessels. Rising Chinese demand for raw materials is expected to continue to drive growth in the bulk carrier shipping market, while growing global demand for oil is expected to do the same in the tanker shipping market. Although the recovery prospects of the container shipping market are still uncertain, freight rates are expected to gradually rise with growing trade volume, allowing shipping companies to return to the black. Looking at the impact of these trends on the shipbuilding industry, the bulk carrier and tanker segments are forecast to lead the way as demand for containerships remains limited. Tanker orders are expected to make a slight recovery as oil prices rise and large numbers of single-

hull vessels are scrapped. Bulk carriers orders are also expected to gradually rise, driven by a rebound in certain shipping categories. Rising capex investment in deepwater oil and gas development is also projected to drive demand for specialty ships such as FPSOs, drillships, shuttle tankers, CNG carriers, LNG-FPSOs, and LNG regasification vessels.

Given the cautiously optimistic outlook for the newbuild vessel market, we have set an order target of USD 4.0 billion for 2010. Backed by industry-leading cost competitiveness and ongoing advances in productivity, we are confident that our quality and technical competitiveness will open the door to more order opportunities. We will also be pushing aggressively forward with technical development of more fuel-efficient, environmentally friendly vessel types as we aim to take the lead in these emerging segments.



Umm Shaif platform project, Abu Dhabi



Unlocking Oceans of Energy

Out beyond the ocean's horizon, men and machines are braving a harsh, constantly changing environment to meet the world's insatiable thirst for energy.

At Hyundai Heavy Industries, we've strategically invested in the manufacturing and technical capabilities to meet the unique needs of the offshore industry. Today, we're helping global oil and gas majors build the next generation of offshore units that will make tapping tomorrow's energy resources more efficient and profitable.



1. Gorgon LNG Plant Project

We are supplying 48 modules for a 15-mtpa LNG plant to be built on Barrow Island to process gas from the Greater Gorgon gas fields located 200 km off the northwest coast of Western Australia. This is the largest single-resource natural gas project in Australia's history and our largest order to date at USD 2.06 billion.

2. Usan FPSO Project

Following our successful turnover of the Akpo FPSO in June 2008, we laid the keel for the ultra-large Usan FPSO ordered by Total E&P Nigeria Limited (TEPNG) in June 2009. Featuring a crude oil storage capacity of 2 mmbbl, the Usan is scheduled for sail away in early 2011 and will be stationed in waters about 100 km southeast of Bonny Island, Nigeria.

3. Umm Shaif Platform Project

We shipped the third and final platform for the world's largest offshore oil and gas production facility in June 2009. Ordered in 2006 by Adu Dhabi Marine Operating Co. (ADMA-OPCO), the platforms total 40,000 tons and are scheduled to be commissioned in June 2010.

The global economic crisis that struck in late 2008 and falling oil prices led to the delay or cancellation of a number of offshore projects scheduled for tender in 2009, resulting in only a handful of projects being awarded. An increasing number of small projects led by national oil companies in their home markets were won with aggressive bids by local small and medium production yards. The increasing adoption of geographical restrictions and local content rules in China and Southeast Asia made a competitive environment even more so. Despite these challenging circumstances, our successful win of our largest project to date helped us post a respectable order performance of USD 2.35 billion. Sales continued to be robust, growing nearly 11% to set a new record of just over KRW 3.4 trillion as our strong multi-year backlog kept our production yard running at full capacity.

Looking at the highlights for the year, we signed a USD 2.06 billion contract—our largest single project to date—with Chevron Australia in October to fabricate modules for the Barrow Island LNG plant as part of the Gorgon project, a joint venture between the Australian subsidiaries of Chevron, ExxonMobil, and Shell. The LNG plant will consist of 48 modules with a combined weight of 190,000 tons. The Gorgon project gives us the opportunity to break into the onshore plant field with a modular construction approach traditionally used for offshore projects, putting us in an advantageous position for upcoming tenders for similar natural gas production projects in Australia, Sakhalin, and

The image is a composite background for a report. On the left, there is a large FPSO (Floating Production Storage and Offloading) vessel with a complex network of yellow pipes and structures, and a tall red and white derrick. On the right, there is a large offshore oil platform with multiple levels of yellow and white structures, supported by red legs. The background is a clear blue sky and ocean.

Offshore & Engineering

STRATEGIC INVESTMENT IN FACILITIES SUCH AS OUR H-DOCK IS ENABLING US TO SIGNIFICANTLY REDUCE FABRICATION TIME, GIVING US YET ANOTHER POWERFUL COMPETITIVE EDGE AS WE AIM TO LEAD THE OFFSHORE INDUSTRY INTO THE FUTURE.

West Africa. We also significantly upgraded our fabrication capabilities with the February completion of H-Dock at our Ulsan shipyard, the industry's first dry dock dedicated to offshore projects. H-Dock gives us the ability to simultaneously build FPSO hulls and topsides, reducing project fabrication time by a full month.

As global demand for energy steadily grows, oil prices stabilize, and global economic recovery gets underway in earnest, investment in deepwater oil and gas exploration by the oil majors is projected to move forward. In the African and Latin American regions, FPSO and other floater orders are expected, with floating LNG (FLNG) orders also expected as demand for LNG rises. Demand for fixed platforms is projected to steadily rise with Asia and the Middle East leading the way. However, increasingly protectionist measures in China and across Southeast Asia will limit business opportunities for international firms. The subsea pipeline market is expected to face tougher competition with the entry of new small and medium-size players from Southeast Asia and India.

Given the promising market outlook, we have set an ambitious order target of USD 4.2 billion for 2010. Leveraging our efficient fabrication facilities in pursuit of greater productivity and profitability, we will be aggressively expanding our product portfolio and pioneering new markets such as LNG modules, FLNG units, and land-based oil and gas treatment facilities in response to changing market trends. We will be partnering with local production yards around the world to meet local content requirements. We will also be leveraging our subsea pipeline installation fleet and collaborating closely with our production yard to win EPIC projects as we take full advantage of our resources to raise sales and profitability to a higher level.

HOW DO YOU MAINTAIN
MOMENTUM THROUGH
GOOD TIMES AND BAD ?

Build a diversified
business portfolio that
delivers synergy.

At Hyundai Heavy Industries, we've built a portfolio of world-class businesses that are delivering growth.

It's a **remarkably** balanced portfolio

that is both synergistic and diversified, giving us the resources and capabilities to handle the inevitable business cycle ups and downs that every industry must deal with.



Marafiq IWPP project, Saudi Arabia

Generating a World of Power

In the quest for growth and development, the degree of success depends both on the resources available and how well they are used.

At Hyundai Heavy Industries, we've earned a reputation as a global EPC contractor by helping clients across the Middle East and around the world build solid foundations for growth. Today, we're dedicated to delivering the industry's most reliable and technologically advanced power and energy infrastructure solutions to keep the world growing.

Industrial Plant & Engineering

STRATEGIC INVESTMENT IN EPC CAPABILITIES AND STRATEGIC PARTNERSHIPS WITH GLOBAL INDUSTRY LEADERS ARE MAKING US THE PARTNER OF CHOICE FOR MAJOR POWER AND ENERGY PROJECTS IN THE MIDDLE EAST AND BEYOND.

1 2 3

1. Al Dur IWPP Project

Scheduled to begin operations in 2011, this USD 1.7 billion EPC project in Bahrain includes a 1,245 MW gas-fired combined-cycle power plant and a 48 m³/d reverse-osmosis desalination plant.

2. Escravos Gas Project Phase 3

Scheduled for completion in 2010, this USD 691 million EPC project in Nigeria will upgrade gas processing capability from 285 mmscfd to 680 mmscfd. The project encompasses the upgrade of the existing gas train and addition of a second train at the onshore gas plant as well as the modification of the offshore LPG floating storage and offloading unit.

3. Marafiq IWPP Project

Scheduled to begin commercial operations in 2010, this USD 3.5 billion project in Saudi Arabia consists of a 2,750 MW gas-fired combined-cycle power plant and a 176 m³/d multiple-effect distillation desalination plant. We are the EPC contractor for the USD 1.07 billion power plant portion of the project.

While a credit crunch and dramatic drop in oil prices in the aftermath of the global economic crisis caused international power and industrial plant markets to contract in the first half of 2009, orders began to pick up in the second half as oil prices rebounded and financial markets found their footing. In energy-hungry Middle Eastern markets such as Saudi Arabia, Qatar, the UAE, and Kuwait, a number of independent and government-led projects that had been delayed or postponed got underway. The competitive environment also continued to evolve as local participation quotas became increasingly common in the industrial plant segment, new Chinese and Indian companies vied for EPC contracts, and increasing numbers of Korean construction firms looked overseas for growth opportunities. We overcame these formidable challenges to grow orders by over 38% to nearly USD 2.83 billion in 2009. Sales also continued their robust growth, jumping 38% to set a new record of nearly KRW 1.9 trillion, supported by a strong multi-year project backlog.

Looking at the highlights for the year, we won two major projects in the Middle East based on our outstanding technical capabilities and strong track record in the region. In July, we were awarded a USD 1 billion integrated gas development project with Abu Dhabi Gas Liquefaction Company (ADGAS) that includes gas processing facilities with a capacity of 1,000 mmscfd on Das Island in Abu Dhabi. Then in September, we and consortium partner GE won the USD 2.65 billion Sabiya



power plant from Kuwait's Ministry of Electricity and Water. Our USD 1.38 billion portion of the contract includes all EPC aspects of the 2,000 MW combined-cycle plant that is scheduled for completion in summer 2012. We also won or completed a number of other projects in Korea during the year. In June, we won a gas pipeline project from the Korea National Oil Corporation to install a 136 km pipeline network. In September, we won orders for two circulating fluidized bed combustion (CFBC) boilers with a steam-generating capacity of 350 tons per hour from Hyundai Energy Corporation. We also continued to enhance our reputation in the fields of science and technology by successfully completing Korea's Naro Space Center, which conducted its first satellite launch in August, and winning a vacuum vessel fabrication order for the Korea Superconducting Tokamak Research (KSTAR) project.

Looking ahead to 2010, the Middle East project market is showing signs of life as expectations for global economic recovery grow. With the independent power market beginning to gradually return to normal,

public sector and government-led projects are also expected to steadily come up for tender. Power demand is projected to grow between 5% and 10% annually across the region, virtually ensuring that new power plant projects will continue to come up for tender for the foreseeable future.

Given growing competition in the industrial plant sector, we have set an order target of USD 2.0 billion in 2010. Our work on major power plant projects in the Middle East and strong name recognition in the region will enable us to focus on more-profitable large-scale tenders. We aim to raise our tender success rate by strengthening collaboration with developers from the tender announcement stage as well as closely partnering with turbine, boiler, and other major equipment suppliers. We will also continue to sharpen our cost competitiveness and step up development of our EPC technical capabilities to ensure our project bids are as comprehensive and competitive as possible.



HiMSEN H32/40V engine

A large, blue industrial diesel engine is shown in a factory setting. The engine is complex, with various components like cylinders, pipes, and a control panel. It's mounted on a blue metal frame. The background is a large, dark industrial space with a complex steel truss ceiling structure. The lighting is dramatic, with some highlights on the engine and the ceiling.

Building Engines of Growth

For over a century, the diesel engine has proven itself to be the most reliable, durable, and economical way to propel vessels and generate power at sea and on land.

At Hyundai Heavy Industries, we've been the world's No. 1 builder of two-stroke marine diesel engines since 1988. Today, we're bringing that same commitment to excellence and leadership to the four-stroke marketplace with HiMSEN engines as we aim to set a new performance standard for marine and stationary purposes.



1. HIMSEN H32/40V Engines
 Available with outputs of 6,000 kW to 10,000 kW, our new series of vee-configuration 12- to 20-cylinder four-stroke HIMSEN engines delivers superior power and efficiency with an outstanding output of 500 kW per cylinder. The series is ideal for marine propulsion and generating set duty in drillships, FPSOs, and other vessels as well as stationary duty in diesel power plants and emergency generating sets.

2. 90 Million BHP Milestone
 In September, we surpassed 90 million bhp in cumulative two-stroke engine production with the completion of our 3,020th engine, a 93,360 bhp 12K98ME for a German-ordered 8,600 TEU containership. We maintained our 35% global and 51% local market shares in the two-stroke category as we continued to lead the industry in terms of total horsepower delivered.

3. HIMSEN H21/32 Packaged Power Stations
 We have delivered approximately 700 PPS containerized diesel generating sets to customers in 18 countries across Latin America and the Middle East to date, including Cuba, Brazil, Chile, and Iraq.

The global marine engine industry saw orders plummet, with demand for newbuild vessels falling 62% as shipowners retrenched in response to sharply lower cargo shipping rates and volumes in the wake of the global financial crisis. There continued to be strong interest in diesel power plants for both national and private power projects in numerous emerging markets, but many of these ran into financing issues, resulting in order delays or cutbacks. While demand for industrial pumps for power and desalination plants from Middle Eastern markets helped offset falling demand for marine pumps, demand for robotic systems was sluggish as international automakers shelved or scaled back investment plans. Despite the sharp decline in shipbuilding orders, our competitiveness in the engine and machinery fields enabled us to book orders of USD 1.45 billion in 2009—including USD 1.14 billion for marine engines alone—as we continued to maintain our lead in the two-stroke engine segment with 35% of the global market. Sales continued to rise, climbing just under 10% to set a new record of nearly KRW 2.8 trillion as our solid multi-year backlog kept our manufacturing operations running at normal levels.

Looking at the highlights for the year, we debuted a de-NO_x selective catalytic reduction system that meets the most stringent Tier III emissions standards set to take effect in 2016. Our side thrusters continued to gain market share as we booked orders from other major Korean shipbuilders. Our



Engine & Machinery

STRATEGIC INVESTMENT IN KEY FIELDS SUCH AS FOUR-STROKE ENGINES, ENVIRONMENTAL TECHNOLOGIES, AND ROBOTICS CONTINUES TO DIVERSIFY AND EXPAND OUR REVENUE BASE FOR GREATER LONG-TERM STABILITY AND PROFITABILITY.

industrial pumps also continued to make inroads in global power and desalination plant markets. On the machinery side, we developed and delivered 300 handling robots for 4th, 5th, 6th, and 8th generation LCD glass substrates to LG Display. Overall, we won orders for 1,620 industrial robots from auto and LCD manufacturers in Korea.

With the recovery of the global shipbuilding market not on the immediate horizon, the marine engine market will face the double challenge of fewer order opportunities and increased competition for those orders. The outlook for power plant engine markets is much more promising. In Latin America, short-lead-time projects are expected to come up for tender as governments step up efforts to address chronic power shortages. In the Middle East, stable oil prices and a growing need for generating capacity to maintain economic growth are expected to drive demand for diesel power solutions. The outlook for machinery markets is similarly positive. In the Middle East, ongoing petrochemical plant expansion is expected to drive orders for power

and desalination plants, boosting demand for related equipment. The robotics market is also expected to benefit from auto industry recoveries in China and Europe as well as a booming global LCD market.

Given the ongoing challenges in the marine engine market, we have set a conservative order target of USD 2.3 billion for 2010. As we strategically expand our product lineups and target new markets in our power plant engine and machinery businesses, we will be focusing on tapping value-added niche markets as well as pursuing a variety of sales strategies to keep marine engine production volumes stable during the current downturn, including complete and partial knock-down sales to Chinese engine makers. We will also continue to reduce costs and shrink inventories to improve profitability as we strategically pursue ongoing development of new products, technologies, and business opportunities in all business segments.



800 kV gas insulated switchgear, Shin-Taebaek Substation, Korea

Empowering Greater Efficiency



For well over a century, electricity has been transforming the landscape of life, empowering humanity to reach amazing heights in all areas of endeavor.

At Hyundai Heavy Industries, we've emerged as a world-class supplier of electrical generation, transmission, and distribution solutions that are second to none. Today, we're helping transform the industry with electrical, solar, and wind solutions that set the standard for performance and efficiency to make the world a more sustainable and prosperous place.

Electro Electric Systems

STRATEGIC INVESTMENT IN TECHNOLOGY AND MANUFACTURING IS ENABLING US TO CREATE POWER DISTRIBUTION SOLUTIONS THAT HELP UTILITIES AROUND THE GLOBE DELIVER ENERGY MORE EFFICIENTLY AND EFFECTIVELY.

1 2 3

1. Transforming the industry

Innovations like this 750 MVA transformer featuring a tank pressure relief system (TPRS) that prevents soil pollution and fires due to insulation oil leakage helped us grow orders a remarkable 12% in 2009. In August 2009, we were honored with the Power Transmission Company of the Year honor at the 2009 Frost & Sullivan Asia-Pacific Industrial Technologies Awards in recognition of our remarkable growth despite the impact of the global economic crisis.

2. Switching with Greater Reliability

Available in capacities ranging from 25.8 kV to 800 kV, our compact SF₆ gas insulated switchgear lineup delivers industry-leading performance with simple maintenance, easy expansion, and maximum possible enclosure of live parts for operator safety.

3. Delivering More Power to Africa

In November 2009, we and Daewoo International signed a USD 250 million framework agreement to supply high-voltage transformers to state-owned power utility Eskom Holdings of South Africa. The contract will cover transformers for a total of 11 power plants to be built between 2010 and 2019, positioning us to make inroads across the region.

The electrical equipment industry as a whole saw orders decline as capex investment fell in the wake of the global economic slowdown. Despite this overall downturn, continued demand for replacement equipment in the US market and economic recoveries in the Middle East and emerging markets gave many of the market segments we target a boost. In the renewable energy sector, global markets experienced modest growth as governments enacted legislation and policies to foster eco-friendly energy development. The combination of aggressive marketing, solid cost competitiveness, and outstanding on-time delivery capabilities enabled us to grow orders by 12.1% to USD 2.56 billion in 2009. Sales also continued to rise, climbing 41% to set a new record of KRW 2.7 trillion as new manufacturing capacity came online, enabling us to further accelerate deliveries.

Looking at the highlights for the year, we were named Power Transmission Equipment Company of the Year at the 2009 Frost & Sullivan Asia Pacific Industrial Technologies Awards in recognition of our impressive 30% growth during the global economic crisis. We also surpassed the 600,000 MVA transformer shipment milestone during the year as we boosted our production capacity by 20,000 MVA to 120,000 MVA. In the renewable energy field, we expanded our photovoltaic product lineup with solutions ranging from 3 kW residential systems all the way up to 250 kW commercial systems as we became Korea's first PV module maker to acquire UL safety certification, paving the way for



our entrance into the US solar market. Our wind business also got off to a good start as we completed a 600 MW capacity wind turbine assembly facility in Gunsan, signed an MoU with Korea Southern Power as part of a consortium that will supply 200 MW of wind turbines for installation at sites across Korea through 2012, and won our first overseas order for six 1.65 MW wind turbines from US-based developer Wave Wind.

Many of the same challenging market factors present in 2009 will continue to affect the electrical equipment sector in 2010. In the US, the ongoing global economic slowdown is expected to delay new power plant construction and power utility purchasing plans. Capital investment projects in Europe are also forecast to be scaled back or delayed. The key global growth drivers are expected to be replacement equipment orders from Russia, rising demand for electrical equipment from India, and general economic growth in South Africa and Nigeria. Ongoing growth in the increasingly competitive Middle East power market is also expected to be a significant driver of growth.

Given the competitiveness of our electrical equipment and fast-growing solar and wind businesses, we have set an aggressive order target of USD 3.6 billion for 2010. We also plan to significantly expand our global production network as we aim to become a major player in markets worldwide. We will set up a transformer plant in the US, step up cross-marketing with US-based Hyundai Ideal Electric in the rotating machinery field, and aggressively enter the Middle East electrical equipment market for 400 kV high-voltage power equipment.



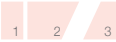
R380LC-9 and R800LC-7A excavators

Making the Earth Move



When it comes to building the future, it pays to have the strongest, toughest, smartest, and most reliable machines available to get the job done faster and more profitably.

At Hyundai Heavy Industries, we've emerged as one of the world's leading manufacturers of construction equipment. Today, we're aiming even higher as we continue to deliver some of the most innovative, powerful, and reliable machines in the business.



1. R380LC-9 Excavator

Our growing flagship 9-series excavator lineup continued to win acclaim in 2009 for advances in quality, design, and ergonomics. Models like this 38-ton unit kept us at the top of the Korean market and enabled us to make inroads into China, where we booked a pre-order contract for 940 excavators in September.

2. Intermat 2009 Show

We exhibited at more than 16 international trade shows in 2009, including the triennial Intermat show held in Paris, France in April. We showcased 17 machines at Intermat, including an 80-ton excavator, mini excavators equipped with Tier-4 engines, and our new Hi-Mate remote management system.

3. HL760-9 Wheel Loader

Our wheel loaders continue to gain ground in emerging markets. In 2009, we dramatically raised the bar for quality, design, and performance with our new 9-series loaders.

Demand for construction equipment fell significantly worldwide in 2009 in the wake of the global financial crisis. In developed markets such as Europe and the United States, order volumes dropped almost in half. Falling prices for oil and other natural resources also led to slowing orders from resource-rich markets. The second half of the year did see demand begin a gradual recovery led by emerging markets in China, Asia, and Latin America. In China, the combination of a RMB 4 trillion economic stimulus plan and major infrastructure projects raised excavator demand by 30%, significantly cushioning the wider industry downturn. While consolidated orders slid 22% to USD 1.74 billion and sales fell 32% to KRW 1.2 trillion, we delivered a remarkable performance given the scope of the overall market decline, outperforming the market as a whole.

Looking at the highlights for the year, we continued to upgrade and expand all aspects of our construction equipment lineup, launching our new 9-series excavators, wheel loaders, and heavy-duty forklifts. One key development was the introduction of the Hi-Mate remote management system, a standard feature on our new 9-series excavators and wheel loaders that uses Internet and GPS technology to enable owners to control, protect, and ensure their machines are properly maintained from anywhere in the world. From an order perspective, we recorded particularly robust performances in both China and India. In China, a strong product lineup combined with

Construction Equipment

STRATEGIC INVESTMENT IN EQUIPMENT DEVELOPMENT, MARKET DIVERSIFICATION, CUSTOMER SERVICE, AND GLOBAL PRODUCTION IS PREPARING US FOR EVEN GREATER GROWTH OPPORTUNITIES IN EMERGING MARKETS.



complementary maintenance and inspection services helped us boost orders by 31%. Our Indian manufacturing and sales subsidiary captured 6% of the local market in its first full year of production, a figure it aims to double to 12% by 2012. In our home market of Korea, economic stimulus projects enabled us to boost sales by 23%. Our ongoing market diversification efforts also continued to pay dividends as we booked our first orders from dealers in Colombia, Nigeria, Congo, and Uganda.

The global construction equipment market is projected to experience a gradual recovery in 2010 as markets worldwide begin to reap the benefits from economic stimulus programs, with China, Indonesia, and other emerging markets leading the way. Recovering raw materials prices are expected to increase demand for infrastructure and resource development in Brazil, the Middle East, and Southeast Asia. Major national projects currently underway in Korea are also expected to deliver a slight boost to growth.

Given the favorable market outlook for 2010, we have set an aggressive order target of USD 1.6 billion. We will continue to sharpen our differentiation strategy in each market, launch new models, enhance our service system, and expand financing options as we prepare for robust growth as the global economic recovery gains momentum.

HOW DO YOU KEEP
GROWTH SUSTAINABLE
OVER THE LONG TERM ?

Tap into nature's resources.
And your own.

A_t

Hyundai
Heavy
Industries, a

new wind

We're **is blowing.**
laying the foundation for

synergy and **growth**

by building **efficient** new ways

to capture the power of the **wind**

and sun to **generate** cleaner,

energy to bring

even more
opportunities

to life for

you and

us.



2.0 MW wind turbines and 1 MW solar modules

Tapping the Power of Nature

Down through history, civilization has been largely powered by energy resources that come from the ground. In the future, it will be increasingly powered by resources that come from the sky.

At Hyundai Heavy Industries, we've joined the renewables revolution in a big way over the past five years as we've built a world-class technical and manufacturing base. Today, we're on our way to becoming an industry leader in the photovoltaic and wind power fields as we help make tomorrow's skies cleaner and bluer.



Renewable Energy

STRATEGIC INVESTMENT IN VERTICAL INTEGRATION IS A KEY ELEMENT OF OUR LONG-TERM VISION FOR THE ALTERNATIVE AND RENEWABLE ENERGY BUSINESSES AS WE CREATE SOLUTIONS TO POWER GROWTH IN TOMORROW'S LOW-CARBON ECONOMY.

1 2 3 4

1. Entering the US Wind Market

In September 2009, we signed a contract with Wave Wind of the US to deliver six 1.65 MW wind turbines for a 10 MW wind farm in the Madison, Wisconsin region. In the coming years, we plan to introduce a full lineup of onshore and offshore wind turbines as we expand our Gunsan manufacturing capacity from 600 MW to 800 MW by 2013.

2. Recognized for Quality Worldwide

In June 2009, we acquired UL certification for our entire lineup of solar modules, paving the way for sales in the North American market. We are currently Korea's sole maker to have UL, CE, and IEC certification in this field. Our Eumsung plant is capable of producing 330 MW of cells and 170 MW of modules annually.

3. Pointing the Way Forward

In June 2009, we installed a prototype 1.65 MW wind turbine at our No. 2 Ulsan yard, taking an important step toward GL type approval and our entrance into this fast-growing global market.

4. Integrating Vertically for Greater Value

Our vertical integration strategy for the photovoltaic value chain is quickly approaching completion. Our polysilicon joint-venture with KCC—Korea Advanced Materials—will begin production in mid 2010. The value chain will be complete by year-end when we commission an ingot and wafer plant.

The renewable energy sector suffered a temporary setback in the first half of 2009 as developers delayed or scaled back projects in the face of the global economic slowdown. The solar power industry enjoyed modest growth in 2009, driven by increasing profit margins for project owners as photovoltaic module prices declined, economic stimulus policies, and a dramatic increase in demand in Germany. The wind power industry also benefited from economic recovery policies, defying the economic downturn as it grew 31% to reach USD 63 billion. In China, growth more than doubled with 13 GW of wind power being installed during the year. In the US, stimulus spending put demand on an upward trajectory in the second half of the year, enabling the market to grow by 39%. The European market also performed well, with Spain, Germany, Italy, France, and the UK leading the way.

Looking at the highlights for the year, we had solid performances in both solar and wind. Our solar business currently has annual photovoltaic cell and module production capacities of 330 MW and 170 MW, respectively. In June, we added UL certification of our PV modules to our previously acquired CE and IEC certifications, paving the way for growth in the US, the world's No. 3 solar market. Our fledgling wind business took flight in 2009 as we completed a 600 MW capacity wind turbine manufacturing facility in Gunsan and signed a number of deals. In April, we and two domestic consortium partners signed an MoU with Korea Southern Power to supply 1.65 MW wind turbines



for future wind projects across Korea totaling 200 MW. The first project under the agreement was a six-turbine order for a project in Korea's Taebaek region slated for completion in 2010. We also signed our first overseas wind turbine contract, selling six 1.65 MW units to US-based developer Wave Wind for a 10 MW wind project in Wisconsin.

The global outlook for renewables is quite positive headed into 2010. The residential solar market is expected to pick up momentum in Japan. Both wind and solar are projected to enjoy robust growth in China and India, attracting intense competition. In the Americas, large-scale projects are forecast to drive growth. Across Europe, the growing adoption of feed-in tariffs is expected to encourage large-scale projects, with wind poised to make new inroads in northern and eastern Europe. Long-term prospects for all regions are strong, with the US aiming to generate 25% of its needs from renewables by 2025 and China aiming for 20% by 2030.

With global solar and wind markets poised for growth in 2010, we

expect photovoltaic module sales to more than triple and wind turbine sales to grow briskly in our first full year in the market. In Asia, we will be setting up a solar module service center and parts depot in Japan as we move forward with an MoU to construct a wind turbine assembly plant in China. In North America, we will be expanding our local sales and service network. In Europe, we will focus on the top five solar markets—Germany, Italy, the Czech Republic, France, and Spain. We will also be seeking tower suppliers and local engineering firms to partner with in the wind power field across the region.

Innovating to shape tomorrow

Research & Development

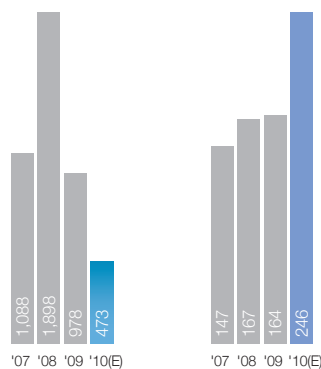
Our unique research organization is a powerful competitive advantage that cannot be duplicated, driving the innovation that keeps us at the top of the shipbuilding and heavy manufacturing industries.

At Hyundai Heavy Industries, innovation is an integral part of our corporate DNA. On average, our research organization has well over 1,400 projects underway at any given time. Augmented by institutes in Hungary and China as well as a growing number of international partnerships, our four Korea-based research institutes are the creative dynamos that have helped us achieve a top-five global market share in 29 product categories to date, including four in 2009 alone. Our goal is to expand this number to 32 categories by the end of 2010.

In 2009, we invested KRW 164 billion in R&D. We plan to invest KRW 246 billion in 2010—50% more than we invested last year and the equivalent of 1.1% of our projected sales—as we continue to innovate to enhance our global competitiveness.

Capital Expenditures
in KRW billions

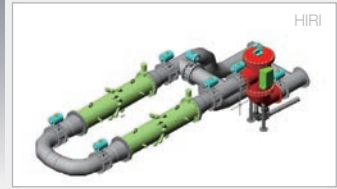
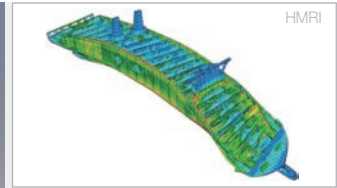
R&D
Expenditures
in KRW billions



R&D Strategies

In 2010, we will continue to rely heavily on our world-class R&D organization for the innovations that will drive growth in today's increasingly competitive global marketplace. The following five strategies will guide us in the coming year.

- ▶ We will redouble efforts to become a top-five global player in all major product categories.
- ▶ We will accelerate development of new products and technologies.
- ▶ We will intensify efforts to identify next-generation growth drivers.
- ▶ We will expand hiring and training of top talent in all disciplines.
- ▶ We will strengthen our global R&D network with an emphasis on open innovation.



Hyundai Maritime Research Institute (HMRI)

Founded in 1984, HMRI brings together the crucial engineering and performance testing capabilities that make our ships, offshore structures, engines, pumps, and construction equipment among the world's best. Key areas of research include ship hydrodynamics, offshore engineering, structural design, noise and vibration control, engine performance, and machinery design.

In 2009, HMRI developed a number of core engineering technologies that give us the technical capabilities to build the world's largest offshore structures on our own. Focused on FPSO hull, topside plant process, electrical, and mooring system design, these advances are currently being adopted on the Usan FPSO project now under construction. These technologies will significantly improve the competitiveness of our offshore structures and vessels going forward, giving us a valuable edge in an intensely competitive market.

Hyundai Industrial Research Institute (HIRI)

Founded in 1983, HIRI's mission is to optimize every aspect of engineering, productivity, and quality from the drawing board to the shipping dock. Key areas of research include welding, casting and forging, materials, manufacturing automation, oil and gas system process optimization, alternative energy, pollution control, coatings, and corrosion protection.

In 2009, HIRI completed development of EcoBallast, a chemical-free filter and UV-based ballast water treatment system that gives us a foothold in an emerging market estimated to be worth USD 20 billion annually. International Maritime Organization (IMO) standards require that ballast water be sterilized on newbuild vessels starting in 2012 and all vessels by 2017 to protect local marine environments from the intrusion of potentially invasive species.

Hyundai Electro-Mechanical Research Institute (HEMRI)

Founded in 1991, HEMRI covers a broad spectrum of technical disciplines in the fields of electrical and mechanical engineering with

applications that span our entire product portfolio. Key areas of research include power conversion systems, electric power machinery, plant and ship automation systems, intelligent machines, industrial robotics, and photovoltaics.

In 2009, HEMRI designed new structures and developed process technologies that improve the conversion efficiency of crystalline Si solar cells. These developments included fine-line contact processes to increase light absorption at the front surface, selective emitter processes to improve the blue response, and back contact solar cells to increase the efficiency of the cells. We have adopted these technologies on our manufacturing lines to enhance the competitiveness of our PV business.

Techno Design Institute (TDI)

Founded in 2000, TDI enhances our corporate image through product design and visual communication design, improving the design quality of major products, visual promotional items, and facilities. TDI designs ship cabin interiors, engine and machinery products, construction equipment, electro electric equipment, and naval ships, taking into account aesthetics, technical aspects, and ergonomics.

In 2009, TDI was recognized internationally for its innovative design work on our powerful and efficient HiMSEN diesel engine lineup. In Korea, the entire HiMSEN series was chosen as a 2009 Pin Up Design Award silver winner. Abroad, the HiMSEN 9H21/32 marine genset was named a 2009 iF Product Design Award winner.

Technology Management Center (TMC)

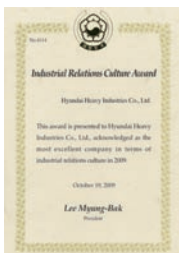
Founded in 2003, TMC provides the direction and supporting systems that drive our overall R&D strategy. The center identifies business opportunities by tracking product and technology trends, facilitates knowledge dissemination by gathering, analyzing, and organizing technical data from internal and external sources, and maximizes the value of R&D investments by managing and monetizing our intellectual property portfolio.

Sustaining the Future

HHI and the Community

At Hyundai Heavy Industries, we strive to live up to our reputation as a world-class company by being a world-class member of our community. In our role as an employer, customer, or neighbor, we work hard to build win-win relationships with our people, partners, and local community to create greater growth and prosperity for all.

Labor Relations Award



President's Award
Labor Relations Grand Prix

Looking After Our Employees

Of the many assets that we possess, none is more essential to our continued growth than our people. In addition to specialized vocational training through Hyundai Technical College, we offer a number of professional development programs to give our people the skills and global mindset essential to their success and ours. Our compensation and benefits package is one of the best in the industry with competitive salaries and quality housing. We also provide comprehensive family healthcare coverage, daycare programs, seasonal children's camps, and a wide variety of leisure and cultural programs through five community centers that enrich the quality of life for every member of our family.

Employees

as of December 31, 2009

	Male	Female	Total
Administrative	8,178	832	9,010
Technical & Skilled	14,969	177	15,146
Others	480	346	826
Total	23,627	1,355	24,982

Building a Strong Labor Relationship

The strong bonds of trust and respect we have forged between labor and management over the years have been the primary driving force behind our emergence as a world-class company. As the global economic crisis peaked in early 2009, we reached a collective bargaining agreement that froze salaries at their 2008 level while guaranteeing employment, providing a win-win model for other companies to follow. Our leadership in this field was recognized with the top President's Award at the Labor Relations Grand Prix sponsored by the Ministry of Labor.

Supporting Our Partners

As of the end of 2009, we relied on 200 partners to meet our onshore and offshore production requirements. As part of our efforts to build win-win relationships with these partners, we provide financial and technical support to ensure that their accounting, technical, personnel, and information systems are up-to-date and compatible with our high standards. We also provide partner employees with many of the same benefits as our own employees, including access to online training, medical and educational support, and our community centers.

Reaching Out to Our Neighbors

As a major employer in the Ulsan region, we take social responsibility very seriously. Each spring, our "Housewives College" program provides homemakers with a wide variety of opportunities for self-improvement and community service. We actively support local agricultural and fisheries industries through foodstuff purchases by our foodservice and food donation programs. We also reach out to the less fortunate and needy in our community by financially supporting a wide range of community service facilities and organizations. Our contributions help fund meals for students, community kitchen programs, aid for parentless families and families in extreme poverty, programs for the disabled, and support for veterans and their families.



LEADING IN LABOR RELATIONS

In October 2009, we received the top President's Award at the Labor Relations Grand Prix, Korea's most prestigious recognition in the field. Sponsored by the Ministry of Labor, the award recognizes our ongoing commitment to improving employee quality of life and job security that has resulted in a remarkable 15 years of strike-free relations dating back to 1995.



MAKING VACATIONS MEMORABLE

Our annual ski and summer camps are just two of the special winter and summer vacation programs we run each year. In 2009, over 240 elementary school age children of our employees and partners enjoyed one of the popular three-day, two-night camps.

HHI and the Environment

At Hyundai Heavy Industries, we take a truly comprehensive approach to environmental responsibility. Since acquiring ISO 14001 certification in 1997, we have continued to progressively upgrade our manufacturing systems and processes to reduce pollution and waste. We are a strong proponent of green energy through our renewable energy businesses. And we are constantly innovating to bring green technologies into all of our business areas.

Caring for the Planet

We believe that a systematic approach to climate and environmental issues today will lead to a healthier planet and significant competitive advantage tomorrow. With the completion of a comprehensive greenhouse gas inventory in 2009, we are now preparing to disclose information on our carbon dioxide emissions. We also plan a third-party review and verification of the inventory in 2010 to ensure the credibility, accuracy, and transparency of our reporting. Going forward, the inventory will provide valuable guidance as we take a multi-faceted approach to reducing energy consumption and greenhouse emissions to meet and exceed our voluntary commitments in these areas.

Managing Hazardous Chemicals

We follow strict handling procedures for all chemicals from delivery to disposal to protect the environment and our people. We conduct regular inspections of all facilities where chemicals are used and have comprehensive procedures and equipment in place to deal with all conceivable accident scenarios. We continue to progressively reduce and eliminate the use of toxic chemicals through substitution and process improvements. These efforts have enabled us to reduce toxic chemical usage by more than 80% since 2006.

Putting Safety First

Safety is a top priority in everything we do as we strive for a zero-accident workplace. Our Safety Learning Center plays a key role in our safety strategy. The center provides realistic, hands-on training on how to avoid and handle common workplace hazards. In 2009, more than 17,000 employees, on-site contractors, and vocational trainees participated in center safety courses.

Working for a Healthier Future

Caring for the health and well-being of our people is another one of our top priorities. We run a wide range of health programs that focus preventing musculoskeletal, cerebrovascular disorder, and other occupational diseases. In 2009, one of our key focuses was on protecting our people from infectious diseases such as swine influenza and hepatitis A by publicizing common-sense prevention information and expediting treatment of individuals who exhibited symptoms. We also partnered with the local community health center to expand our smoking cessation programs, counseling, and incentives during the year.

Major Certifications



ISO 14001



OHSAS 18001

SO_x Emissions
in kg/year



Wastewater Discharges
in m³/year



Hazardous Waste Recycling Ratio



Our Environmental Management Strategy

STRENGTHEN ENVIRONMENTAL SYSTEMS

- ▶ Adopt systemic worksite monitoring systems
- ▶ Update environmental procedures manual
- ▶ Bolster pollution prevention training



COMPLY WITH DOMESTIC & INTERNATIONAL ENVIRONMENTAL REGULATIONS

- ▶ Comply actively with international conventions on climate change
- ▶ Establish proactive response mechanism for international regulations
- ▶ Respect domestic environmental regulations

현대중공업 온실가스 인벤토리 산정 지침서
Manual for HBE GHG Inventory (Ver.1.0)



BUILD CLEAN MANUFACTURING SYSTEMS

- ▶ Adopt systemic worksite monitoring systems
- ▶ Update environmental procedures manual
- ▶ Bolster pollution prevention training



EXPAND INTERNAL & EXTERNAL ENVIRONMENTAL INITIATIVES

- ▶ Participate actively in community environmental activities
- ▶ Participate actively in voluntary agreements
- ▶ Produce and publish environmental report



EMPHASIZE ECO-FRIENDLY BUSINESSES

- ▶ Develop eco-friendly products
- ▶ Expand renewable energy businesses



Leading the Way



Min Keh-sik Chairman & CEO



Lee Jai-seong President & CEO

Message from the CEOs

Dear Valued Stakeholder,

In 2009, our shipbuilding business—the prime mover behind our growth in recent years—experienced a dramatic slowdown in the wake of the global financial crisis and ensuing economic downturn. Despite the daunting obstacles this posed, the entire Hyundai Heavy Industries family rose to the challenge, delivering a remarkable performance in our non-shipbuilding businesses that enabled us to book orders of USD 10.7 billion and sales of KRW 21.1 trillion for the year.

While our order performance fell far short of our targets, we had a number of significant successes along the way as we moved a step closer to our vision of shaping the future as a global leader in each of our businesses. We became Korea's first shipbuilder or heavy industrial manufacturer to surpass USD 15 billion in exports in a single year. Four more of our products received the "World Class Product of Korea" seal of approval from Korea's Ministry of Knowledge Economy in recognition of their top-five or better global market share, bringing our total to a nation-leading 29 product categories where we hold this distinction. We also rose from 378th to 355th on the *Fortune* Global 500 list of the world's largest corporations, ranking No. 4 in the industrial machinery sector.

We also had a number of noteworthy non-operational achievements during the year. We turned in the best performance of any Korean firm at the biennial WorldSkills Competition "skill olympics" for youth from 17 to 22 held in Calgary, Canada. Our strong win-win labor-management relationship also helped us effectively respond to the difficult business environment, earning us the prestigious President's Award at the 2009 Labor Relations Grand Prix hosted by Korea's Ministry of Labor.

We have weathered the global downturn remarkably well, adapting and innovating to chart a course that positions us for greater growth opportunities in the years ahead.

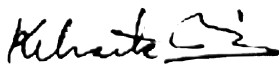
As we look ahead to 2010, we are targeting orders of USD 17.7 billion and sales of KRW 21.5 trillion as well as investments of KRW 472.5 billion in capital projects and KRW 246.3 billion in R&D to enhance our long-term competitiveness. We have set three strategic directions to guide us in achieving these goals as we lay a solid foundation for continued growth going forward.

Our first focus will be on improving our operating structure to see us through the current uncertain economic environment. Our top and bottom lines are heavily influenced by fluctuations in exchange rates as well as prices for key materials such as steel plate, which are highly sensitive to supply and demand. We will closely monitor market trends, putting in place contingency plans to minimize business risk, raise limits on business operating funds and capital investment budgets, remove waste and inefficiencies, and reduce project risk. We will also redouble our cost-reduction efforts and adopt a flexible production system to enhance our ability to operate with the lower revenue and tighter cash flow constraints dictated by price and order declines in the shipbuilding marketplace.

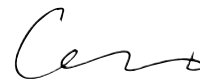
Our second focus will be on building a clear competitive advantage as we tap into the deep esprit de corps of our organization to boost our core capabilities across all businesses. We will be pursuing advances in productivity and stepping up R&D in pursuit of both quality and price competitiveness. We will redouble our commitment to fair and transparent trading relationships with our partners as we pursue mutual growth and prosperity. We will also accelerate our business diversification efforts in response to significantly lower order volumes in the shipbuilding market, closely analyzing market trends and changing customer preferences to identify and strategically develop world-class capabilities in the promising growth fields of the future.

Our third focus will continue to be on ensuring we provide a safe and rewarding workplace for our people. Reaffirming safety as our highest priority, we will be redoubling our safety commitment and backing it up with the industry's highest workplace standards and regulations as we work to create a safer, more pleasant working environment.

In closing, we would like to thank you once again for your interest in Hyundai Heavy Industries. The sailing has been challenging since the global financial crisis hit in 2008, but we have weathered the global downturn remarkably well, adapting and innovating to chart a course that positions us for greater growth opportunities in the years ahead. We would be honored to have you on board with us in 2010 as we lead the way in helping our customers create more value and prosperity for their world.



Min Keh-sik
Chairman & CEO



Lee Jai-seong
President & CEO

About the Board of Directors

The Hyundai Heavy Industries board is composed of seven directors, four of which are outside directors. Collectively, the directors assume ultimate responsibility for decisions regarding corporate affairs and the financial well-being of shareholders. All board appointments are made pursuant to the Articles of Incorporation, including due consideration of each individual's professional experience and expertise in fields such as law, economics, finance, and accounting.

The board meets to discuss and resolve corporate matters. Its responsibilities include deciding on material matters as stipulated in relevant by-laws and the Articles of Incorporation, dealing with issues delegated to it at the annual general shareholders' meeting, and addressing issues related to the basic direction and execution of company operations. The board also has the authority to appoint the CEO and board chair as well as conduct oversight of its members and company management. The board held a total of ten meetings in 2009.

About the Board Committees

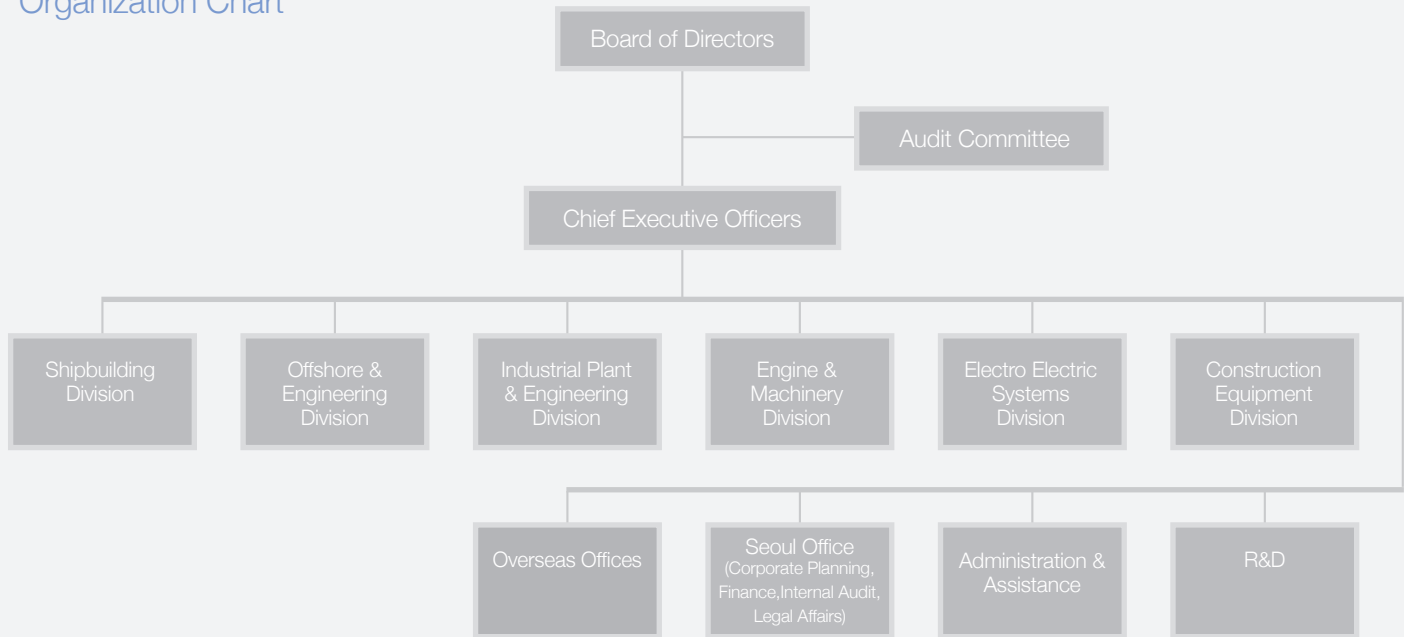
Audit Committee

The Audit Committee is a standing committee composed of three outside directors. Its responsibilities include (1) deciding on matters related to shareholders' meetings such as the calling of interim shareholders' meetings and setting forth its views on the agenda and the documents to be presented; (2) conducting oversight of the board and its members, producing independent annual audits, and supervising the financial reporting process; and (3) addressing matters relating to audits including contracts with independent auditors and the evaluation of their qualifications, eligibility, and performance. The committee held a total of four meetings in 2009.

Outside Director Nominating Committee

The Outside Director Nominating Committee is a standing committee responsible for nominating qualified individuals to serve as outside directors on the board. The committee consists of one inside and two outside directors.

Organization Chart



Board of Directors

Inside Directors

Min Keh-sik
Chairman & CEO

Lee Jai-seong
President & CEO

Oh Byung-wook
President

Outside Directors

Park Young-june
Professor, Electrical Engineering and Computer Science, Seoul National University

Lee Man-woo
Professor, Business Administration, Korea University

Lee Jae-kyu
Dean of KAIST EEWS Initiative, Professor, Graduate School of Management, KAIST Business School

Song Jung-hoon
Lawyer, Hwang Mok Park, LL.M, Harvard University Law School

Audit Committee

Lee Man-woo

Lee Jae-kyu

Song Jung-hoon

Outside Director Nominating Committee

Lee Jai-seong

Park Young-june

Song Jung-hoon

Executive Officers

Min Keh-sik
Chairman & CEO

Lee Jai-seong
President & CEO

Oh Byung-wook
President

Kim Oi-hyun
Senior EVP and COO of Shipbuilding Division

Kang Chang-June
Senior EVP and COO of Offshore & Engineering Division

Chun In-soo
Vice President and COO of Industrial Plant & Engineering Division

Yoo Seung-nam
Vice President and COO of Engine & Machinery Division

Kim Kweon-tae
Senior EVP and COO of Electro Electric Systems Division

Choe Byeong-ku
Vice President and COO of Construction Equipment Division

Lee Choong-dong
EVP and COO of R&D Division

Our Vision



A global leader, sailing into a brilliant future

Global Leader

- Satisfy our customers with superior technology and quality
- Provide rewarding careers that help our people achieve their dreams
- Enhance corporate value with world-leading products

Back in 1972, we booked our first ship order with nothing more than some seaside property and an ambitious vision of becoming a world-class shipbuilder. Today, that same indomitable spirit and passion continues to drive us as we pursue our vision of shaping the future as a global leader in each of our businesses. By consistently innovating to deliver the heavy machinery industry's finest products, technologies, and service, we aim to deliver superior satisfaction to our customers, more rewarding careers for our people, and greater value to our shareholders.

Our Strategies

1

Structural Optimization

- Pursue market and technology leadership in each core business
- Secure core technologies and top talent through strategic expansion, alliances, and acquisitions
- Pursue new business opportunities with high synergy potential
- Strengthen core capabilities at every stage of the value chain
- Exit unprofitable businesses

4

Production Optimization

- Maximize efficiency of existing facilities
- Streamline and automate facilities
- Implement integrated production management system

2

Network Building

- Develop global sales, marketing, and R&D networks
- Expand overseas production, service, and parts distribution networks
- Enter promising new regional markets

5

Technology Development

- Make major product lines global leaders
- Develop eco-friendly, high-performance, high-efficiency technologies
- Pursue innovations in production technology to raise productivity and reduce costs
- Develop and patent innovative core technologies
- Commercialize technologies that open opportunities in new fields

3

Operational Innovation

- Expand outsourcing of non-core and low-value-added operations
- Implement integrated ERP system

6

Synergy Building

- Package division and affiliate products and services to create new markets
- Coordinate sales, procurement, and R&D to reduce costs and raise competitiveness
- Expand flexibility in utilizing workforce and facility resources

Our Philosophy

Over the past three decades, our creative, pioneering spirit and indomitable determination have made us a global leader in shipbuilding and a number of other heavy manufacturing industries. Today as we lead these industries into the future, we also aspire to make a difference around the globe. Our goal is to generate greater corporate and economic value wherever we do business as we actively fulfill our legal and ethical responsibilities to each local community. To guide us in this task, we have established the following five principles as the framework for our corporate code of conduct.

Our Code of Conduct

1 We uphold fair and transparent business practices.

- Pursue market and technology leadership in each core business
- Secure core technologies and top talent through strategic expansion, alliances, and acquisitions
- Pursue new business opportunities with high synergy potential
- Strengthen core capabilities at every stage of the value chain
- Exit unprofitable businesses

2 We enhance corporate value by continually growing.

- We respect laws and uphold business ethics.
- We support free market principles through open and fair competition.
- We foster fair and clean business relationships with suppliers.

3 We pursue business practices that are safe and green.

- We provide pleasant and safe work environments.
- We prevent accidents by looking out for our own and others' safety.
- We proactively develop and adopt environmentally friendly technologies.
- We strive to make our production activities environmentally sound.

4 We build strong labor-management relations with mutual respect and trust.

- We foster a vibrant organizational culture based on participation and trust.
- We faithfully fulfill all duties and responsibilities to enhance corporate competitiveness.
- We strive to help our people reach their full potential and improve their quality of life.

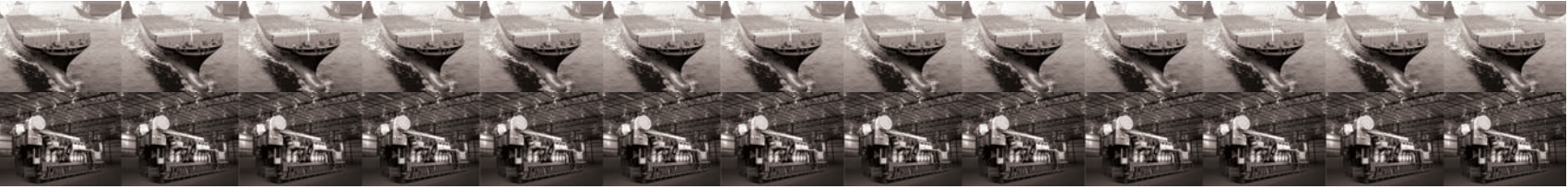
5 We contribute to social development as a global corporate citizen.

- We strive to enhance community culture and welfare.
- We contribute to national development through honest tax payment and job creation.
- We contribute to human prosperity by working to create greater value.



Our diversified business portfolio enables us to consistently deliver shareholder value in good times and bad. Multi-year backlogs across all our businesses enabled us to record our best operating profit to date in 2009.





Creating Greater Value



The following discussion contains forward-looking statements. These statements are related to future events, rather than historical facts, and include statements about the Company's beliefs and expectations regarding its future business situation and financial results.

By their nature, forward looking statements imply uncertainty and are indicated by phrases that include words such as "expects", "forecasts", "projects", and "plans". Examples of uncertainties that may favorably or unfavorably impact the Company's business situation and financial results include orders, exchange rates, and steel plate prices.

Please be aware that these uncertainties may result in the Company's actual performance being materially different from these forward-looking statements, whether explicitly expressed or implied. The Company expressly disclaims any obligation to publicly update or revise any of these statements in light of new information that may arise after the date they are made.

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the Republic of Korea (Korean GAAP). The fiscal 2009 statements were prepared using the same accounting policies adopted for the fiscal 2008 statements with the exception of updated guidance regarding the accounting treatment of the revaluation model for property, plant, and equipment contained in the revised Statements of Korea Accounting Standards (SKAS) No. 5: Property, Plant and Equipment and Financial Supervisory Service Staff Opinions on Financial Reporting 2009-1.

Business Overview

For a number of years, the Company's Shipbuilding Division has been the prime driver of growth. In 2009, shipbuilding industry growth declined sharply in the wake of the global financial crisis and ensuing economic downturn. A remarkable performance by non-shipbuilding businesses enabled it to book orders of USD 10.7 billion and record sales of KRW 21,142.2 billion as it earned the distinction of being Korea's first shipbuilding or heavy industrial firm to surpass USD 15 billion in annual exports.

In 2010, the Company is targeting orders of USD 17.7 billion and sales of KRW 21,550 billion. It plans to invest KRW 472.5 billion in capital expenditures and another KRW 246.3 billion in research and development.

Results of Operations

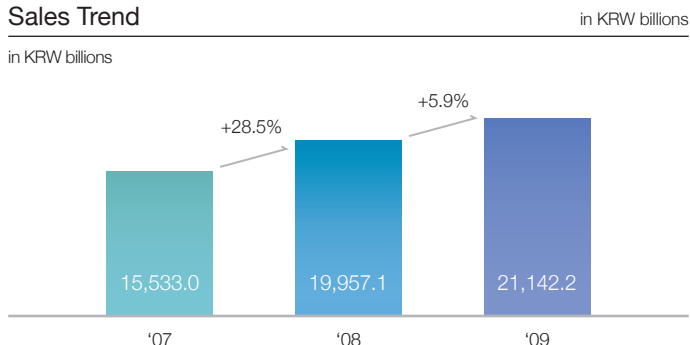
in KRW billions

Summary Income Statements	2009	2008	2007
Sales	21,142.2	19,957.1	15,533.0
Gross Profit	3,144.8	3,145.1	2,556.9
Selling, General and Administrative Expenses	922.2	938.9	806.2
Operating Income	2,222.6	2,206.2	1,750.7
Income Before Income Taxes	2,648.1	2,949.6	2,394.4
Net Income	2,146.5	2,256.7	1,736.1

Sales

Company sales rose 5.9% to KRW 21,142.2 billion in 2009 thanks to a surge in sales from its non-shipbuilding businesses powered by strong order performances in recent years.

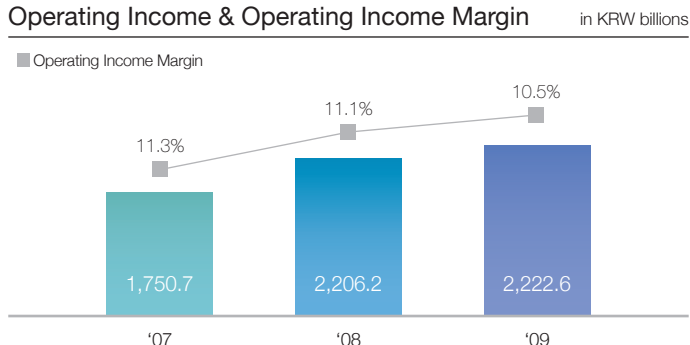
Sales Trend



Operating Income

Operating income rose 0.7% to KRW 2,222.6 billion as higher profits in the Offshore & Engineering, Industrial Plant & Engineering, and Electro Electric Systems Divisions offset lower profits in the Shipbuilding and Construction Equipment Divisions.

Operating Income & Operating Income Margin



in KRW billions

Operations by Division	2009	Change	2008	Change	2007
Sales	21,142.2	5.9%	19,957.1	+28.5%	15,533.0
Shipbuilding	9,002.6	-0.9%	9,084.9	+20.2%	7,556.7
Offshore & Engineering	3,423.5	10.6%	3,095.1	+39.3%	2,222.1
Industrial Plant & Engineering	1,897.9	38.1%	1,374.4	+35.2%	1,016.6
Engine & Machinery	2,771.5	9.9%	2,522.1	+53.3%	1,645.7
Electro Electric Systems	2,712.1	40.9%	1,924.5	+32.4%	1,453.4
Construction Equipment	1,190.4	-32.7%	1,768.6	+17.0%	1,512.0
Others	144.2	-23.1%	187.5	+48.2%	126.5
Operating Income	2,222.6	0.7%	2,206.2	11.1%	1,750.7
Shipbuilding	532.4	-50.1%	1,066.7	11.7%	1,038.0
Offshore & Engineering	462.7	60.1%	289.0	9.3%	225.7
Industrial Plant & Engineering	245.5	1327.3%	17.1	1.2%	40.3
Engine & Machinery	808.5	31.8%	613.6	24.3%	345.5
Electro Electric Systems	453.1	26.0%	359.7	18.7%	224.1
Construction Equipment	-29.6	-126.1%	113.4	6.4%	129.5
Others	(250.0)	-	(253.3)	-	(252.4)

Net Income

Income before income taxes decreased 10.2% to KRW 2,648.1 billion. After income tax expense of KRW 501.6 billion, net income was KRW 2,146.5 billion in 2009.

Financial Structure Analysis

Summary Balance Sheets	2009	2008	2007
Total Assets	24,872.6	25,280.4	16,798.7
Current Assets	10,609.9	12,617.6	8,481.9
Non-Current Assets	14,262.7	12,662.8	8,316.8
Total Liabilities	15,064.2	19,685.2	11,351.0
Current Liabilities	12,909.1	16,473.9	10,807.1
Non-Current Liabilities	2,155.1	3,211.3	543.9
Total Stockholders' Equity	9,808.4	5,595.2	5,447.7

Assets

Company assets decreased 1.6% to KRW 24,872.6 billion in 2009. Trade accounts and notes receivable, investment securities, and property, plant and equipment all increased, while short-term financial instruments and firm commitment assets decreased.

Liabilities

Liabilities declined 23.5% to KRW 15,064.2 billion in 2009. While borrowings increased for the year, trade accounts and notes payable, advances from customers, and derivative liabilities all decreased.

in KRW billions

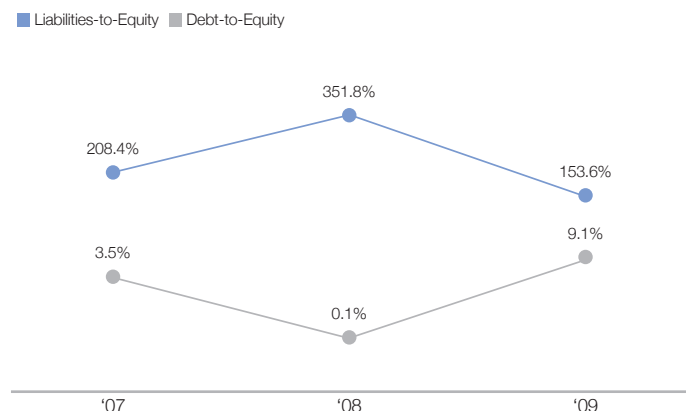
Liabilities	2009	2008	2007
Total Liabilities	15,064.2	19,685.2	11,351.0
Liabilities/Equity	153.6%	351.8%	208.4%
Total Debt	889.6	3.3	189.0
Debt/Equity	9.1%	0.1%	3.5%
Debt/EBITDA	33.3%	0.1%	8.8%
Debt/Capital	234.1%	0.9%	49.7%

Stockholders' Equity

Stockholders' equity increased 75.3% to KRW 9,808.4 billion in 2009, benefitting from a near-record net income, the disposition of treasury stock by transfer into an employee stock ownership plan, and a property revaluation gain.

At 2009 year-end, the Company's liabilities-to-equity ratio stood at 153.6%, a 198.2 percentage point decline for the year.

Financial Stability Ratios



Liquidity, Borrowings & Capital Expenditures

Liquidity

In 2009, the financial crisis and shipbuilding market downturn led to a slump in shipbuilding orders, resulting in a decrease in advances from customers, an increase in accounts receivable, and the completion of major capex investment projects resulted in a combined KRW 1,704.7 billion decrease in cash and cash equivalents, short-term financial instruments, and short-term investment securities.

Borrowings

The Company's borrowings increased by KRW 886.3 billion to KRW 889.6 billion due to the issuance of corporate bonds and increased short-term borrowings to fund production-related purchases through a government policy lending program.

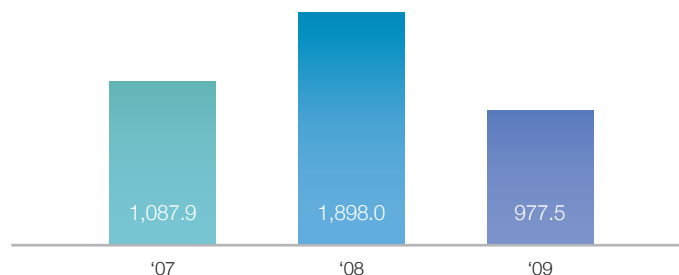
The objective of the Company's borrowing strategy is to ensure that it maintains an appropriate level of liquidity given its operating environment and increasing volatility in financial markets.

Capital Expenditures

The Company invested KRW 977.5 billion in 2009 and plans to invest KRW 472.5 billion in 2010 for capital expenditures.

Capital Expenditures

in KRW billions



Order Performance & Targets

in USD millions

Orders & Backlog	2009	2008	2007
Orders	10,735	27,473	25,020
Shipbuilding	444	13,635	15,730
Offshore & Engineering	2,352	2,978	1,102
Industrial Plant & Engineering	2,826	2,076	1,544
Engine & Machinery	1,452	4,646	3,248
Electro Electric Systems	2,556	2,281	1,766
Construction Equipment	1,105	1,857	1,630
Backlog	51,147	61,182	52,729
Shipbuilding	26,681	33,543	31,691
Offshore & Engineering	9,714	12,593	10,608
Industrial Plant & Engineering	7,191	6,563	4,698
Engine & Machinery	5,722	7,086	4,495
Electro Electric Systems	1,839	1,397	1,237

• The backlog above is on a delivery basis. Percentage-of-completion basis backlog was USD 37.9 bil. (2009), USD 48.3 bil. (2008) and USD 40.7 bil. (2007).

The Shipbuilding Division booked orders for a total of ten specialty and naval vessels in 2009 valued at USD 444 million. Although the outlook for 2010 remains uncertain, the division is targeting orders of USD 4.03 billion.

The Offshore & Engineering and Industrial Plant & Engineering Divisions won several major projects to book combined orders of USD 5.18 billion. These divisions are targeting 2010 orders of USD 6.2 billion.

The Engine & Machinery Division booked orders of USD 1.45 billion as marine engine orders slumped along with the shipbuilding industry. The division is targeting 2010 orders of USD 2.3 billion based on rising demand for diesel power generators.

Overall, the Company booked orders of USD 10.74 billion in 2009. The Company is aiming to grow 2010 orders by 65% to USD 17.73 billion as the global economy steadily returns to growth.

Primary Factors in Profitability

Exchange Rate Exposure

Exports account for approximately 90% of the Company's total sales. With the exception of project costs paid in foreign currencies, contract amounts for these exports are subject to currency fluctuation risk.

The Company signs currency forward contracts for a portion of its net exposure to hedge currency risk and maintain a stable operating income.

It also works to minimize the impact of currency fluctuations through overseas production capability expansion, component localization, and process and engineering innovation-based cost reduction.

Steel Plate Prices

The Company's Shipbuilding Division consumes approximately 2.6 million tons of steel plate in the process of delivering roughly over 90 vessels annually.

In general, steel plate prices are determined by supply and demand as well as raw material prices. As the global real economy recovers, rising demand for raw materials will push prices of iron ore, coking coal, and related materials upward, leading to higher steel plate prices. If, however, the ocean shipping industry downturn continues, limited new orders and lower shipbuilding volumes will mean less demand for steel plate. This, combined with industry capacity expansion, will lead to lower steel plate prices.

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

We have audited the accompanying non-consolidated statements of financial position of Hyundai Heavy Industries Co., Ltd., (the "Company") as of December 31, 2009 and 2008 and the related non-consolidated statements of income, appropriation of retained earnings, changes in equity and cash flows for the years then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company, as of December 31, 2009 and 2008 and the results of its operations, appropriation of its retained earnings, the changes in its equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

As described in note 9 to the non-consolidated financial statements, the Company adopted the revaluation model for land. As a result of this adoption, the assets were increased by ₩1,236,485 million.

KPMG Sanjong Accounting Corp.

Seoul, Korea

February 25, 2010

Notice to Readers

This report is effective as of February 25, 2010, 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 non-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.

Non-Consolidated Statements of Financial Position

As of December 31, 2009 and 2008

Korean Won (In thousands, except share data)

Assets	2009		2008	
Current assets				
Cash and cash equivalents (Note 2, 27, 34)	₩	632,578,218	₩	667,492,156
Short-term financial instruments (Note 3)		109,033,003		1,676,394,826
Short-term investment securities (Note 5)		-		102,459,800
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩109,816,750 in 2009 and ₩96,532,225 in 2008 (Note 22, 26, 27)		4,973,543,411		4,498,868,535
Accounts receivable - other, net of allowance for doubtful accounts of ₩206,364,299 in 2009 and ₩296,094,108 in 2008 (Note 17, 26, 27)		117,586,658		162,113,211
Advance payments, net of allowance for doubtful accounts of ₩13,125,144 in 2009 and ₩17,757,919 in 2008		1,228,556,767		852,779,452
Accrued income		37,495,883		58,732,447
Foreign exchange forward contracts (Note 16)		1,377,159,343		1,851,056,213
Deferred income tax assets (Note 16, 23)		-		212,461,924
Inventories (Note 4)		1,928,558,515		2,263,296,422
Other current assets (Note 6)		205,402,613		271,913,270
Total current assets		10,609,914,411		12,617,568,256
Non-current assets				
Long-term financial instruments (Note 3, 27)		3,224,878		15,322,748
Long-term investment securities (Note 7)		1,174,080,691		496,260,357
Equity method investments (Note 8)		3,689,107,855		2,712,825,310
Property, plant and equipment, net (Note 9, 28)		8,145,522,809		6,189,953,763
Intangible assets (Note 10, 28)		288,459,041		262,296,296
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts of ₩27,138,889 in 2009 and ₩832,009 in 2008		51,243,264		82,368,900
Foreign exchange forward contracts		805,264,651		2,815,240,074
Other non-current assets (Note 11, 27)		105,765,901		88,565,217
Total non-current assets		14,262,669,090		12,662,832,665
Total assets	₩	24,872,583,501	₩	25,280,400,921

(Continued)

Non-Consolidated Statements of Financial Position (Continued)

As of December 31, 2009 and 2008

Korean Won (In thousands, except share data)

Liabilities	2009	2008
Current liabilities		
Trade accounts and notes payable (Note 26, 27)	₩ 1,427,589,252	₩ 2,337,258,676
Short-term borrowings	585,320,608	-
Accounts payable - other (Note 26, 27)	146,908,841	180,439,441
Advances from customers (Note 22)	8,583,478,070	10,177,418,459
Accrued expenses (Note 26, 27)	251,590,915	289,674,793
Income tax payable (Note 23)	263,311,110	457,058,997
Foreign exchange forward contracts (Note 16)	1,405,086,993	2,798,264,234
Deferred income tax liabilities	16,682,139	-
Other current liabilities (Note 12)	229,133,419	233,766,414
Total current liabilities	12,909,101,347	16,473,881,014
Non-current liabilities		
Bonds payable	300,000,000	-
Discount on bonds	(930,804)	-
Long-term borrowings (Note 13, 27)	5,166,671	3,314,633
Long-term accrued expenses (Note 17)	-	-
Provision for retirement and severance benefits, net of severance insurance deposits and others of ₩1,051,671,743 in 2009 and ₩1,112,905,108 in 2008 (Note 14)	174,477,102	139,018,332
Deferred income tax liabilities (Note 8, 16, 23)	691,066,287	133,497,415
Foreign exchange forward contracts (Note 16)	907,835,125	2,856,649,956
Other long-term liabilities (Note 15)	77,466,586	78,820,055
Total non-current liabilities	2,155,080,967	3,211,300,391
Total liabilities	15,064,182,314	19,685,181,405
Stockholders' equity		
Common stock of ₩5,000 par value	380,000,000	380,000,000
Authorized – 160,000,000 shares		
Issued and outstanding – 76,000,000 shares		
Capital surplus (Note 18)	2,869,578,078	2,818,590,688
Capital adjustments (Note 20)	(1,697,794,475)	(1,762,040,031)
Accumulated other comprehensive income (Note 5, 7, 8, 16, 23, 24)	1,752,672,452	(498,454,758)
Retained earnings (Note 19)	6,503,945,132	4,657,123,617
Total stockholders' equity	9,808,401,187	5,595,219,516
Total liabilities and stockholders' equity	₩ 24,872,583,501	₩ 25,280,400,921

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

For the years ended December 31, 2009 and 2008

Korean Won (In thousands, except earnings per share)

	2009		2008	
Sales (Note 2,16,22,26,28)	₩	21,142,196,736	₩	19,957,080,881
Cost of sales (Note 2,22,26)		17,997,442,921		16,811,989,016
Gross profit		3,144,753,815		3,145,091,865
Selling, general and administrative expenses (Note 2,10,29,33)		922,179,896		938,918,930
Operating income		2,222,573,919		2,206,172,935
Non-operating income				
Interest and dividend income		174,725,132		288,868,980
Gain on foreign currency transactions		718,752,290		677,244,920
Gain on foreign currency translation		29,819,200		140,564,809
Gain on valuation of equity method investments (Note 8)		479,596,159		771,497,568
Gain on foreign exchange forward contracts (Note 16)		1,415,583,922		1,773,396,856
Gain on disposition of property, plant and equipment		79,100,524		48,774,129
Others		411,984,109		126,755,536
Total non-operating income		3,309,561,336		3,827,102,798
Non-operating expenses				
Interest expense		34,129,364		6,472,122
Loss on foreign currency transactions		543,822,224		642,757,743
Loss on foreign currency translation		62,965,784		119,579,748
Loss on disposition of property, plant and equipment		16,463,892		57,568,485
Loss on valuation of equity method investments (Note 8)		194,614,208		151,574,109
Loss on foreign exchange forward contracts (Note 16)		1,920,402,241		1,995,002,134
Others		111,674,307		110,689,186
Total non-operating expenses		2,884,072,020		3,083,643,527
Income before income taxes		2,648,063,235		2,949,632,206
Income taxes expense (Note 23)		501,574,440		692,967,361
Net income	₩	2,146,488,795	₩	2,256,664,845
Earnings per share				
Basic earnings per share (Note 25)	₩	35,705	₩	37,340

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Appropriation of Retained Earnings

For the years ended December 31, 2009 and 2008

Date of Appropriation for 2009: March 12, 2010

Date of Appropriation for 2008: March 13, 2009

Korean Won (In thousands)

	2009		2008	
Unappropriated retained earnings				
Balance at beginning of year	₩	5	₩	4
Net income		2,146,488,795		2,256,664,845
Balance at end of year before appropriation		2,146,488,800		2,256,664,849
Transfer from voluntary reserves				
Reserve for research and human development		76,666,667		6,666,667
Reserve for legal reserve		-		21,543,399
Unappropriated retained earnings available for appropriation		2,223,155,467		2,284,874,915
Appropriation of retained earnings				
Legal reserve		300,000,000		-
Reserve for research and human development		1,710,981,250		1,985,207,630
Dividends – 70% on par value at ₩3,500 per share				
100% on par value at ₩5,000 per share (Note 21)		212,174,207		299,667,280
Unappropriated retained earnings to be carried over to subsequent year	₩	10	₩	5

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Changes in Equity

For the years ended December 31, 2009 and 2008

Korean Won (In thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
Balance at January 1, 2009	₩ 380,000,000	₩ 2,818,590,688	₩(1,762,040,031)	₩(498,454,758)	₩ 4,657,123,617	₩ 5,595,219,516
Dividends	-	-	-	-	(299,667,280)	(299,667,280)
Balance after appropriations	380,000,000	2,818,590,688	(1,762,040,031)	(498,454,758)	4,357,456,337	5,295,552,236
Net income	-	-	-	-	2,146,488,795	2,146,488,795
Changes in capital surplus on valuation of other investments	-	50,987,390	-	-	-	50,987,390
Change in treasury stock	-	-	65,469,293	-	-	65,469,293
Changes in capital adjustments on valuation of equity method investments	-	-	(1,223,737)	-	-	(1,223,737)
Gain on valuation of investment securities	-	-	-	534,950,242	-	534,950,242
Changes in unrealized gain on valuation of equity method investments	-	-	-	263,582,652	-	263,582,652
Negative changes in unrealized gain on valuation of equity method investments	-	-	-	133,368,767	-	133,368,767
Change in the valuation of derivatives	-	-	-	354,767,062	-	354,767,062
Land revaluation	-	-	-	964,458,487	-	964,458,487
Balance at December 31, 2009	₩ 380,000,000	₩ 2,869,578,078	₩(1,697,794,475)	₩1,752,672,452	₩ 6,503,945,132	₩ 9,808,401,187

(Continued)

Non-Consolidated Statements of Changes in Equity (Continued)

For the years ended December 31, 2009 and 2008

Korean Won (In thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
Balance at January 1, 2008	₩ 380,000,000	₩ 2,771,383,687	₩ (696,729,513)	₩ 169,794,560	₩ 2,867,059,692	₩ 5,491,508,426
Cumulative effect of change in accounting policy	-	42,309,668	(114,572,518)	28,463,465	-	(43,799,385)
Balance at January 1, 2008, restated	380,000,000	2,813,693,355	(811,302,031)	198,258,025	2,867,059,692	5,447,709,041
Dividends	-	-	-	-	(466,600,920)	(466,600,920)
Balance after appropriations	380,000,000	2,813,693,355	(811,302,031)	198,258,025	2,400,458,772	4,981,108,121
Net income	-	-	-	-	2,256,664,845	2,256,664,845
Changes in capital surplus on valuation of equity method investments	-	4,897,333	-	-	-	4,897,333
Change in treasury stock	-	-	(832,711,782)	-	-	(832,711,782)
Change in equity method accounted treasury stock	-	-	(11,234,489)	-	-	(11,234,489)
Changes in capital adjustments on valuation of equity method investments	-	-	(106,791,729)	-	-	(106,791,729)
Gain on valuation of investment securities	-	-	-	(262,816,255)	-	(262,816,255)
Changes in unrealized gain on valuation of equity method investments	-	-	-	(20,318,477)	-	(20,318,477)
Negative changes in unrealized gain on valuation of equity method investments	-	-	-	(102,820,239)	-	(102,820,239)
Change in the valuation of Derivatives	-	-	-	(310,757,812)	-	(310,757,812)
Balance at December 31, 2008	₩ 380,000,000	₩ 2,818,590,688	₩(1,762,040,031)	₩(498,454,758)	₩ 4,657,123,617	₩ 5,595,219,516

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

Korean Won (In thousands)

	2009	2008
Cash flows from operating activities		
Net income	₩ 2,146,488,795	₩ 2,256,664,845
Adjustments for		
Depreciation	399,694,162	347,327,963
Accrual for severance benefits	138,734,091	230,151,603
Accrual for allowance for doubtful accounts	48,943,879	35,565,244
Loss on foreign currency translation	61,923,820	117,775,185
Loss on disposition of property, plant and equipment	16,463,892	57,568,485
Equity in net loss of equity method investees	194,614,208	151,574,109
Amortization of development costs	43,937,229	41,423,910
Loss on valuation of foreign exchange forward contracts	3,465,964,718	2,966,525,406
Accrual for foreseeable losses on construction contracts	-	65,158,129
Gain on foreign currency translation	(29,530,267)	(137,571,569)
Equity in net income of equity method investees	(479,596,159)	(771,497,568)
Gain on valuation of foreign exchange forward contracts	(1,123,079,572)	(1,713,371,925)
Gain on reversal of provision	(91,734,801)	(1,421,861)
Others, net	(143,154,232)	(28,132,693)
	4,649,669,763	3,617,739,263
Changes in assets and liabilities		
Trade accounts and notes receivable	(495,606,386)	(1,724,001,640)
Accounts receivable-other	125,837,400	(16,578,847)
Accrued income	21,236,562	(28,203,930)
Advance payments	(379,742,025)	(552,953,561)
Inventories	303,820,209	(1,144,075,525)
Long-term trade receivable	(44,047,591)	-
Foreign exchange forward contracts	(2,781,147,823)	(990,190,623)
Trade accounts payable	(900,841,316)	854,632,361
Accounts payable-other	(34,330,548)	49,677,150
Advances from customers	(1,545,942,898)	2,459,903,477
Accrued expenses	(23,925,895)	(24,520,129)
Income tax payable	(210,026,183)	1,494,792
Long-term accrued expenses	-	(1,029,342)
Deposits for retirement and severance benefits	57,442,086	(37,269,107)
Payments of retirement and severance benefits	(164,508,686)	(169,062,230)
Deferred income tax assets	99,969,668	(42,217,698)
Deferred income tax liabilities	41,635,138	18,379,478
Provision for product warranties	(12,465,667)	
Others, net	334,983,938	110,987,270
Net cash provided by (used in) operating activities	₩ (957,990,254)	₩ 2,382,711,159

(Continued)

Non-Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2009 and 2008

Korean Won (In thousands)

	2009	2008
Cash flows from investing activities		
Withdrawal of short-term financial instruments	₩ 1,687,213,470	₩ 2,390,621,000
Disposition of short-term investment securities	102,966,108	2,382,649,007
Withdrawal of short-term loans	30,000,000	-
Disposition of long-term investment securities	54,916,202	13,355,791
Disposition of equity method investments	19,773	70,937
Disposition of long-term financial instruments	11,947,520	2,004,095
Disposition of other non-current assets	24,744,631	4,523,174
Disposition of property, plant and equipment	128,172,881	83,417,532
Acquisition of short-term financial instruments	(119,852,680)	(1,912,945,045)
Acquisition of short-term investment securities	-	(1,960,000,000)
Acquisition of long-term investment securities	(41,682,718)	(136,397,826)
Acquisition of equity method investments	(272,547,011)	(148,056,640)
Acquisition of long-term financial instruments	(43,008)	(6,003,410)
Acquisition of long-term loans	(2,107,387)	-
Acquisition of other non-current assets	(15,975,956)	(35,805,532)
Acquisition of property, plant and equipment	(1,178,859,217)	(1,791,434,120)
Acquisition of intangible assets	(72,139,257)	(69,711,129)
Net cash provided by (used in) investing activities	336,773,351	(1,183,712,166)
Cash flows from financing activities		
Proceeds from short-term borrowings	2,024,861,331	-
Issuance of bonds	298,797,600	-
Increase in long-term borrowings	1,852,037	1,689,006
Repayment of current maturities of short-term borrowings	(1,439,540,723)	-
Repayment of current portion of long-term borrowings and other long-term liabilities	-	(187,640,000)
Payment of cash dividends	(299,667,280)	(466,600,920)
Acquisition of treasury stock	-	(832,711,781)
Net cash provided by (used in) financing activities	586,302,965	(1,485,263,695)
Net decrease in cash and cash equivalents	(34,913,938)	(286,264,702)
Cash and cash equivalents at beginning of year	667,492,156	953,756,858
Cash and cash equivalents at end of year	₩ 632,578,218	₩ 667,492,156

See accompanying notes to non-consolidated financial statement

1. Organization and Description of Business

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

The Company listed its shares on the Korea Stock Exchange in August 1999, and a total of 76,000,000 shares (par value: ₩5,000, authorized: 160,000,000 shares) of common stock were issued and 59,933,456 shares of common stock were outstanding as of December 31, 2008. Of the total issued shares, the company's major stockholders Mong-Joon Chung, KCC Corp., Hyundai Mipo Dockyard Co., Ltd., Hyundai Motor Company, and National Pension Service own 10.80%, 8.15%, 7.98%, 2.88% and 2.71%, 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, 2009. The Company may also raise capital with obtaining the approval of the Board of Directors by issuing stock to old shareholders, issuing stock through a general public subscription under 30% of outstanding shares, issuing stock through the issue of Depository Receipts under the Securities and Exchange Act and issuing stock to employees under certain circumstances.

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

(a) Basis of Presenting Financial Statements

The Company prepares the non-consolidated financial statements in accordance with generally accepted accounting principles in the Republic of Korea. Except for the items explained in note 9 related to accounting changes and the adoption of changes to Statements of Korean Accounting Standards (SKAS) No. 5 Property, Plant and Equipment and Financial Supervisory Service Staff Opinions on Financial Reporting 2009-1 (Accounting for the adoption of the revaluation model for property, plant and equipment), the Company applied the same accounting policies that were adopted in the previous year's non-consolidated financial statements.

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

(b) 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.

(c) 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.

(d) 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.

(e) Investments in Securities (Excluding Investments in Associates, Subsidiaries and Joint Ventures)**Classification**

Upon acquisition, the Company classifies debt and equity securities (excluding investments in subsidiaries, associates and joint ventures) into the following categories: held-to-maturity, available-for-sale or trading securities. This classification is reassessed at the end of each reporting period. Investments in debt securities where the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Initial recognition

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

Subsequent measurement and income recognition

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

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 are presented as current assets. 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, are presented as current assets. Held-to-maturity securities, which mature within one year from the end of the reporting period, are presented as current assets. All other available-for-sale securities and held-to-maturity securities are presented as long-term investments.

Impairment

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

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

(f) Investments in Associates and Subsidiaries

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

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.

When applying the equity method by translating the financial statements of an overseas investee is operating 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 income statement 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.

(g) Property, Plant and Equipment

Property, plant and equipment are stated at cost, except in the case of revaluations made in accordance with the Asset Revaluation Law, which allowed for asset revaluation prior to the Law being revoked, net of accumulated depreciation. 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. Any trade discounts and rebates are deducted in arriving at the purchase price.

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.

	Useful lives (years)
Buildings and structures	20 – 40
Machinery and equipment	10
Ships	12
Vehicles	5
Tools, furniture and fixtures	5

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.

As of January 1, 2009, the Company adopted the revaluation model in accordance with the revised SKAS No.5 Property, Plant and Equipment. The book value of buildings and equipment are accounted at fair value as of the date of the revaluation less accumulated depreciation thereafter and accumulated impairment loss. If an asset's book value increases as a result of the revaluation, the amount of the increase is recognized in other comprehensive income, of which, the amount of the increase that reverses a revaluation decrease of the same asset previously recognized in profit and loss is recognized in profit and loss in the current period. On the other hand, if an asset's book value decreases as a result of the revaluation, that decrease is recognized as a loss for the current period, and the portion of the amount of decrease included in the credit balance in the revaluation surplus recorded in other comprehensive income is deducted from other comprehensive income. According to the transitional provision to this Standard, the accounting change will be applied prospectively and the prior period non-consolidated financial statements presented for comparative purposes have not been restated.

(h) 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.

	Service lives (years)
Development costs	5
Usage right for donated properties	20~40

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.

(i) Discount on Debentures

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

(j) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the foreign exchange rate on the end of the reporting period, with the resulting gains or losses recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate on the date of the transaction. Foreign currency assets and liabilities of foreign-based operations and companies accounted for using the equity method are translated at the rate of exchange at the end of the reporting period. Foreign currency amounts in the statement of income are translated using an average rate and foreign currency balances in the capital account are translated using the historical rate. Translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations are recorded net 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.

(k) 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.

(l) 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.

(m) 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.

(n) Retirement and Severance Benefits

Employees who have been with the Company for more than one year are entitled to lump-sum payments based on salary rates and length of service at the time they leave the Company. The Company's estimated liability under the plan which would be payable if all employees left at the end of the reporting period is accrued in the accompanying non-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 or the bank in trust. The deposit for severance benefits held in trust is, therefore, reflected in the accompanying non-consolidated statements of financial position as a reduction of the liability for retirement and severance benefits. Through March 1999, under the National Pension Scheme of Korea, the Company transferred a certain portion of retirement allowances for employees to the National Pension Fund. The amount transferred will reduce the retirement and severance benefit amount to be paid to the employees when they leave the Company and is accordingly reflected in the accompanying non-consolidated financial statements as a reduction of the retirement and severance benefits liability. However, due to a new regulation effective April 1999, such transfers to the National Pension Fund are no longer required.

(o) Revenue Recognition

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

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

(p) 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.

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.

(q) 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 hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items.

Fair value hedge

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

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges 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 income statement 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.

3. Restricted Financial Instruments

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

Korean Won (In thousands)

	2009		2008	
Short-term financial instruments	₩	16,989	₩	2,257,812
Long-term financial instruments		3,224,878		5,460,565
	₩	3,241,867	₩	7,718,377

4. Inventories

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

Korean Won (In thousands)

	2009		2008	
Merchandise	₩	53,801,673	₩	70,561,858
Finished goods		96,185,730		198,528,892
Work-in-progress		720,372,588		651,163,931
Raw materials		556,500,478		865,977,551
Supplies		16,308,403		21,243,329
Materials-in-transit		485,389,643		455,820,861
	₩	1,928,558,515	₩	2,263,296,422

The valuation of inventories as of December 31, 2009 is summarized as follows:

Korean Won (In thousands)

	2009				2008		
	Acquisition	Provision for inventory		Book value	Acquisition	Provision for inventory	
		valuation	Book value			valuation	Book value
Merchandise	₩ 57,010,702	3,209,029	53,801,673	73,634,174	3,072,316	70,561,858	
Finished goods	101,230,615	5,044,885	96,185,730	198,720,096	191,204	198,528,892	
Work-in-progress	737,474,333	17,101,745	720,372,588	651,163,931	-	651,163,931	
	₩ 895,715,650	25,355,659	870,359,991	923,518,201	3,263,520	920,254,681	

Loss on valuation of inventories was ₩ 22,092,000 thousand and it was added in cost of sales.

5. Short-Term Investments

Short-term investment securities consist of available-for-sale securities (current assets only) as of December 31, 2009 and 2008 are summarized as follows:

Korean won (In thousands)

	2009		2008	
Beneficiary certificates	₩	-	₩	102,459,800
	₩	-	₩	102,459,800

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

6. Other Current Assets

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

	Korean Won (In thousands)			
	2009		2008	
Short-term loans	₩	-	₩	30,000,000
Prepaid expenses		203,375,407		238,690,207
Other current deposits		2,027,206		3,223,063
	₩	205,402,613	₩	271,913,270

7. Long-Term Investments

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

	Korean Won (In thousands)			
	2009		2008	
Available-for-sale securities (non-current)				
Marketable securities	₩	998,391,388	₩	359,745,209
Non-marketable securities		175,689,303		136,515,148
	₩	1,174,080,691	₩	496,260,357

(b) Equity securities stated at fair value included in long-term investment securities as of December 31, 2009 and 2008 consisted of the following:

	Korean Won (In thousands, except percentage of ownership)					
			2009		2008	
	Percentage of ownership	Acquisition cost	Fair value	Fair value		
Listed equity securities						
Kia Motors Corp.	0.02	₩ 2,681,616	₩ 1,769,312	₩	578,005	
Korea Line Corp.	2.71	55,130,663	12,803,603		20,610,678	
Tong Yang Securities	3.39	99,828,399	47,840,616		24,119,644	
Mirae Asset Securities Co., Ltd.	0.10	6,654,173	2,727,595		2,921,441	
SK Broadband Corp.	-	-	-		6,518	
Hyundai Elevator Co., Ltd.	2.16	1,632,339	8,932,522		10,010,585	
Hyundai Motor Company	3.45	519,246,924	920,013,820		300,335,090	
Hyundai Corp.	-	-	-		1,163,248	
Korea Environment Technology Co., Ltd.	7.58	1,909,389	4,303,920		-	
		₩ 687,083,503	₩ 998,391,388	₩	359,745,209	

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

Korean Won (In thousands, except percentage of ownership)

			2009	2008
	Percentage of ownership	Acquisition cost	Fair value	Fair value
Unlisted equity securities: (*1)				
Gangwon Football Club Co., Ltd.	0.02	₩ 1,000	₩ 1,000	₩ 1,000
Kuk Dong Heavy Conveyance Co., Ltd.	7.50	501,720	501,720	501,720
Novelis Korea Ltd.	0.39	14,598,913	1,405,452	1,405,452
Daehan Oil Pipeline Corp. (*2)	6.39	14,511,802	14,511,802	30,051,393
Dong-A Precision Machinery. Co., Ltd.	0.74	35,640	-	-
Doosan Capital Co., Ltd. (*3)	9.99	10,000,000	24,762,000	24,378,000
Bexco, Ltd.	7.96	9,460,000	9,460,000	9,460,000
Chonggu Co., Ltd.	0.00	188,260	-	-
Postec Electronic Power Fund Co.	1.75	500,000	500,000	500,000
Hanwha Electric Venture Fund	2.00	500,000	500,000	500,000
Hyundai Research Institute	14.40	1,440,000	1,440,000	1,440,000
Hyundai Climate Control Co., Ltd.	10.00	50,000	50,000	50,000
Enova System Inc.	1.45	1,314,583	1,314,583	1,314,583
PT. Golden Hyundai Machinery (*4)	20.83	155,250	155,250	155,250
HHI Mauritius Limited (*4)	100.00	122	122	122
Hynix Semiconductor America Inc.	1.33	34,525,619	-	-
Hyundai Heavy Industries France SAS (*4)	100.00	22,787	22,787	22,787
Hyundai (Malaysia.) SDN BHD (*4)	100.00	17,286	-	-
Hyundai S/V Indonesia (*4)	45.00	261,864	-	-
Hyundai Technologies Center Hungary Kft (*4)	100.00	26,302	26,302	26,302
Hyundai-Enova Innovative Technical Center Inc.	60.00	-	-	3,360,000
KC Karpovsky BV	10.00	2,443	2,443	2,443
Korea Ship Finance Co., Ltd.	2.36	200,000	200,000	200,000
Nikorma-Transport Limited	11.50	10,914	10,914	10,914
PHECO Inc. (*4)	100.00	2,303,555	236,621	236,621
		90,628,060	55,100,996	73,616,587
Subordinated debentures				
(Tong Yang Securities Inc.) (*5)		-	-	47,776,067
Marketable securities				
		59,073,003	115,427,397	9,964,384
Investments in capital				
		5,160,910	5,160,910	5,158,110
		₩ 154,861,973	₩ 175,689,303	₩ 136,515,148

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

(*2) The fair value was calculated by using the discounted cash flow and imputed market value methods. In 2009, the fair value is calculated by using the acquisition cost based on considering future cash inflow.

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

(*4) In conformity with financial accounting standards in the Republic of Korea, the equity securities of Hyundai Technologies Center Hungary Kft. and others were not accounted for using the equity method of accounting since the Company believes the changes in the investment value resulting from the changes in the net assets of the investees, whose individual beginning balance of total assets or paid-in capital as of December 31, 2009 and 2008, is less than ₩10,000 million, are not material.

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

(*6) The Company deposited 1,000,000 shares in Ulsan District Court for the purpose of pledging to extend the interim tax prepayment period. In addition, for the purpose of a construction performance deposit, the Company deposited 650,000 shares with Gunsan City Hall.

(*7) Since Hyundai Corporation were acquired additional shares in 2009, the Company was able to exercise significant influence over the operating and financial policies, equity securities were accounted for using the equity method.

(*8) Since the percentage of ownership of the Company and its subsidiary was less than 20% and the Company was not able to exercise significant influence over the operating and financial policies, equity securities were accounted for using the fair value method.

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

Korean Won (In thousands)

	2009		
	Balance at January 1, 2009	Increase (Decrease)	Balance at December 31, 2009
Kia Motors Corp.	₩ (1,640,817)	₩ 929,220	₩ (711,597)
Korea Line Corp.	(26,925,588)	(6,089,519)	(33,015,107)
Tong Yang Securities	(14,974,952)	18,502,358	3,527,406
Mirae Asset Securities Co., Ltd.	(2,911,530)	(151,200)	(3,062,730)
SK Broadband Corp.	5,084	(5,084)	-
Hyundai Elevator Co., Ltd.	6,535,032	(840,889)	5,694,143
Hyundai Motor Company	(170,751,231)	483,349,410	312,598,179
Hyundai Corp.	340,402	(340,402)	-
Korea Environment Technology Co., Ltd.	-	(323,006)	(323,006)
Daehan Oil Pipeline Corp.	12,120,881	(12,120,881)	-
Doosan Capital Co., Ltd.	11,214,840	299,520	11,514,360
	(186,987,879)	483,209,527	296,221,648
Subordinated bonds	(1,734,668)	1,734,668	-
Marketable securities	(7,914,149)	51,870,576	43,956,427
	₩ (196,636,696)	₩ 536,814,771	₩ 340,178,075

(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, 2008, was as follows:

Korean Won (In thousands)

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

Korean Won (In thousands)

2008

	Balance at January 1, 2008	Increase (Decrease)	Balance at December 31, 2008
Investments in capital	304,530	(304,530)	-
Subordinated bonds	-	(1,734,668)	(1,734,668)
Marketable securities	-	(7,914,149)	(7,914,149)
	₩ 64,862,644	₩ (261,499,340)	₩ (196,636,696)

8. Equity Method Investments

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

Korean Won (In thousands)

Company	Number of shares	Percentage of ownership	Historical cost	Book value
Hyundai Oilbank (*1)	51,773,884	21.13%	₩ 312,249,753	₩ 373,656,633
Hyundai Finance Corp. (*2)	12,350,000	67.49%	78,197,738	90,726,376
Hyundai Samho Heavy Industries Co., Ltd. (*2)	37,967,000	94.92%	204,259,700	1,817,689,776
Hyundai Heavy Industries Co. Bulgaria (*2)	12,155,829	99.09%	11,620,593	46,768,262
New Korea Country Club	16,457	20%	500,000	4,045,252
Hyundai Heavy Industries Europe N.V. (*2)	10	100%	35,656,728	10,322,118
Hyundai Vinashin Shipyard (*2)(*3)(*4)	-	10%	2,543,678	20,148,716
H.C.E U.S.A (*2)	23,900,000	100%	26,712,810	-
Vladivostok Business Center (*2)(*3)	-	57.14%	5,891,667	-
HHI China Investment Co., Ltd. (*2)(*3)	-	100%	160,804,529	286,425,278
Hyundai Merchant Marine Co., Ltd. (Common stock) (*5)	23,424,037	17.6%	404,039,118	360,633,965
Hyundai Merchant Marine Co., Ltd. (Preferred stock) (*5)	3,516,688	17.58%	52,750,320	56,303,455
Qinhuangdao Shouqin Metal Materials Co., Ltd. (*3)	-	20%	67,658,226	128,357,731
Hyundai Ideal Electric Co. (*2)	1,000	100%	18,119,600	25,493,855
Hyundai Financial Leasing Co., Ltd. (*2)(*3)	-	66.02%	37,622,743	44,416,791
Hyundai Construction Equipment India Private Ltd. (*2)	17,184,775	100%	39,354,139	22,226,238
Wärtsilä-Hyundai Engine Company Ltd. (*3)	-	50%	33,930,000	40,496,305
Ulsan Hyundai Football Club Co., Ltd.	2,000,000	100%	10,000,000	913,199
HYMS (*2)	29,600,000	100%	148,000,000	122,135,871
KAM Corp.	23,520,000	49%	117,600,000	117,667,618
Grand China Hyundai Shipping Company Ltd.	1,000,000	50%	1,016,600	1,045,336
KOMAS Corp.	754,414	100%	3,772,070	1,634,795
Hotel Hyundai Co., Ltd.	80,000	100%	1,397,000	1,806,723
Khorol Zerno Ltd. (*3)	-	67.6%	5,546,562	5,380,910
Khorol Agro Ltd. (*3)	-	49.99%	2,335,741	2,196,010
Hyundai Corporation	4,992,782	22.36%	105,134,024	105,134,024
Taebaek Wind Power Co., Ltd.	703,500	35%	3,517,500	3,482,618
			₩ 1,890,230,839	₩ 3,689,107,855

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

Korean Won (In thousands)

Company	Number of shares	Percentage of ownership	Historical cost	Book value
Hyundai Oilbank (*1)	48,700,540	19.87%	₩ 266,150,343	₩ 289,760,570
Hyundai Finance Corp. (*2)	12,350,000	67.49%	78,197,738	88,945,279
Hyundai Samho Heavy Industries Co., Ltd. (*2)	37,967,000	94.92%	204,259,700	1,040,405,978
Incheon Airport Energy	3,284,884	31.00%	16,424,420	-
Hyundai Heavy Industries Co. Bulgaria (*2)	12,155,829	99.09%	11,620,593	38,119,093
New Korea Country Club	16,457	20.00%	500,000	3,613,235
Hyundai Donganh Steel (*2, 3)	-	54.99%	1,231,036	-
Hyundai Heavy Industries Europe N.V. (*2)	10	100.00%	35,656,728	8,884,122
Hyundai Vinashin Shipyard (*2,3&4)	-	10.00%	2,543,678	14,982,234
H.C.E U.S.A (*2)	23,900,000	100.00%	26,712,810	4,170,513
Vladivostok Business Center (*2, 3)	-	57.14%	5,891,667	-
Koentec Co., Ltd.	3,792,000	7.58%	6,617,040	4,721,024
HHI China Investment Co., Ltd. (*2, 3)	-	100.00%	154,057,029	246,276,553
Hyundai Merchant Marine Co., Ltd. (Common stock) (*5)	23,424,037	17.60%	404,039,118	481,689,397
Hyundai Merchant Marine Co., Ltd. (Preferred stock) (*5)	3,516,688	17.58%	52,750,320	56,303,455
Qinhuangdao Shouqin Metal Materials Co., Ltd. (*3)	-	20.00%	67,658,226	164,661,077
Hyundai Ideal Electric Co. (*2)	1,000	100.00%	11,241,600	17,943,929
Hyundai Financial Leasing Co., Ltd. (*2, 3)	-	60.03%	16,988,743	24,053,234
Hyundai Construction Equipment India Private Ltd. (*2)	17,184,775	100.00%	39,354,139	34,423,101
Wärtsilä-Hyundai Engine Company Ltd. (*3)	-	50.00%	33,930,000	32,894,351
Ulsan Hyundai Football Club Co., Ltd. (*2)	2,000,000	100.00%	10,000,000	1,181,505
HYMS (*2)	29,600,000	100.00%	148,000,000	114,593,849
KAM Corp.	8,330,000	49.00%	41,650,000	42,481,873
Grand China Hyundai Shipping Company Ltd.	1,000,000	50.00%	1,016,600	1,261,438
KOMAS Corp.	754,414	100.00%	3,772,070	1,459,500
			₩ 1,640,263,598	₩ 2,712,825,310

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

(*2) Company subsidiary

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

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

(*5) Since the ownership's percentage of the Company and its subsidiary exceeded over 20% and the Company is able to exercise significant influence over the operating and financial policies, investment in these securities are accounted for using the equity method of accounting. In addition, the closing common stock price of Hyundai Merchant Marine Co., Ltd. on the stock market of the Republic of Korea was ₩26,700 per share at December 31, 2009. Its preferred stock has no market price because it is unlisted.

(c) Under the equity method of accounting, the differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee are amortized (reversed) over the reasonable periods within 20 years and the changes in the differences for the year ended December 31, 2009 were as follows:

Korean Won (In thousands)

Company	Balance at January 1, 2009	Increase (Decrease)	Amortization	Balance at December 31, 2009
Hyundai Oilbank	₩ -	₩ 25,428,599	₩ -	₩ 25,428,599
Koentec Co., Ltd.	691,486	(691,486)	-	-
Hyundai Merchant Marine Co., Ltd. (Common stock)	36,466,286	-	(16,207,238)	20,259,048
Qinhuangdao Shouqin Metal Materials Co., Ltd.	8,524,737	-	(2,843,064)	5,681,673
Hotel Hyundai Co., Ltd.	-	394,700	(78,940)	315,760
Khorol Zerno Ltd.	-	1,268,883	(83,239)	1,185,644
Khorol Agro Ltd.	-	785,368	(63,505)	721,863
Hyundai Corporation	-	72,334,654	-	72,334,654
	₩ 45,682,509	₩ 99,520,718	₩ (19,275,986)	₩ 125,927,241

(d) Changes in the opening and closing balances of investments in companies accounted for using the equity method for the year ended December 31, 2009 were as follows:

Korean Won (In thousands)

Company	Balance at January 1, 2009	Net income (loss)	Accumulated other comprehensive income	Other increase (decrease)	Balance at December 31, 2009
Hyundai Oilbank	₩ 289,760,570	₩ 44,498,651	₩ (6,701,998)	₩ 46,099,410	₩ 373,656,633
Hyundai Finance Corp.	88,945,279	524,341	1,256,756	-	90,726,376
Hyundai Samho Heavy Industries Co., Ltd.	1,040,405,978	325,007,870	509,226,428	(56,950,500)	1,817,689,776
Incheon Airport Energy Co., Ltd. (*1)	-	-	-	-	-
Hyundai Heavy Industries Co. Bulgaria	38,119,093	13,764,516	(2,752,946)	(2,362,401)	46,768,262
New Korea Country Club	3,613,235	432,017	-	-	4,045,252
Hyundai Donganh Steel Tower Co., Ltd. (*2)	-	-	-	-	-
Hyundai Heavy Industries Europe N.V.	8,884,122	3,279,989	(1,841,993)	-	10,322,118
Hyundai Vinashin Shipyard	14,982,234	6,818,811	(1,652,329)	-	20,148,716
H.C.E U.S.A. (*3)	4,170,513	(4,170,348)	(165)	-	-
Vladivostok Business Center (*4)	-	-	-	-	-
Koentec Co., Ltd. (*5)	4,721,024	-	-	(4,721,024)	-
HHI China Investment Co., Ltd.	246,276,553	58,336,234	(24,935,009)	6,747,500	286,425,278
Hyundai Merchant Marine Co., Ltd. (Common stock)	481,689,397	(160,133,545)	50,790,132	(11,712,019)	360,633,965
Hyundai Merchant Marine Co., Ltd. (Preferred stock)	56,303,455	2,110,013	-	(2,110,013)	56,303,455
Qinhuangdao Shouqin Metal Materials Co., Ltd	164,661,077	(18,351,612)	(8,441,657)	(9,510,077)	128,357,731
Hyundai Ideal Electric Co.	17,943,929	3,326,150	(2,654,224)	6,878,000	25,493,855
Hyundai Financial Leasing Co., Ltd.	24,053,234	4,802,680	(5,073,123)	20,634,000	44,416,791
Hyundai Construction Equipment India Private Ltd.	34,423,101	(10,978,554)	(1,218,309)	-	22,226,238
Wärtsilä-Hyundai Engine Company Ltd.	32,894,351	7,601,954	-	-	40,496,305
Ulsan Hyundai Football Club Co., Ltd.	1,181,505	(268,306)	-	-	913,199
HYMS	114,593,849	7,542,022	-	-	122,135,871
KAM Corp.	42,481,873	(394,117)	(370,138)	75,950,000	117,667,618

Korean Won (In thousands)

Company	Balance at January 1, 2009	Net income (loss)	Accumulated other		Balance at December 31, 2009
			comprehensive income	Other increase (decrease)	
Grand China Hyundai Shipping Company Ltd.	1,261,438	(137,321)	(78,781)	-	1,045,336
KOMAS Corp.	1,459,500	175,295	-	-	1,634,795
Hotel Hyundai Co., Ltd.	-	409,723	-	1,397,000	1,806,723
Khorol Zerno Ltd.	-	(79,805)	(85,848)	5,546,563	5,380,910
Khorol Agro Ltd.	-	(65,716)	(74,015)	2,335,741	2,196,010
Hyundai Corporation	-	965,891	-	104,168,133	105,134,024
Taebaek Wind Power Co., Ltd.	-	(34,882)	-	3,517,500	3,482,618
	₩ 2,712,825,310	₩ 284,981,951	₩ 505,392,781	₩ 185,907,813	₩ 3,689,107,855

(*1) Use of the equity method was discontinued since the value of investments for Incheon Airport Energy Co., Ltd. is less than zero due to accumulated deficit and completed to be disposed in 2009.

(*2) Use of the equity method was discontinued since the value of investments for Hyundai Donganh Steel Tower Co., Ltd. is less than zero due to accumulated deficit and completed to be disposed in 2009.

(*3) Use of the equity method was discontinued since the loss on valuation using equity method is more than the value of investments. In addition, cumulative unrecognized loss due to suspension of applying the equity method amounts to ₩(4,622) million for the year ended December 31, 2009.

(*4) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit. In addition, cumulative unrecognized loss due to suspension of applying the equity method amounts to ₩(84,748) million including ₩8,332 million increased for the year ended December 31, 2009, and allowance amounting to ₩74,725 million was provided for accounts receivables-other for Vladivostok Business Center.

(*5) Equity securities in Korea Environment Technology Co., LTD. were transferred to available-for-sale securities in 2009

(e) Gain or loss on valuation of investment securities is accounted after eliminating unrealized profit arising from the inter-company transactions. For the years ended December 31, 2009 and 2008, unrealized gain eliminated under the equity of accounting method of accounting are ₩119,825 thousand and ₩119,094 thousand, respectively.

(f) Equity securities accounted for using the equity method as of December 31, 2009 are valued based on the financial statements of the investees as of the same reporting period, which were neither audited nor reviewed by an external auditor. Those net asset values from using the provisional settlement were as follows:

Korean Won (In thousands)

Company	Net asset value before adjustments	Adjustments	Net asset value after adjustments
Hyundai Oilbank	₩ 348,228,034	₩ -	₩ 348,228,034
Hyundai Finance Corp.	90,726,376	-	90,726,376
Hyundai Samho Heavy Industries Co., Ltd. (*1)	2,101,710,715	(271,208,488)	1,830,502,227
Hyundai Heavy Industries Co. Bulgaria	46,835,481	-	46,835,481
New Korea Country Club	4,045,252	-	4,045,252
Hyundai Heavy Industries Europe N.V.	30,069,043	-	30,069,043
Hyundai Vinashin Shipyard	20,148,716	-	20,148,716
H.C.E U.S.A.	12,832,011	-	12,832,011
Vladivostok Business Center	-	-	-
HHI China Investment Co., Ltd. (*1)	249,297,277	68,820,786	318,118,063
Hyundai Merchant Marine Co., Ltd. (Common stock)	340,374,917	-	340,374,917
Hyundai Merchant Marine Co., Ltd. (Preferred stock)	56,303,455	-	56,303,455
Qinhuangdao Shouqin Metal Materials Co., Ltd	122,676,058	-	122,676,058
Hyundai Ideal Electric Co.	25,493,855	-	25,493,855
Hyundai Financial Leasing Co., Ltd.	44,416,791	-	44,416,791
Hyundai Construction Equipment India Private Ltd.	28,533,825	-	28,533,825
Wärtsilä-Hyundai Engine Company Ltd.	40,496,305	-	40,496,305
Ulsan Hyundai Football Club Co., Ltd.	913,199	-	913,199
HYMS	156,355,195	-	156,355,195
KAM Corp.	117,667,618	-	117,667,618
Grand China Hyundai Shipping Company Ltd.	1,045,336	-	1,045,336
KOMAS Corp.	3,781,916	-	3,781,916
Hotel Hyundai Co., Ltd.	1,490,963	-	1,490,963
Khorol Zerno Ltd.	4,195,266	-	4,195,266
Khorol Agro Ltd.	1,474,147	-	1,474,147
Hyundai Corporation	32,799,370	-	32,799,370
Taebaek Wind Power Co., Ltd.	3,482,618	-	3,482,618
	₩ 3,885,393,739	₩ (202,387,702)	₩ 3,683,006,037

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

(g) Summarized financial information of equity method investments as of and for the year ended December 31, 2009 was as follows:

Korean Won (In millions)

Company	Assets		Liabilities		Sales		Net income (loss)	
Hyundai Oilbank	₩	5,611,575	₩	3,963,548	₩	10,867,969	₩	222,858
Hyundai Finance Corp.		151,096		16,660		7,102		777
Hyundai Samho Heavy Industries Co., Ltd.		7,387,250		5,173,000		4,185,154		346,725
Hyundai Heavy Industries Co. Bulgaria		62,991		15,725		90,912		13,905
New Korea Country Club		24,819		4,593		13,028		2,138
Hyundai Heavy Industries Europe N.V.		95,302		65,233		137,219		(10,640)
Hyundai Vinashin Shipyard		410,796		209,309		304,507		68,092
H.C.E U.S.A.		66,359		53,527		69,988		(8,283)
Vladivostok Business Center		23,549		171,864		11,604		(1,401)
HHI China Investment Co., Ltd.		319,603		70,306		11,921		13,852
Hyundai Merchant Marine Co., Ltd.		8,338,894		6,085,042		6,115,482		(804,360)
Qinhuangdao Shouqin Metal Materials Co., Ltd		1,929,877		1,316,497		1,450,821		(77,543)
Hyundai Ideal Electric Co.		44,593		19,099		70,436		3,450
Hyundai Financial Leasing Co., Ltd.		438,781		371,504		31,174		7,275
Hyundai Construction Equipment India Private Ltd.		82,243		53,709		54,074		(9,352)
Wärtsilä-Hyundai Engine Company Ltd.		237,414		156,421		152,411		15,204
Ulsan Hyundai Football Club Co., Ltd.		1,944		1,031		16,112		(268)
HYMS		300,520		144,165		357,326		7,161
KAM Corp.		398,814		158,677		-		(804)
Grand China Hyundai Shipping Company Ltd.		2,154		64		-		(270)
KOMAS Corp.		3,802		20		280		21
Hotel Hyundai Co., Ltd.		5,385		3,894		28,280		489
Khorol Zerno Ltd.		9,726		3,520		2,116		168
Khorol Agro Ltd.		3,398		449		59		(5)
Hyundai Corporation		808,779		662,086		2,577,549		(52,562)
Taebaek Wind Power Co., Ltd.		9,950		-		-		(100)

9. Property, Plant and Equipment

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

Korean Won (In thousands)

	2009	2008
Buildings and structures	₩ 3,929,329,068	₩ 3,049,528,786
Machinery and equipment	2,945,351,323	2,404,550,660
Ships	211,401,759	208,674,068
Vehicles	35,148,987	33,420,855
Tools, furniture and fixtures	1,223,446,599	1,111,073,115
Less: Accumulated depreciation	(3,474,615,628)	(3,194,142,671)
	4,870,062,108	3,613,104,813
Land	2,871,363,776	1,592,414,576
Less: Government subsidy	-	(5,455,000)
	2,871,363,776	1,586,959,576
Construction-in-progress	404,096,925	989,889,374
	₩ 8,145,522,809	₩ 6,189,953,763

(b) The changes in property, plant and equipment for the year ended December 31, 2009 were as follows:

Korean Won (In thousands)

	2009					
	Land	Buildings	Structures	Machinery and equipment	Other	Total
Beginning of period	₩ 1,586,959,576	₩ 2,132,007,385	₩ 917,521,401	₩ 2,404,550,660	₩ 2,343,057,412	₩ 9,384,096,434
Acquisition and other	49,377,185	405,362,786	503,983,391	672,021,254	(446,430,398)	1,184,314,218
Disposal	(1,458,224)	(28,817,132)	(728,763)	(131,220,591)	(22,532,744)	(184,757,454)
Revaluation	1,236,485,239	-	-	-	-	1,236,485,239
End of period	2,871,363,776	2,508,553,039	1,420,776,029	2,945,351,323	1,874,094,270	11,620,138,437
Depreciation	-	(60,944,830)	(29,758,181)	(176,653,522)	(132,337,629)	(399,694,162)
Accumulated depreciation	-	(450,454,692)	(210,230,889)	(1,766,226,220)	(1,047,703,827)	(3,474,615,628)

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

Korean Won (In thousands)

2008						
	Land	Buildings	Structures	Machinery and equipment	Other	Total
Beginning of period	₩ 1,550,415,149	₩ 1,769,948,921	₩ 802,803,260	₩ 2,169,947,389	₩ 1,620,014,642	₩ 7,913,129,361
Acquisition and other	120,969,000	434,394,979	128,142,829	319,250,723	788,675,142	1,796,887,673
Disposal	(84,424,573)	(72,336,515)	(13,424,688)	(84,647,452)	(65,632,372)	(320,465,600)
End of period	1,586,959,576	2,132,007,385	917,521,401	2,404,550,660	2,343,057,412	9,389,551,434
Depreciation	-	(50,334,387)	(20,842,084)	(159,234,377)	(116,917,115)	(347,327,963)
Accumulated depreciation	-	(396,796,079)	(180,731,330)	(1,682,561,906)	(934,053,356)	(3,194,142,671)

The Company adopted the revaluation model in current year and land was stated at revalued amounts as of December 1, 2009. The fair value of the assets was based on the results of an appraisal by the Korea Appraisal Board, an independent appraiser. As the result of land revaluation, the book value of land is ₩2,871,364 million including revaluation gain of ₩1,236,485. In addition, other comprehensive income of ₩964,458 and deferred income tax liabilities of ₩272,027 million were recognized respectively.

A substantial portion of buildings, machinery and equipment are insured against fire and other casualty losses up to approximately ₩2,866,174 million as of December 31, 2009. The Company maintains insurance coverage against fire and other casualty losses of up to ₩12,428,457 million for ships and sea structures under construction. Insurance proceeds of ₩268,314 million are pledged as collateral for loans from the Export Import Bank of Korea as of December 31, 2009.

In addition to the above insurance, most valuable property owned by the Company is covered by a general liability insurance policy up to ₩7,000,702 million as of December 31, 2009. The Company also maintains insurance on cargo against damage and claims losses of up to ₩7,706,160 million for products being exported and imported as of December 31, 2009.

Construction in progress is development construction of Ihwa industrial park and Gunsan shipyard dormitory construction for the year ended December 31, 2009.

As of December 31, 2009 and 2008, the value of land owned by the Company is ₩1,461,080 million and ₩1,458,969 million, respectively, as announced by the Korean government.

10. Intangible Assets

(a) Intangible assets as of December 31, 2009 and 2008 were as follows:

Korean Won (In thousands)

	2009	2008
Development costs	₩ 270,363,193	₩ 242,161,165
Usage right for donated properties	18,095,848	20,135,131
	₩ 288,459,041	₩ 262,296,296

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

Korean Won (In thousands)

	Development Cost		Usage right for donated properties	
	2009	2008	2009	2008
Beginning balance	₩ 242,161,165	₩ 213,873,947	₩ 20,135,131	₩ 22,174,415
Capitalized	72,139,257	69,711,128	-	-
Amortization	(43,937,229)	(41,423,910)	(2,039,283)	(2,039,284)
Ending balance	₩ 270,363,193	₩ 242,161,165	₩ 18,095,848	₩ 20,135,131

Research costs amounting to ₩19,629 million and ₩17,857 million, and ordinary development costs amounting to ₩72,728 million and ₩79,443 million are included in selling and administrative expenses for the years ended December 31, 2009 and 2008, respectively. The amortized development costs of ₩43,937 million and ₩41,424 million are included in the cost of sales and selling and administration expenses for the years ended December 31, 2009 and 2008, respectively.

11. Other Non-Current Assets

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

Korean Won (In thousands)

	2009	2008
Guarantee deposits	₩ 9,933,113	₩ 6,519,197
Long-term loans	2,019,948	-
Other non-current assets	93,812,840	82,046,020
	₩ 105,765,901	₩ 88,565,217

12. Other Current Liabilities

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

Korean Won (In thousands)

	2009	2008
Withholdings of income taxes	₩ 213,815,078	₩ 129,518,237
Unearned revenues	38,523	19,276
Provision for construction losses	15,279,818	104,228,901
	₩ 229,133,419	₩ 233,766,414

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

(a) Bonds payable as of 2009 and 2008 are summarized as follows:

Korean Won (In thousands)

	Maturity	Annual interest rate	2009	2008
112 th non-guaranteed debenture	2012. 04.13	5.43%	₩ 300,000,000	₩ -
			₩ 300,000,000	₩ -

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

Korean Won (In thousands)					
Type of borrowings	Lender	Annual interest rate		2009	2008
Network loan	Export-Import Bank of Korea	4.63~4.64%	₩	301,916,695	-
Collaborated guaranty loan	Korea Exchange Bank (KEB)	4.86~4.94%		103,118,913	-
Pre-shipment credit	Export-Import Bank of Korea	4.65~4.70%		180,285,000	-
			₩	585,320,608	-

(c) Long-term borrowings as of December 31, 2009 and 2008 were as follows:

Korean Won (In thousands)						
	Interest rate as of December 31, 2009(%)	Foreign currency	2009		2008	
			Won equivalent	Foreign currency	Won equivalent	Foreign currency
Business loans from Korea						
National Oil Corporation	2.25%	USD	4,888,535	₩ 5,166,671	USD 2,929,258	₩ 3,314,633
		USD	4,888,535	₩ 5,166,671	USD 2,929,258	₩ 3,314,633

(d) The maturities of long-term debt as of December 31, 2009 are not readily determinable since the long-term debt is paid by installment in event of success in the oil development business.

14. Retirement and Severance Benefits

Accrued severance benefits of December 31, 2009 and 2008 were as follows:

Korean Won (In thousands)			
		2009	2008
Beginning balance	₩	1,251,923,440	₩ 1,190,834,067
Retirement and severance payment		(164,508,686)	(169,062,230)
Provisions		138,734,091	230,151,603
		1,226,148,845	1,251,923,440
Less: Retirement and severance insurance		(1,022,621,872)	(1,080,063,958)
National pension		(29,049,871)	(32,841,150)
Ending balance	₩	174,477,102	₩ 139,018,332

Accrued retirement and severance benefits are funded approximately 83.4% and 86.3% as of December 31, 2009 and 2008, respectively, through certain insurance plans with Kyobo Life Insurance Co., Ltd. and other insurance companies. The unused portion of retirement and severance insurance deposits for these insurance plans is deducted from accrued severance benefits.

15. Other Long-Term Liabilities

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

	Korean Won (In thousands)			
	2009		2008	
Deposits received	₩	13,922,260	₩	12,467,827
Provision for construction warranties		29,070,486		22,343,521
Provision for product warranties		34,473,840		44,008,707
	₩	77,466,586	₩	78,820,055

16. Commitments and Contingencies

(a) The Company has entered into bank overdraft agreements with 7 banks amounting to ₩188,100 million as of December 31, 2009.

(b) As of December 31, 2009, the Company has entered into credit facilities agreements such as letters of credit with various banks for the Company's exports and imports totaling USD 1,596,828 thousand.

(c) In order to secure the guarantees provided by the banks for the borrowings and the performance of construction contracts entered into by the Company, the Company has provided 14 blank checks and notes as of December 31, 2009.

(d) The outstanding balance of note receivables, guaranteed by the importers' Government or others and sold to financial institutions with recourse is USD 25,747 thousand, equivalent to ₩30,062 million, as of December 31, 2009. Also, the Company's outstanding balance of trade receivables sold with recourse amounts to ₩5,622 million as of December 31, 2009.

(e) As of December 31, 2009, the Company is contingently liable for loan guarantees of its foreign subsidiaries and affiliated companies, amounting to USD 171,926 thousand and ₩28,584 million. The Company has provided certain performance guarantees for bareboat charters amounting to USD 519,657 thousand to ship owners on behalf of Hyundai Merchant Marine Co., Ltd. Also, the Company entered into joint shipbuilding contracts with Hyundai Samho Heavy Industries Co., Ltd. ("HSHI"), one of the Company's subsidiaries, for the construction of 11 ships at a contract amount of USD 1,439,211 thousand.

(f) In connection with the Company's contract performance guarantees, the Company has also been provided with guarantees up to ₩954,946 million and USD 13,597,564 thousand by various banking facilities.

(g) In an effort to alleviate fluctuations in future cash flows that would be incurred out of the timing difference between the receipt of the ship sales amounts and the payment of imported raw-materials, the Company has entered into currency forward contracts with 21 banks including Korea Exchange Bank. As of December 31, 2009, the valuation and gain (loss) on transaction of the forward contracts are as follows:

	(In millions of Won and in thousands of foreign currency)							
	Cash flow hedge		Fair value hedge		For trading		Total	
Contract amount								
	USD	796,663	USD	13,841,910	USD	1,030,357	USD	15,668,930
	EUR	30,922	EUR	14,425	EUR	91	EUR	45,438
	KRW	310,858	-	-	-	-	KRW	310,858
Adjustment to sales	₩	(416,726)		(1,876,890)		-	₩	(2,293,616)
Non-operating income (expense)		13,244		(193,670)		(324,392)		(504,818)

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

	Description			
	Cash flow hedge	Fair value hedge	For trading	Total
Other comprehensive income	49,180	-	-	49,180
Firm commitment asset	-	1,922,321	-	1,922,321
Firm commitment liability	-	186,335	-	186,335
Derivatives asset				260,103
Derivatives liability				2,126,587

As of December 31, 2009, the Company applies cash flow hedge accounting, out of which the Company accounted for the effective portion of the hedge amounting to ₩37,285 million (net of deferred income tax adjustment of ₩11,895 million) as gain on valuation of derivative in accumulated other comprehensive income (net of tax effect). The expected period of exposure on cash flow risk, where cash flow hedge accounting is applied, is approximately within 36 months, and the amount among gain on valuation of foreign exchange contract that is expected to be realized as addition to transaction gain or deduction from transaction loss within 12 months from December 31, 2009 is ₩46,136 million. The valuation of the ineffective portion of the hedge and the valuation of other derivatives to which cash flow hedge accounting is not applied, are reflected in current income.

In relation to the shipbuilding contracts in foreign currency as of December 31, 2008, the Company 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 ₩ (1,735,986) million and related gain and loss on valuation of the firm commitments were recorded as ₩342,587 million and ₩951,535 million, respectively, in non-operating income and expenses.

Gain and loss on derivatives transactions that mature within the current year are recorded as ₩292,504 million and ₩748,054 million, respectively in non-operating income and expense. Gain and loss on valuation of derivatives are recorded as ₩780,493 million and ₩220,813 million, respectively in non-operating income and expense.

In relation to valuation of derivatives that have not reached maturity, the Company accounted for derivative assets of ₩260,103 million and derivative liabilities of ₩2,126,587 million.

17. Litigations

(a) Hynix Semiconductor Inc. ("HSI") sold 13 million shares of Hyundai Investment Trust & Securities Co., Ltd. ("HITS") for USD13.46 per share to Canadian Imperial Bank of Commerce ("CIBC") on June 4, 1997. In relation to this transaction, the Company made a share option agreement with CIBC under which the Company was obligated to buy back the 13 million shares of HITS for USD16.96 per share, if CIBC exercised its option. Based on this agreement, the Company was provided a written promissory note from HSI and Hyundai Securities Co., Ltd. ("HSC") on July 1, 1997 to compensate the Company for losses incurred in connection with the transaction with CIBC under certain circumstances. Based on the above agreement, on July 20, 2000, the Company repurchased the 13 million shares from CIBC for USD 220,480 thousand. The Company required HSI and HSC to honor their written promissory note; however, HSI and HSC refused. Accordingly, the Company filed a lawsuit against HSI and HSC on July 28, 2000 and deposited the stocks repurchased from CIBC in Suwon District Court. On January 25, 2002, the Company partially won the litigation for the settlement of claim amounting to ₩171,800 million of principal and accrued interest thereon and recovered ₩220,933 million. However, the Company didn't accept the court's decision. Pursuant to the resolution of the board of directors on January 27, 2002, the Company filed an appeal claiming the whole amount of the principal and accrued interest. Also, the Company has filed a lawsuit for the advance payments and reimbursable expenses for 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 didn't 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 amount of ₩4,300 million principal and it is pending as of December 31, 2009. 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, 2009

(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 appealed the judgment to the National Tax Tribunal; however, it was dismissed (partially won). On April 27, 2009, the Company filed administrative litigation.

(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 to exercise IPIC's Deemed Offer (stock purchase option) against its 171,557,695 shares (70%) of Hyundai Oilbank. The Company also filed for arbitration at the International Court of Arbitration of the International Chamber of Commerce (hereafter "ICC"), in regard to IPIC's breach of contract and exercise of the deemed offer. The case is in progress according to the laws of the ICC and in the event that IPIC does not agree to the stock purchase, the offer will be determined by the arbitration judgment. 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, IPIC was ordered to sell its 171,557,695 shares (70%) of Hyundai Oilbank in the price of ₩15,000. However, IPIC didn't accept the arbitration decision and the Company has filed a lawsuit in Seoul Central District Court for the approval of the arbitration decision and enforcement claim, which was in progress as of December 31, 2009. The Company is expected to be able to acquire the shares of IPIC after the Court's decision.

18. Capital Surplus

Capital surplus as of December 31, 2009 and 2008 was as follows:

	Korean Won (In thousands)	
	2009	2008
Paid-in capital in excess of par value	₩ 843,324,390	₩ 843,324,390
Asset revaluation surplus	1,862,725,081	1,862,725,081
Other capital surplus	116,321,606	65,334,216
Capital surplus on valuation of equity method investments	47,207,001	47,207,001
	₩ 2,869,578,078	₩ 2,818,590,688

Other capital surplus is composed of ₩33,381 million of gain on disposal of investment in Hyundai Mipo Dockyard Co. Ltd., which was transferred to Hyundai Samho Heavy Industries Co., Ltd., ₩61,111 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.

19. Retained Earnings

(a) Retained earnings as of December 31, 2009 and 2008 were as follows:

	Korean Won (In thousands)	
	2009	2008
Appropriated:		
Legal reserve (A & C)	₩ 190,000,000	₩ 211,543,400
Reserve for corporate development (C)	30,000,000	30,000,000
Reserve for research and human development (B)	223,333,334	230,000,000
Reserve for facilities (B)	78,270,000	78,270,000
Other voluntary reserves (D)	3,835,852,998	1,850,645,368
Unappropriated retained earnings	2,146,488,800	2,256,664,849
	₩ 6,503,945,132	₩ 4,657,123,617

(b) 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 common stock or used to offset accumulated deficit, if any, through a resolution of shareholders.

(c) 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.

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

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

20. Capital Adjustments

(a) Treasury stock

As of December 31, 2009 and 2008, treasury stock was as follows:

	Korean Won (In thousands)	
	2009	2008
Treasury stock	₩ (1,463,972,001)	₩ (1,529,441,294)

The Company has been operating special money in trust for treasury stock amounting to ₩705,000 million since January 2000 for the purpose of stabilizing the share price of the Company, and canceled special money in trust as the amount of ₩122,000 million on October 17, 2003 and ₩270,000 million on November 3, 2003, respectively. In addition, pursuant to the resolution of the board of directors on September 24, 2009, the Company disposed of 687,746 shares to transfer into an employee stock ownership plan.

(b) Other capital adjustments

As of December 31, 2009 and 2008, other capital adjustments were as follows:

Korean Won (In thousands)

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

21. Dividends

(a) Proposed dividends for 2009 and 2008 are summarized as follows:

Korean Won (In thousands, expect par value)

Year	Description	Number of shares (*)	Par value	Dividend Rate	Cash dividend	Net income	Dividend to net income
2009	Common stock	60,621,202	₩ 5,000	70 %	₩ 212,174,207	₩ 2,146,488,795	9.88%
2008	Common stock	59,933,456	₩ 5,000	100 %	₩ 299,667,280	₩ 2,256,664,845	13.28%

(*) Net of 15,378,798 shares and 16,066,544 shares of treasury stock as of December 31, 2009 and 2008

(b) Yields to market price of proposed dividend for 2009 and 2008 are as follows:

Korean Won (In thousands, expect par value)

Year	Description	Dividend per share	Standard price (*)	Yield to market price
2009	Common stock	₩ 3,500	₩ 166,625	2.1%
2008	Common stock	₩ 5,000	₩ 201,750	2.5%

(*) Standard price was calculated based on the arithmetic mean of final price between 9 days prior to the closing date and 2 days prior to the closing date of shareholders' list.

22. Sales and Cost of Sales

(a) Sales and cost of sales, by major industry segment, for the years December 31, 2009 and 2008 were as follows:

Korean Won (In thousands)

	2009		2008	
	Sales	Cost of sales	Sales	Cost of sales
Shipbuilding	₩ 9,002,641,240	₩ 8,315,385,400	₩ 9,084,857,132	₩ 7,871,919,368
Offshore & Engineering	3,423,456,902	2,876,852,425	3,095,131,826	2,732,624,725
Industrial Plant & Engineering	1,897,902,597	1,607,475,797	1,374,441,667	1,317,494,596
Engine & Machinery	2,771,471,593	1,886,042,960	2,522,059,761	1,828,995,030
Electro Electric Systems	2,712,142,548	2,138,464,785	1,924,488,853	1,455,189,735
Construction Equipment	1,190,382,638	1,037,553,822	1,768,563,318	1,429,287,892
Others	144,199,218	135,667,732	187,538,324	176,477,670
	₩ 21,142,196,736	₩ 17,997,442,921	₩ 19,957,080,881	₩ 16,811,989,016

(b) The Company's outstanding contracts as of December 31, 2009 are summarized as follows:

Korean Won (In millions)					
	Shipbuilding		Others		Total
Beginning of period (*)	₩	33,280,785	₩	18,530,280	₩ 51,811,065
Increase during the period		546,329		12,928,505	13,474,834
Recognized as revenue in current income		(9,002,641)		(12,139,556)	(21,142,197)
End of period	₩	24,824,473	₩	19,319,229	₩ 44,143,702

(*) The balances of beginning of period were recalculated with appropriate exchange rate based on the backlog calculated in foreign currency rate at the end of 2008.

As of December 31, 2009, in connection with construction contracts, the Company has provided certain amount of financial institution guarantee deposits or letters of guarantees from various financial institutions to the customers (See Note 16).

(c) As of December 31, 2009, accumulated cost of construction and others connected with construction in progress by major industry segment was as follows:

Korean Won (In millions)												
	Accumulated cost of construction		Accumulated profit and loss		Advances on construction contracts		Accounts receivable		Billed receivables on construction contracts		Not billed receivables on construction contracts	
Shipbuilding	₩	13,193,570	₩	2,554,418	₩	5,381,389	₩	2,652,251	₩	53,967	₩	2,598,284
Offshore & Engineering		7,627,159		951,713		1,357,329		315,515		56,045		259,470
Industrial Plant & Engineering		5,190,294		375,126		844,828		131,851		9,163		122,688
Engine & Machinery		4,076,539		2,025,638		896,745		406,978		128,996		277,982
Electro Electric Systems		57,996		23,906		101,924		836,002		663,542		172,460
Construction Equipment (*)		-		-		759		239,941		239,941		-
Others (*)		-		-		504		544,869		544,869		-
	₩	30,145,558	₩	5,930,801	₩	8,583,478	₩	5,127,407	₩	1,696,523	₩	3,430,884

(*) 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 ₩15,280 million.

23. Income Taxes

(a) The Company was subject to income taxes on taxable income at the following normal tax rates.

Taxable income						Tax rate
Prior to 2008	Thereafter	Prior to 2008	2008	2009	Thereafter	
Up to ₩100 million	Up to ₩200 million	14.3%	12.1%	12.1%		11%
Over ₩100 million	Over ₩200 million	27.5%	27.5%	24.2%		22%

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

(b) Income tax expense for the years ended December 31, 2009 and 2008 was as follows:

Korean Won (In thousands)

	2009	2008
Current income tax	₩ 376,247,930	₩ 716,805,582
Changes in deferred income taxes due to temporary differences	786,712,935	(284,351,124)
Changes in deferred income taxes directly adjusted in equity	(661,386,425)	260,512,903
Income tax expense	501,574,440	692,967,361
Income before income tax	2,648,063,235	2,949,632,206
Effective income tax rate	18.9%	23.50%

(c) Details of changes in, and effects on income tax expense of, cumulative temporary differences for the years ended December 31, 2009 and 2008 are summarized as follows:

Korean Won (In thousands)

Description	2009		2008	
	Balance at January 1, 2009	Balance at December 31, 2009	Balance at January 1, 2008	Balance at December 31, 2008
Investment securities accounted for using the equity method (*1)	₩ (788,296,615)	₩ (1,177,392,317)	₩ (815,831,141)	₩ (788,296,615)
Loss on valuation of investment securities	74,558,133	66,610,466	74,558,133	74,558,133
Reserve for technology development	(223,333,333)	(446,666,667)	(230,000,000)	(223,333,333)
Allowance for doubtful accounts (*1)	158,039,183	98,663,216	146,465,573	158,039,183
Accrued income	(56,690,429)	(825,057)	(28,499,206)	(56,690,429)
Loss on valuation of receivables	-	(1,236,485,239)	859,903	859,903
Loss on valuation of short-term investment securities and others	859,903	-	-	-
Currency forward contracts	710,042,273	(196,074,996)	37,679,354	710,042,273
Other	395,956,287	(310,701,132)	67,906,967	395,956,287
	271,135,402	(3,202,871,726)	(746,860,417)	271,135,402
Tax rate		22.0% (24.2%)		22.0% (24.2%)
Deferred income tax assets, end of period		(707,748,426)		78,964,509
Deferred income tax assets, beginning of period		78,964,509		(205,386,615)
Changes in deferred income taxes on temporary differences		₩ (786,712,935)		₩ 284,351,124

(*1) The temporary difference amounting to ₩ (480,489) million, which were not recognized as deferred income tax asset is included.

(d) Deferred tax assets and liabilities that were directly charged or credited to capital adjustments as of December 31, 2009 were as follows:

Korean Won (In thousands)

	Tax effects
Capital surplus on valuation of equity method investments	₩ (16,278,296)
Capital adjustments on valuation of equity method investments	345,157
Gain (loss) on valuation of short-term and long-term investment securities	(150,814,023)
Changes in equity arising on application of the equity method	(71,908,150)
Negative changes in equity arising on application of the equity method	(37,616,832)
Loss on valuation of foreign exchange forward contracts	(113,087,528)
Loss on revaluation of land	(272,026,753)

(e) Deferred income tax assets (liabilities) as of December 31, 2009 were as follows:

	Korean Won (In thousands)		
	Current	Non-current	Total
Accumulated of temporary difference	₩ (68,934,457)	₩ (3,133,937,269)	₩ (3,202,871,726)
Tax rate	24.2%	22.0% (24.2%)	22.0% (24.2%)
Tax effects	(16,682,139)	(691,066,287)	(707,748,426)
Deferred income tax liabilities	₩ (16,682,139)	₩ (691,066,287)	₩ (707,748,426)

24. Statements of Comprehensive Income

Statements of comprehensive income for the years ended December 31, 2009 and 2008 were as follows:

	Korean Won (In thousands)	
	2009	2008
Net income	₩ 2,146,488,795	₩ 2,256,664,845
Other comprehensive income	2,251,127,210	(696,712,783)
Gain (loss) on valuation of short-term and long-term investment securities, net of tax effects of ₩(150,814,023) in 2009, ₩80,676,187 in 2008	534,950,242	(262,816,255)
Changes in equity arising on application of the equity method, net of tax effects of ₩(71,908,150) in 2009, ₩24,009,174 in 2008	263,582,652	(20,318,477)
Negative changes in equity arising on application of the equity method, net of tax effects of ₩(37,616,832) in 2009, ₩25,873,392 in 2008	133,368,767	(102,820,239)
Gain (loss) on valuation of financial derivatives, net of tax effects of ₩(113,087,528) in 2009, ₩98,642,390 in 2008	354,767,062	(310,757,812)
Gain on revaluation of land, net of tax effects of ₩(272,026,753) in 2009	964,458,487	-
Comprehensive income	₩ 4,397,616,005	₩ 1,559,952,062

25. Earnings Per Share

Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding for the years ended December 31, 2009 and 2008.

Basic income per share as of December 31, 2009 and 2008 was calculated as follows:

	Korean Won (In thousands, except per share information)	
	2009	2008
Net income	₩ 2,146,488,795	₩ 2,256,664,845
Weighted average number of outstanding common shares	60,118,111	60,435,234
Income per share	₩ 35,705	₩ 37,340

26. Transactions and Balances with Related Companies

(a) The Company is the ultimate holding company and its subsidiaries as of December 31, 2009 were as follows:

Controlled subsidiary	Particulars
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding
Hyundai Mipo Dockyard Co., Ltd.	Shipbuilding
Hyundai Finance Corporation	Granting of credit
Hyundai Venture Investment Corporation	Granting of credit
Hyundai Futures Corporation	Entrust and brokerage of futures transactions
HVIC IT Fund 3rd	Other financial intermediation
Hyundai Investment Fund 1 on Patent Technology	Other financial intermediation
Mipo Engineering Co., Ltd.	Other engineering services
Changzhou Hyundai Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
Hyundai Heavy Industries Europe N.V.	Sale of machinery equipment for construction
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
Hyundai Donganh Steel Tower Manufacturing Co., Ltd.	Manufacture of structural metal products
H.C.E U.S.A	Sale of machinery equipment for construction
Hyundai Heavy Industry Co., Bulgaria	Sale and manufacture of transformers
Vladivostok Business Center	Hotels
Hyundai Vinashin Shipyard	Repairing of ships
Yantai Hyundai Moon Heavy Industries Co., Ltd.	Sale and manufacture of industrial boilers
Hyundai Heavy Industry (China) Electric Co., Ltd.	Sale and manufacture of switch board for electric distribution
Hyundai Jiangsu Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
HHI China Investment Co., Ltd.	Holding company
Changzhou Hyundai Hydraulic Machinery Co., Ltd.	Sale and manufacture of hydraulic cylinders for construction equipment
Hyundai Technologies Center Hungary Kft	Research and development
Hyundai (Malaysia) SDN BHD	Trading
Hyundai S/V Indonesia	Maintenance and repair services for transformers
HHI Mauritius	Manufacturing
PHECO Inc.	Design services for offshore facilities
Hyundai-Enova Innovative Technical Center Inc.	Research and experimental development on technology
Hyundai Heavy Industries France SAS	Manufacturing
Hyundai Ideal Electric Co.	Sale and manufacture of industrial electric equipment
Taishan Financial Leasing Co., Ltd.	Financial lease and operating lease
Hyundai Construction Equipment India Private Ltd.	Sale and manufacture of machinery equipment for construction
Ulsan Hyundai Football Club Ltd.	Football club
HYMS	Sale and manufacture of machinery equipment for shipbuilding
KOMAS Corp.	Shipbuilding
HI Investment & Securities Co., Ltd	Securities brokerage
HI Management Co., Ltd	Asset management

(b) Significant transactions and outstanding balances with subsidiaries and affiliated companies within the Hyundai Heavy Industries Group of companies and former affiliated companies of Hyundai Group for the year ended and as of December 31, 2009 were as follows:

Korean Won (In thousands)

Related Party	Sales	Purchases	Receivables	Payables
Hyundai Samho Heavy Industries Co., Ltd.	₩ 682,817,635	₩ 145,554,894	₩ 226,965,074	₩ 7,885,456
Hyundai Mipo Dockyard Co., Ltd.	376,550,671	16,605,677	103,576,597	1,319,913
Hyundai Oilbank	21,292,725	38,527,697	18,833,949	142,415
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	96,743,148	1,276,672	32,697,541	190,077
Hyundai Heavy Industries Europe N.V.	45,661,768	6,620,451	14,113,307	636,812
H.C.E U.S.A.	48,693,759	2,484,023	10,443,125	155,979
Hyundai Jiangsu Construction Machinery Co., Ltd.	249,781,251	1,806,333	67,686,945	355,675
Yantai Hyundai Moon Heavy Industries Co., Ltd.	462,572	50,026,861	-	-
Hyundai Jiangsu Construction Machinery Co., Ltd.	5,108,149	16,821,692	3,348,536	529,437
HYMS	11,737,028	338,501,603	2,028,486	47,385,610
Hyundai Construction Equipment India Private Ltd.	35,826,708	226,150	26,865,630	60,929
Hyundai Ideal Electric Co.	7,212,532	283,375	2,886,604	275,816
	₩ 1,581,887,946	₩ 618,735,428	₩ 509,445,794	₩ 58,938,119

(c) The Company has entered into rental agreements (deposits received of ₩119 million) with Hyundai Mipo Dockyard Co., Ltd. and other affiliated companies as of December 31, 2009. In addition, the Company is contingently liable for loan guarantees and performance guarantees of construction contracts of Hyundai Samho Heavy Industries Co., Ltd. (HSHI) and other affiliated companies including joint construction contracts with HSHI (See Note 16).

(d) The Company has fully provided an allowance for receivable from Vladivostok Business Center amounting to ₩74,725 million as of December 31, 2009.

(e) Compensation for key management of the Company for the year ended December 31, 2009 was as follows:

Korean Won (In thousands)

	2009
Compensation for key management	₩ 1,324,978

Key management is defined as directors and internal auditors who have important rights and responsibilities involving the planning, operation, and control of the Company.

27. Assets and Liabilities Denominated in Foreign Currencies

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

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

Account	Currency	Foreign currencies		Korean won	
		2009	2008	2009	2008
Assets					
Cash and cash equivalents	USD	277,682	84,777	₩ 324,221,114	106,606,752
	EUR	261	1,568	436,968	2,785,069
	Others	-	-	25,287,818	23,354,869
Trade accounts and notes receivable	USD	3,366,566	2,695,452	3,930,802,482	3,389,531,038
	EUR	133,112	104,122	222,867,012	184,942,816
	Others	-	-	50,664,138	52,977,506
Accounts receivable - other	USD	69,816	65,852	81,516,735	82,808,521
	EUR	152	1,766	254,014	3,136,317
	Others	-	-	1,228,246	118,799
Long-term trade accounts and notes receivable	USD	67,131	66,164	78,382,153	83,200,909
Long-term financial instruments	USD	33,319	7,965	38,903,482	10,016,181
	EUR	1,993	3,079	3,336,687	5,469,733
	Others	-	-	1,718,940	2,539,770
				₩ 4,759,619,789	3,947,488,280
Liabilities					
Trade accounts and notes payable	USD	239,544	332,382	₩ 279,691,138	417,970,851
	EUR	29,624	41,649	49,598,089	73,977,828
	Others	-	-	29,068,430	47,487,173
Long-term borrowings	USD	4,489	2,929	5,166,671	3,314,633
Accounts payable - other and other liabilities	USD	197,281	247,260	230,345,491	310,929,310
	EUR	15,469	10,850	25,899,375	19,272,376
	Others	-	-	33,472,623	27,761,676
				₩ 653,241,817	900,713,847

28. Segment Information

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

(a) As of and for the year ended December 31, 2009

Korean Won (In thousands)

	Shipbuilding	Offshore & Engineering	Industrial Plant & Engineering	Engine & Machinery	Electro Electric Systems	Construction Equipment	Others
Sales	₩9,002,641,240	₩3,423,456,902	₩1,897,902,597	₩2,771,471,593	₩2,712,142,548	₩1,190,382,638	₩ 144,199,218
Operating income(loss)	532,372,130	462,688,727	245,456,361	808,516,177	453,102,965	(29,642,594)	(249,919,847)
Tangible and intangible assets	2,352,722,389	577,184,489	32,823,913	889,044,181	625,381,518	197,625,043	3,759,200,317
Depreciation	150,487,993	53,970,096	4,343,587	75,351,840	36,355,565	20,114,450	59,070,631

(b) As of and for the year ended December 31, 2008

Korean Won (In thousands)

	Shipbuilding	Offshore & Engineering	Industrial Plant & Engineering	Engine & Machinery	Electro Electric Systems	Construction Equipment	Others
Sales	₩9,084,857,132	₩3,095,131,826	₩1,374,441,667	₩2,522,059,761	₩1,924,488,853	₩1,768,563,318	₩ 187,538,324
Operating income(loss)	1,066,721,745	289,031,494	17,087,508	613,559,947	359,682,154	113,373,636	(253,283,549)
Tangible and intangible assets	2,080,340,057	579,487,564	36,788,853	777,695,653	385,703,693	179,427,270	2,412,806,969
Depreciation	(130,200,547)	(47,668,281)	(5,163,066)	(65,130,747)	(30,274,234)	(17,160,360)	(51,730,728)

29. Selling, General and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2009 and 2008 were as follows:

Korean Won (In thousands)

	2009		2008	
Wages	₩	284,957,403	₩	269,166,844
Accrual for severance benefits		20,692,285		30,127,495
Employee welfare		70,534,297		67,958,772
Advertising		37,384,930		37,636,684
Ordinary development expenses		72,727,985		79,443,398
Accrual for allowance for doubtful accounts		48,943,879		35,565,244
Depreciation		39,414,918		32,276,786
Service charges		87,083,387		75,339,184
Transportation		58,444,377		100,266,504
Sales commissions		54,544,572		39,665,555
After-service expenses		28,870,517		42,734,638
Others		118,581,346		128,737,826
	₩	922,179,896	₩	938,918,930

30. Financial Performance in the Last Interim Period

The financial performance for the three months ended December 31, 2009 and 2008 is summarized as follows:

Korean Won (In thousands, except for share amounts)

	2009	2008
Sales	₩ 5,331,696,473	₩ 6,050,872,596
Net income	721,318,978	867,323,996
Net income per share	11,899	14,471

31. The Company's Environmental Standards and Policies

The Company has adopted and implemented an environmental management system, run by its environmental management group, to effectively manage any environmental effects occurring as a result of its business activities. The Company obtained the 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, purchase, 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 has established and applies its own standards, which are twice as strict as current regulations for permissible exhaust standards in the Republic of Korea, to the operation of air exhaust facilities, control facilities and wastewater disposal plants that treat the polluted substances generated from its manufacturing processes. The Company maintains emissions below 20% of the legal mandate. In addition, the Company achieved a waste reclamation rate of 51% by minimizing the generation of waste and sorting garbage at the source. Also, to properly treat wastes, the Company operates an incinerator equipped with advanced emissions control equipment that has the capacity to treat 400 tons of waste per day.

32. Employee Welfare and Contributions to Society

For employee welfare, the Company granted scholarship funds of ₩53,785 million for the middle school, high school and college age children of employees and ₩9,804 million for medical benefits, such as health examinations and medical treatment, to its employees and their families during the year ended December 31, 2009. In addition, the Company provided 16,000 apartment units for employee housing, achieving a 94% housing-supply ratio. The Company also operates 7 culture welfare union halls and the Hyundai Arts Center, established in December 1998, to provide members of the community and its employees with various art and musical performances.

Korean Won (In millions)

	2009	2008
Expense for human development and discipline	₩ 13,596	₩ 22,538
Expense for social welfare facilities and religion donation	5,432	13,736
Donation for Social Overhead Capital and Government	83	22
	₩ 19,111	₩ 36,296

33. Value Added Information

Details of accounts included in the computation of value added for the years ended December 31, 2009 and 2008 were as follows:

	Korean Won (In millions)			
	2009		2008	
Income before income taxes		2,648,063		2,949,632
Salaries and wages	₩	2,472,399	₩	2,486,931
Financial expenses		(133,138)		(273,441)
Rent		25,289		24,926
Depreciation and amortization		399,694		347,328
Taxes and dues		16,026		17,718
	₩	5,428,333	₩	5,553,094

(*) Includes amortization and depreciation expense for assets not in use.

34. Non-cash investing and Financing Activities

Significant non-cash investing and financing activities for the years ended December 31, 2009 and 2008 are summarized as follows:

	Korean Won (In thousands)			
	2009		2008	
Transfer of long-term trade accounts to current assets	₩	42,918,226	₩	46,222,745
Transfer of construction-in-progress to plant assets		1,263,083,487		817,191,986
Investment in kind of equity method investments		-		130,724,418
Unrealized gain on valuation of available-for-sale securities		534,950,242		262,816,255
Capital surplus on valuation of equity method investments		-		4,897,333
Equity method treasury stock		-		11,234,489
Capital adjustment on valuation of equity method investments		1,223,737		106,791,729
Changes in equity arising on application of the equity method		263,582,652		20,318,477
Negative changes in equity arising on application of the equity method		133,368,767		102,820,239
Gain on valuation of financial derivatives		354,767,062		310,757,812
Gain on revaluation of land		964,458,487		-

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

(a) 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, 2009
Formation of the K-IFRS Establishment of the task force team and analysis of the likely effects of K-IFRS adoption	Complete the K-IFRS adoption plan by the end of 2010(Prepare 2010 comparative information and the 'explanation of transition to IFRS' called for under IFRS 1011 by the end of Q3 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 Q1 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 Q3 2010	Sep-Dec 200 - Completed the analysis of the scope of required changes to the system

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

Below is a list of notable differences between the financial statements as of and for the year ended December 31, 2009 as presented and as they would have been prepared under K-IFRS. The below list is not exhaustive, as in the future other unforeseen differences may appear as a result of future changes. In addition, the practical effect of some of the significant differences listed below may not be obtainable.

Area	K-IFRS	Current K-GAAP
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.
Property, plant, and equipment	The Company reviews residual value, estimated useful life and depreciation method at the end of fiscal year and any change is recognized as accounting estimation change.	Review process is not required. The change of depreciation method is recognized as accounting policy change and the change of residual value and useful life is recognized as accounting estimation change.
Allowance for doubtful accounts	An impairment gain or loss is recognized for financial instruments that are valued at acquisition cost after amortization such as accounts receivable and held-to-maturity securities if there is reliable evidence of impairment.	Based on reliable and reasonable standards, estimated bad debt expense is calculated for non-collectable account receivables and recognized as an allowance for doubtful accounts.
Equity method	Equity method is not applied to subsidiaries in the preparation of the consolidated financial statements. The Company applies the cost or fair value methods when preparing separate financial statements.	When consolidated financial statement is prepared, the equity method is applied to subsidiaries.

To the President of
Hyundai Heavy Industries Co., Ltd.

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ("IACS") of Hyundai Heavy Industries Co., Ltd (the "Company") as of December 31, 2009. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of IACS, the Company's management stated: "Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2009, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether the Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that the Report on the Operations of Internal Accounting Control System as of December 31, 2009 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2009. We did not review the Company's IACS subsequent to December 31, 2009. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

KPMG Sanjong Accounting

February 25, 2010

Notice to Readers

This report is annexed in relation to the audit of the non-consolidated financial statements as of December 31, 2009 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

**To the Board of Directors and Internal Auditor (Audit Committee) of
Hyundai Heavy Industries Co., Ltd.**

I, as the Internal Accounting Control Officer (“IACO”) of Hyundai Heavy Industries Co., Ltd (the “Company”), have assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) as of December 31, 2009.

The Company’s management, including IACO, is responsible for the design and operations of its IACS. I, as the IACO, have assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial statement preparation and presentation for external uses. I, as the IACO, applied the IACS Standards established by the IACS Operations Committee for the assessment of design and operations of the IACS.

Based on the assessment of the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2009, in all material respects, in accordance with the IACS Standards issued by the IACS Operations Committee.

January 28, 2010

Kim Seong-mo, Internal Accounting Control Officer

Lee Jai-seong, Chief Executive officer

OVERSEAS OFFICES

EUROPE

LONDON
2ND FLOOR, THE TRIANGLE, 5-17
HAMMERSMITH GROVE
LONDON, W6 0LG, UK
TEL : 44-20-8741-0501
FAX : 44-20-8741-5620

OSLO
HYUNDAI OSLO (LIAISON) OFFICE
RAADHUSGT. 20, 0151
OSLO, NORWAY
TEL : 47-2241-0920
FAX : 47-2242-6671

ATHENS
73, POSIDONOS AVENUE
175 62, PALEO FALIRO
ATHENS, GREECE
TEL : 30-210-428-2992~3
FAX : 30-210-428-2144

ROTTERDAM
FOLKERT ELSINGASTRAAT 7
3067 NW, ROTTERDAM
THE NETHERLANDS
TEL : 31-10-212-1567
FAX : 31-10-212-5134

MOSCOW
WORLD TRADE CENTER, ENT.
3# 1902, KRASNOPRESNENSKAYA
NAB.12, MOSCOW, 123610,
RUSSIA
TEL : 7-495-258-1381
FAX : 7-495-258-1382

NORTH AMERICA

NEW JERSEY
300 SYLVAN AVENUE
ENGLEWOOD CLIFFS
NJ 07632, U.S.A.
TEL : 1-201-816-4080~2
FAX : 1-201-816-4083

HOUSTON
1400 BROADFIELD, SUITE 110
PARK 10 CENTER, HOUSTON
TEXAS 77084, U.S.A.
TEL : 1-281-578-7097, 7802
FAX : 1-281-578-8317, 7330

ORLANDO
3452 LAKE LYNDA DRIVE
SUITE 170 ORLANDO
FLORIDA 32817, U.S.A.
TEL : 1-407-249-7350
FAX : 1-407-275-4940

PANAMA
AVE. SAMUEL LEWIS, EDIF
HSBC PISO NO. 12
OBARRIO, PANAMA CITY,
REP OF PANAMA
TEL : 507-213-7657~9
FAX : 507-213-7660

ASIA

TOKYO
8TH FLOOR, YURAKUCHO DENKI
BLDG.,1-7-1 YURAKU-CHO,
CHIYODA-KU, TOKYO 100-0006,
JAPAN
TEL : 81-3-3211-0742~4
FAX : 81-3-3211-2093

OSAKA
I-ROOM 5TH FLOOR NAGAHORI
PLAZA BLDG. 2-4-8 MINAMI
SENBA, CHUO-KU, OSAKA 542-
0081, JAPAN
TEL : 81-6-6261-5766~7
FAX : 81-6-6261-5818

SINGAPORE
7 TEMASEK BOULEVARD
#41-02, SUNTEC TOWER ONE
038987, SINGAPORE
TEL : 65-6337-2366
FAX : 65-6333-4680

MUMBAI
5TH FLOOR, EAST QUADRANT,
THE IL&FS FINANCIAL CENTRE,
PLOT NO. C-22, G-BLOCK,
BANDRA-KURLA COMPLEX,
BANDRA(E), MUMBAI 400 051, INDIA
TEL : 91-22-2653-3420~26
FAX : 91-22-2653-3429~30

ISTANBUL
DEREBOYU CADDESİ MEYDAN
SOKAK BEYBI GİZ PLAZA
KAT.8 NO. 30 MASLAK,
ISTANBUL, TURKEY
TEL : 90-212-290-2860~1
FAX : 90-212-290-2862

MIDDLE EAST

DUBAI
205, BUILDING 4, EMAAR
SQUARE, SHEIKH ZAYED ROAD,
POBOX 252458, DUBAI,
UAE
TEL : 971-4-425-7995
FAX : 971-4-425-7996

AFRICA

LUANDA
RUA LUCRECIA PAIM NO. 28/30
LUANDA, ANGOLA
TEL: 244-222-370-669, 692
FAX: 244-222-399-667

OVERSEAS INCORPORATED FIRMS

EUROPE

GEEL
(HYUNDAI HEAVY INDUSTRIES
EUROPE N.V.) VOSSENDAAL
11, 2440 GEEL, BELGIUM
TEL : 32-14-56-2211
FAX : 32-14-59-3405

SOFIA
(HYUNDAI HEAVY INDUSTRIES CO.
- BULGARIA) 1271, SOFIA 41
ROJEN BLVD, BULGARIA
TEL : 359-2-803-3200, 3220
FAX : 359-2-803-3203, 3242

PARIS
(HYUNDAI HEAVY INDUSTRIES
FRANCE SAS) RUE BEFFROY
17, 92200, NEUILLY-SUR-SEINE,
FRANCE
TEL : 33-1-4637-1761
FAX : 33-1-4637-1295

BUDAPEST
(HYUNDAI TECHNOLOGIES
CENTER HUNGARY LTD.) 1146,
BUDAPEST
HERMINA UT 22, HUNGARY
TEL : 36-1-273-3730, 3733
FAX : 36-1-220-6708

VLADIVOSTOK
(HOTEL HYUNDAI VLADIVOSTOK)
29, SEMENOVSKAYA STREET
VLADIVOSTOK, 690091, RUSSIA
TEL : 7-4232-40-7300
FAX : 7-4232-40-7007

NORTH AMERICA

CHICAGO
(HYUNDAI CONSTRUCTION EQUIP.
U.S.A. INC) 955 ESTES AVENUE
ELK GROVE VILLAGE, IL 60007,
U.S.A.
TEL : 1-847-228-8847, 8832
FAX : 1-847-437-3574, 3572

OHIO
(HYUNDAI IDEAL ELECTRIC CO.)
330 EAST FIRST STREET
MANSFIELD, OH 44902, U.S.A.
TEL : 1-419-522-3611
FAX : 1-419-522-9386

ASIA

BEIJING
(BEIJING HYUNDAI JINGCHENG
CONSTRUCTION MACHINERY CO.,
LTD.) NO. 2, NANLI, LUGUOQIAO
FENGTAI DISTRICT, BEIJING, CHINA
TEL : 86-10-8321-8347~8
FAX : 86-10-8321-1353
8321-4730 (Factory)

CHANGZHOU
(HYUNDAI (JIANG SU) CONSTR-
UCTION MACHINERY CO., LTD.)
288, HEHAI WEST ROAD, XINBEI
DISTRICT, CHANGZHOU
JIANGSU, 213022, CHINA
TEL : 86-519-519-1002, 1020
FAX : 86-519-519-1385 (Sales)
519-1089 (Admin)

CHANGZHOU
(CHANGZHOU HYUNDAI
HYDRAULIC MACHINERY CO.,LTD.)
326, HUANG HE WEST RD,
CHANGZHOU, JIANGSU, CHINA
TEL : 86-519-8302-1726
FAX : 86-519-8302-1710

YANGZHONG
(HYUNDAI HEAVY INDUSTRIES
(CHINA) ELECTRIC CO., LTD.) NO. 9,
XIANDAI ROAD, XINBA SCIENTIFIC
AND TECHNOLOGIC ZONE,
YANGZHONG, JIANGSU, P.R.C.
ZIP: 212212, CHINA
TEL : 86-511-8842-0666,0500
0212,0250
FAX : 86-511-8842-0668,0231

YANTAI
(YANTAI HYUNDAI MOON
HEAVY INDUSTRIES CO., LTD.)
No. 333 CHANGJIANG ROAD
YANTAI ETDA, SHANDONG, CHINA
TEL : 86-535-216-5800-1
FAX : 86-535-216-5810, 5830

SHANGHAI
(HII CHINA INVESTMENT CO., LTD.)
ROOM 2002, NORTH TOWER,
SHANGHAI STOCK EXCHANGE
BUILDING, #528, PUDONG SOUTH
ROAD, SHANGHAI, CHINA
TEL : 86-21-6880-0808
(ARS 201~203,208)
FAX : 86-212-6880-0608

SHANGHAI
(HYUNDAI FINANCIAL LEASING
CO., LTD.) ROOM 3301, CHINA
MERCHANTS TOWER,
#161 EAST LU JIA ZUI ROAD,
SHANGHAI, CHINA (200120)
TEL : 86-21-6888-0505
FAX : 86-21-5876-4027

SHANGHAI
(GRAND CHINA HYUNDAI
SHIPPING CO., LTD.) 8F YOU
YOU INTERNATIONAL PLAZA,
NO.76 PUJIAN ROAD, PUDONG
SHANGHAI, 200127
TEL : 86-21-5881-4784
FAX : 86-21-5881-4744

PUNE
(HYUNDAI CONSTRUCTION
EQUIPMENT INDIA PVT., LTD.)
PLOT NO. A-2, MIDC CHAKAN
PHASE - II, VILL.-KHALUMBRE.
PUNE 410 501, INDIA
TEL : 91-21-3530-1700
FAX : 91-21-3530-1712

AFRICA

ABUJA
(HYUNDAI HEAVY INDUSTRIES
CO. NIGERIA LTD.) 4th FLOOR
OAKLAND CENTER, PLOT 2940,
AGUIYI IRONSI STREET, MAITAMA,
ABUJA, NIGERIA
TEL : 234-803-544-2774 (M.P)

ABUJA
(NIKORMA TRANSPORT LTD.)
NO.7A CHAD CRESCENT,
MAITAMA, ABUJA, NIGERIA
TEL : 234-9-460-85503
234-803-775-6984 (M.P)

AFFILIATED COMPANIES

Business Line
Major Shareholder
Paid-In Capital

HYUNDAI MIPO DOCKYARD CO., LTD.
Shipbuilding, Conversion & Repairs
Hyundai Samho Heavy Industries Co., Ltd. (46.09%)
KRW 100,000 million

HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD.
Shipbuilding
Hyundai Heavy Industries Co., Ltd. (94.92%)
KRW 200,000 million

Business Line
Major Shareholder
Paid-In Capital

HYUNDAI FINANCE CORP.
Corporate Financing, Management Consulting
Hyundai Heavy Industries Co., Ltd. (67.49%)
KRW 91,500 million

HYUNDAI VENTURE INVESTMENT CORP.
Venture Fund Investments
Hyundai Finance Corp. (68.38%)
KRW 30,000 million

Business Line
Major Shareholder
Paid-In Capital

MIPO ENGINEERING CO., LTD.
Ship Design & Engineering
Hyundai Mipo Dockyard Co., Ltd. (100%)
KRW 1,400 million

HYUNDAI FUTURES CORP.
Overseas Futures & Options Brokerage
Hyundai Finance Corp. (65.22%)
KRW 23,000 million

Business Line
Major Shareholder
Paid-In Capital

WÄRTSILÄ-HYUNDAI ENGINE CO., LTD.
Manufacturing of Dual-Fuel Engines
Hyundai Heavy Industries Co., Ltd. (50%)
KRW 67,860 million

ULSAN HYUNDAI FOOTBALL CLUB
Professional Sports Club
Hyundai Heavy Industries Co., Ltd. (100%)
KRW 10,000 million

Business Line
Major Shareholder
Paid-In Capital

HYUNDAI HEAVY MATERIAL SERVICE
Manufacturing of Ship Components
Hyundai Heavy Industries Co., Ltd. (100%)
KRW 148,000 million

KOMAS
Shipping
Hyundai Heavy Industries Co., Ltd. (100%)
KRW 3,772 million

Business Line
Major Shareholder

HI INVESTMENT AND SECURITIES
Securities Services
Hyundai Mipo Dockyard Co., Ltd. (76.15%)

HI ASSET MANAGEMENT
Securities Services
Hyundai Mipo Dockyard Co., Ltd. (7.57%),
HI Investment and Securities (92.41%)
KRW 34,408 million

Paid-In Capital

KRW 118,726 million

Business Line
Major Shareholder
Paid-In Capital

HOTEL HYUNDAI
Hospitality
Hyundai Heavy Industries Co., Ltd. (100%)
KRW 400 million

TAEBAEK WIND POWER
Wind Power
Hyundai Heavy Industries Co., Ltd. (35%)
KRW 10,050 million

Business Line
Major Shareholder
Paid-In Capital

HYUNDAI CORPORATION
Trading
Hyundai Heavy Industries Co., Ltd. (22.36%)
KRW 111,649 million

CORPORATE DATA

Head Office
#1, Jeonha-dong, Dong-gu
Ulsan 682-792, Republic of Korea
Tel: 82-52-202-2114
Fax: 82-52-202-3432

Seoul Office
14th Fl. Hyundai Bldg
Gye-dong Jongno-gu
Seoul 100-793, Republic of Korea
Tel: 82-2-746-4603
Fax: 82-2-746-4662

Date of Establishment
December 28, 1973

Paid-in Capital
KRW 380 billion

Common Stock
76,000,000 shares

Number of Employees
24,982

General Shareholders' Meeting
March 12, 2010

Listing
Listed on the Korea Stock Exchange in
August 1999.
KSE Ticker: 009540

Investor Relations Team

General Manager: Kwon Ki-hyeong
(822-746-4729, kihkwon@hhi.co.kr)

Manager: Son Sung-min
(822-746-4728, smson@hhi.co.kr)

Associate Manager: Jang Jun-young
(822-746-4565, pidolijj@hhi.co.kr)

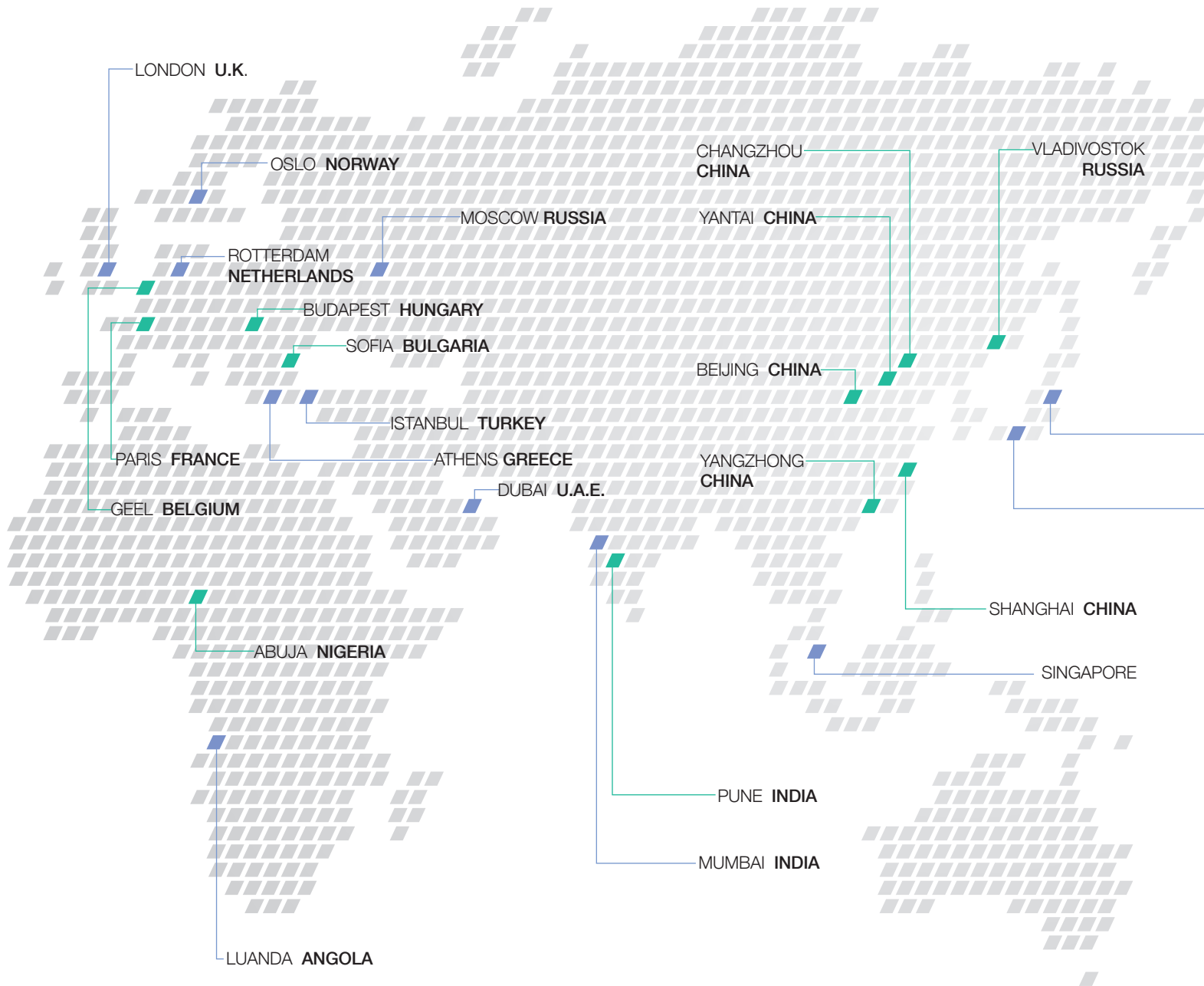
Assistant Manager: Yu Jae-hun
(822-746-4633, ujaehun@hhi.co.kr)

Assistant Manager: Choi Jung-in
(822-746-4775, junginchoi@hhi.co.kr)

Kim Min-young
(822-746-7415, kaya00@hhi.co.kr)

OVERSEAS OFFICES

INCORPORATED FIRMS





TOKYO JAPAN

OSAKA JAPAN

HOUSTON U.S.A.

PANAMA CITY
PANAMA

CHICAGO U.S.A.

NEW JERSEY U.S.A.

ORLANDO U.S.A.

OHIO U.S.A.

