Hyundai Heavy Industries
Annual Report 2008

Great Expectations

HYUNDAI
HEAVY INDUSTRIES CO.,LTD.

Table of Contents

Most companies are launched with high expectations. For Hyundai Heavy Industries, it would be no understatement to say that the expectations were great.

From the very outset, we set our sights on becoming the world's greatest shipbuilder. It was quite an ambitious goal considering we didn't have a shipyard or even a day of experience in the business when we booked our first order for two 260,000 dwt oil tankers in 1972. We built those tankers and our shipyard *simultaneously,* a situation that required us to get very creative when construction of the tankers got ahead of the yard. Even more remarkable was the fact that we had an order backlog of six ships before we made a single delivery.

Just two years after construction began in June 1974, we celebrated the completion of both the tankers and our Ulsan shipyard. It was an amazing start to a decade of explosive expansion and growth that propelled us to the top of the industry in orders and tonnage for the first time in 1983. Our great expectations had become a reality—one that has now lasted for 26 years.

Our expectations—and those of our stakeholders—have changed a lot over the years. But they have always been great, even when conditions or circumstances have made them seem improbable, if not impossible. Today, more than ever, we're committed to meeting—and exceeding—those expectations in fields far beyond shipbuilding. And if the past is any indication of the future, our legendary entrepreneurial spirit, combined with ingenuity and hard work, means that even greater things lie ahead.

Performance Overview

For the Year	2008 (in USD millions)	2008 (in KRW billions)	2007	2006
Sales	15,870.5	19,957.1	15,533.0	12,554.7
Gross Profit	2,501.1	3,145.1	2,556.9	1,581.3
Operating Income	1,754.4	2,206.2	1,750.7	878.9
Net Income	1,794.6	2,256.7	1,736.1	712.8
At Year-End				
Total Assets	20,103.7	25,280.4	16,798.7	12,996.1
Total Liabilities	15,654.2	19,685.2	11,351.0	8,675.3
Total Debt	2.6	3.3	189.0	186.9
Total Stockholders' Equity	4,449.5	5,595.2	5,447.7	4,320.8
Financial Indicators				
Liabilities-to-Equity	351.8%	351.8%	208.4%	200.8%
Debt-to-Equity	0.1%	0.1%	3.5%	4.3%
EPS in KRW	USD 29.69	37,340	27,778	11,053
EBITDA	USD 2,065.2 mn	2,597.0	2,142.6	1,257.6
EV/EBITDA (multiple)	4.9x	4.9x	14.1x	6.7x
ROA	8.9%	8.9%	10.3%	5.5%
ROE	40.3%	40.3%	31.9%	16.5%

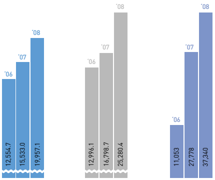
- Won amounts for FY2008 have been translated at KRW 1,257.50 per USD 1.00, the Seoul Money Brokerage Service Ltd. basic rate as of Dec. 31, 2008.
- EBITDA = Operating Income + Depreciation + Amortization
- EV = Total Market Capitalization + Net Debt (Net Debt = Total Debt - Cash & Cash Equivalents - Short Term Financial Instruments - Short Term Investment Securities)

Orders & Backlog

in USD billions

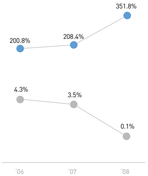
Orders	27.5	25.0	18.7
Backlog	48.3	40.7	31.4

Sales in KRW billions **Total Assets** in KRW billions **EPS** in KRW



Financial Stability Ratios

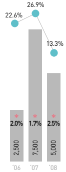
Liabilities-to-Equity Debt-to-Equity



Dividends Per Share

in KRW

Payout Ratio * Dividend Yield
Dividends Per Share



2008 HHI Share Performance vs. KOSPI

HHI KOSPI

COMMENTARY

After hitting an all-time high of 2,064.85 in October 2007, Korea's KOSPI stock index steadily declined throughout 2008 as the global financial crisis unfolded. The rapid rise of oil to over USD 145 per barrel, skyrocketing prices for grain, minerals, and other raw materials, bankruptcy concerns about major financial firms and automakers, and a deepening global downturn sent the bourse tumbling to the 1,000-point level in early October, a full 53% off the historic high set a year before. In December, the announcement of economic stimulus packages and cuts in key interest rates buoyed optimism about credit and money market liquidity, lifting the KOSPI to 1,124.47 at year-end, 39% lower than where it started.

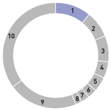
The global shipbuilding industry enjoyed robust order growth and top vessel prices through the first half of the year, only to see those prices fall and financing dry up as the financial crisis deepened in the second half. According to Lloyd's Register, total tonnage ordered in 2008 was 86 million gross tons, nearly 50% off its historic high of 170 million gross tons set in 2007. Just as our shares have dramatically grown in value in recent years as the industry has boomed, they also suffered as it contracted in 2008, closing the year 54% below where they started.

Stock Facts	2008	2007	2006
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	15,162	33,630	9,576
Share Price - High in KRW, Closing	409,000	528,000	144,000
- Low in KRW, Closing	103,000	123,500	65,400
- End in KRW, Closing	199,500	288,500	119,000
Foreign Ownership	14.8%	19.5%	22.1%
PER - High/Low/End	11.0x / 2.8x / 15.3x	19.0x / 4.4x / 10.4x	13.0x / 5.9x / 10.8x
Dividends Per Share in KRW	5,000	7,500	2,500
Payout Ratio	13.3%	26.9%	22.6%

2008 HHI Foreign Ownership & Share Price

Foreign Ownership Share Price

Shareholder Structure



1 Chung Mong-joon: 10.80%
2 KCC: 8.15%
3 Hyundai Mipo Dockyard: 7.98%
4 National Pension Service: 5.01%
5 Mirae Asset Investments: 4.50%
6 Hyundai Motor Company: 2.88%
7 Asan Foundation: 2.53%
8 Posco: 1.94%
9 Treasury Shares: 21.14%
10 Others: 35.07%

Our diversified business portfolio keeps tomorrow growing.

Anchored by our industry-leading shipbuilding business, our diversified business portfolio is one of the most balanced and synergistic in the heavy industrial sector. Each of our six divisions is a global innovator in their field, constantly thinking ahead to deliver products and solutions that keep tomorrow growing.

Division

Shipbuilding Division

Sales Growth
+20.2%

We are the world's No. 1 shipbuilder, a distinction we have held since 1983. Our highly advanced and efficient Ulsan shipyard on Korea's southeast coast is the world's largest with ten dry docks. In 2008, we built a record 102 vessels, accounting for over 11% of global deliveries. We have delivered 1,400 vessels to 245 shipowners in 46 countries to date.

Offshore & Engineering Division

Sales Growth
+39.3%

We are a world leader in offshore facility fabrication. We have handled over 160 turnkey EPIC projects to date for more than 30 oil and gas majors, including Total, ExxonMobile, BP, Shell, and Chevron. In 2008, we moved to significantly expand our fabrication capabilities with the construction of H Dock.

Industrial Plant & Engineering Division

Sales Growth
+35.2%

We are a global EPC contractor capable of designing, engineering, fabricating, procuring, and constructing a broad range of industrial plants anywhere in the world. Our success in the Middle East and Africa in recent years enabled us to book a USD 1.7 billion EPC contract in 2008—our largest to date—for the Al Dur IWPP project in Bahrain.

Engine & Machinery Division

Sales Growth
+53.3%

We are the world's No. 1 producer of marine diesel engines and turnkey propulsion systems with approximately 35% of the two-stroke engine market, a distinction we have held since 1988. We are also a leader in diesel power stations, helping developing countries cost-effectively meet their power needs. In 2008, we became the industry's first two-stroke engine maker to surpass the 80 million bhp production milestone.

Electro Electric Systems Division

Sales Growth
+32.4%

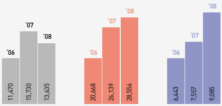
We are one of the world's top-10 suppliers of electrical generation, transmission, and distribution solutions as well as an emerging player in wind and solar power solutions. We are currently in the middle of a major expansion project that will boost our photovoltaic cell manufacturing capacity up to 330 MW annually by 2010.

Construction Equipment Division

Sales Growth
+17.0%

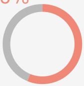
We are one of the world's top-ten manufacturers of quality construction equipment and industrial vehicles with state-of-the-art automated manufacturing facilities in Korea, China, and India. In 2008, our global sales and service network of roughly 500 dealers in 110 countries delivered over 32,700 pieces of equipment.

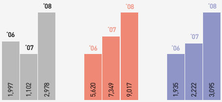
Orders & Backlog in USD millions **Sales** in KRW billions | **Major Products** | **Proportion of Sales**



- 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

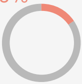
45.5%

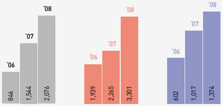




- Floating Units: FPSOs, FPUs, TLPs, Semi-Submersible Units
- Fixed Platforms: Topsides, Jackets & Piles, Jack-ups, Modules & Quarters
- Pipelines & Subsea Facilities: Subsea Pipelines
- Offshore Installations: Platforms, Pipelines

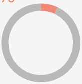
15.5%

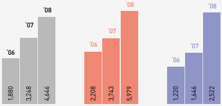




- Power Plants: Combined-Cycle, Cogeneration, and Thermal Power Plants
- Process Plants: Oil and Gas, Refinery, Tank Farm, GTL, and LNG Facilities

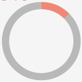
6.9%

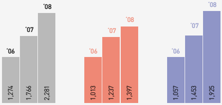




- Two- and Four-Stroke Diesel Marine Engines
- HiMSEN Diesel Engines • Propellers and Crankshafts
- Marine Steam Turbines and Turbochargers
- Diesel and Gas Power Plant Engines
- Industrial and Marine Pumps • Marine Thrusters
- Industrial Robots
- Presses, Conveyor Systems, and Steel Strip Process Lines

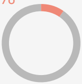
12.6%

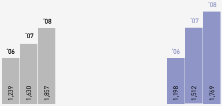




- Transformers
- Gas Insulated Switchgear
- Switchgear
- Low- and Medium-Voltage Circuit Breakers
- Rotating Machinery
- Power Electronics and Control Systems
- Solar Power Systems • Wind Power Systems

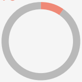
9.6%





- Excavators
- Wheel Loaders
- Forklifts
- Skid Loaders

8.9%



Min Keh-sik
Vice Chairman & CEO/CTO

To Our Valued Stakeholders,

At Hyundai Heavy Industries, we believe that greatness in any business begins with consistently meeting—and exceeding—expectations over time. It gives us great pleasure to say that we once again exceeded expectations as we set new records for both orders and sales in 2008. While we fell slightly short of our ambitious order target, we still grew orders by 9.8% to USD 27.5 billion. Our robust multi-year orderbook helped us easily surpass our sales target as we grew sales 28.5% to nearly KRW 20 trillion. Despite volatile exchange rates, soaring raw materials prices and the global credit crunch that hit late in the year, our solid business portfolio, technical leadership, and labor-management relations enabled us to post an operating income of KRW 2,206.2 billion and net income of KRW 2,256.7 billion, respective increases of 26% and 30%. We also continued to strategically lay the foundation for future growth during the year as investments in our new Gunsan shipyard and Eumseong photovoltaic cell and module plant proceeded on schedule.

Looking ahead into 2009, virtually every sector of the global economy faces unprecedented uncertainty and the prospect of even tougher competition as industry overcapacity worsens in the current downturn. That said, our record 2008 order performance combined with a robust three-plus-year orderbook puts us in a strong position to ride out the challenges before us. Overall, we expect each of our six major businesses with the exception of construction equipment to deliver solid sales growth in the coming year. We are aiming for orders of USD 21.1 billion and sales of KRW 2,287.6 billion as we invest KRW 1,430 billion in capital expenditures to expand our shipbuilding and nascent alternative and renewable energy businesses.

Given the formidable challenges that lie before us, we have set three strategic directions to guide us as we pursue continued growth in the coming year.

Our first focus will be on improving our operating structure. We will be firmly breaking from the high-overhead structure and business practices that taken root during our growth-centric business expansion of the past few years. In addition to limiting expenditures on organization, personnel, and investments to the absolute essentials, we will be sharpening competitiveness by taking aggressive steps to reduce costs based on a top-to-bottom analysis of our cost structure.

Choi Kil-seon
President & CEO

Our second focus will be on ensuring our organization is capable of responding to whatever challenges lie ahead. In addition to keeping a close eye on emerging businesses and product markets to get a competitive jump on those new opportunities, we will be working closely with existing customers to ensure we keep their business. We will also be looking for creative ways to optimize our current production and material procurement systems for the current business climate as we sharpen our competitiveness by focusing on effectively managing the risks and opportunities of today's volatile currency exchange and raw materials markets.

Our third focus will be on ensuring we provide a safe and rewarding workplace for our people. We will be stepping up our workplace health and safety initiatives as we continue to adopt and implement strict work standards and regulations. Guided by a spirit of excellence and labor-management unity, we will also continue to foster a proactive and progressive corporate culture that will help our people achieve their full potential as we strive to live up to the highest standards of corporate citizenship.

In closing, we would like to thank you again for your interest in Hyundai Heavy Industries. We have faced many business ups and downs since our founding in 1972, overcoming every challenge that has come our way. We are confident that the strong bonds of unity and cooperation we have forged with labor over the years will enable us to wisely weather the present difficult business environment and emerge stronger than ever in the years ahead. Whether you are an investor, customer, partner, employee, or community member, we would be honored to have you on board with us in 2009 as we continue to create new value that will satisfy great expectations around the globe.

Min Keh-sik
Vice Chairman & CEO/CTO

Choi Kil-seon
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 thirteen meetings in 2008.

About the Board Committees

Audit Committee

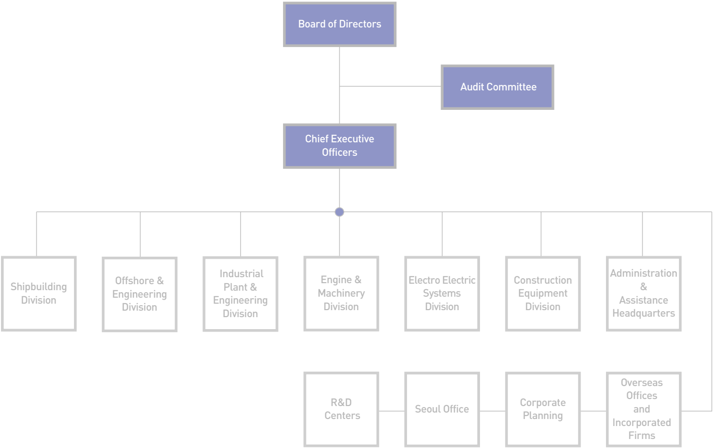
The Audit Committee is a standing committee composed of three outside directors. Its responsibilities include (1) deciding on matters related to shareholders' meetings such as the calling of interim shareholders' meetings and setting forth its views on the agenda and the documents to be presented; (2) 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 three meetings in 2008.

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.

Board of Directors

Inside Directors	**Min Keh-sik** Vice Chairman & CEO/CTO	**Choi Kil-seon** President & CEO	**Lee Jai-seong** Senior EVP and Chief of Administration & Assistance Headquarters	
Outside Directors	**Park Jin-won** Attorney of Shin & Kim Law Firm	**Lee Jae-kyu** Dean of KAIST EEWS Initiative, Professor, Graduate School of Management, KAIST Business School	**Park Young-june** Professor, Electrical Engineering and Computer Science, Seoul National University	**Lee Man-woo** Professor, Business Administration, Korea University
Audit Committee		**Lee Man-woo**	**Park Jin-won**	**Lee Jae-kyu**
Outside Director Nominating Committee		**Lee Jai-seong**	**Park Jin-won**	**Park Young-june**



Executive Officers

Min Keh-sik
Vice Chairman & CEO/CTO

Choi Kil-seon
President & CEO

Lee Jai-seong
Senior EVP and Chief of Administration & Assistance Headquarters

Lee Soo-ho
Senior EVP and Chief Financial Officer

Choe Weon-gil
Senior EVP and COO of Shipbuilding Division

Oh Byung-wook
Senior EVP and COO of Offshore & Engineering and Industrial Plant & Engineering Divisions

Yoo Seung-nam
Senior EVP and COO of Engine & Machinery Division

Kim Young-nam
Senior EVP and COO of Electro Electric Systems Division

Choe Byeong-gu
EVP and COO of Construction Equipment Division

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

Our Vision

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.

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

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

2 Network Building

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

3 Operational Innovation

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

4 Production Optimization

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

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

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 enhance corporate value by continually growing.

- We actively seek out and cultivate businesses with growth potential.
- We secure core capabilities essential to future growth.
- We build flexible business management systems.
- We build a solid global business organization.

2 We uphold fair and transparent business practices.

- 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.

True greatness doesn't come overnight. It takes vision and ingenuity. It learns from its successes, and its mistakes. It may face setbacks, but it never gives up. And as it grows, it accomplishes amazing things.

Greatness Defined

Foundations

Greatness begins with the basics—vision, ingenuity, and hard work.

Where greatness starts

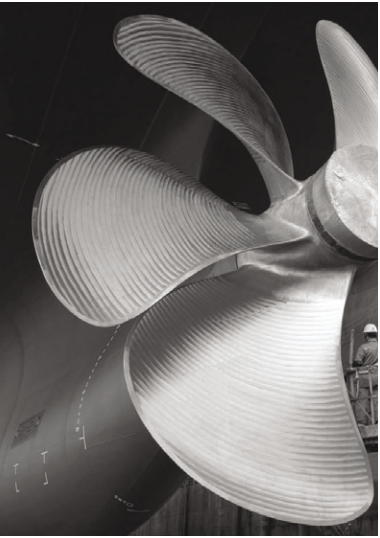
At Hyundai Heavy Industries, we started out with little more than a vision, lots of ingenuity, and a willingness to work hard. These were the driving forces that helped us rise from obscurity to world's No. 1 shipbuilder in little more than a decade. Twenty-six years on, we're stronger than we have ever been before. And that solid foundation has opened doors for growth and leadership in dozens of related and new fields over the years.

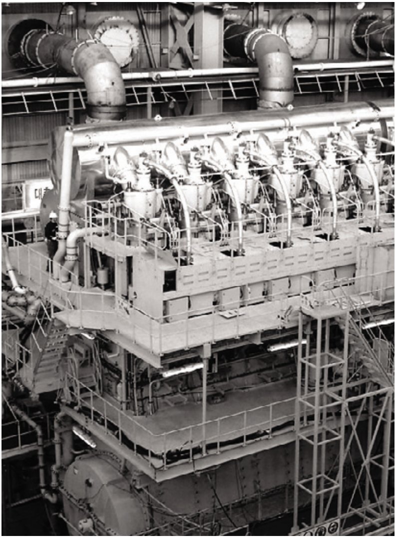
Leadership

Greatness finds success and strength in balance.

How greatness grows

At Hyundai Heavy Industries, our leadership has grown far beyond shipbuilding. Today, we're recognized as a global player in five other broad business fields, including offshore oil and gas production facilities, power and process plants, diesel engines and industrial machinery, electronic and electric systems, and construction equipment. It's a portfolio of businesses that is both diversified and synergistic, keeping us remarkably resilient to changing business conditions and markets.






Possibilities

Greatness looks beyond today to transform tomorrow.

Where greatness leads

At Hyundai Heavy Industries, we believe that the future is full of possibilities. Today, we're pursuing opportunities for vertical integration in the shipbuilding value chain ranging from investments and partnerships in raw materials and key components, to ship financing and shipping services. We're also aggressively ramping up our solar and wind power businesses as we aim for leadership in these emerging alternative and renewable energy industries.

True greatness has real substance. It isn't shallow and narrow. It's deep and wide. It excels when times are good, and when they aren't. And as it grows, it doesn't just lead—it transforms.

Greatness at Work

Shipbuilding Division

MSC Ivana Containership Delivery
In December 2008, we completed our largest shipbuilding project to date. Ordered by MSC of Switzerland back in 2006, this 11,700 TEU very-large containership is 363 m long, 45.6 m wide, and 29.7 m tall. To put this size in perspective, the deck is roughly the size of four end-to-end football pitches. It is powered by a 92,047 bhp engine, and has a service speed of 25.4 knots.

Ships of the Year
Our 60,000 cum LPG carrier Clipper Mars (pictured above), 11,700 TEU containership MSC Ivana, and 6,500 TEU containership NYK Theseus were recognized as among the best ships of 2008 in annual selections made by industry journals *Maritime Reporter*, *Marine Log*, and *Naval Architect*. We have now had a total of 40 vessels recognized over the past 26 years, including at least one vessel each year since 1983.

World's First T-Shaped Dry Dock
In January 2009, we completed a unique expansion project at Dock No. 1 that created the world's first T-shaped dry dock. The project increased dock workspace by roughly 25% by creating a 165 m long, 47 m wide addition to the central section of the dock. Using tandem construction methods, the expansion gives us the ability to double annual dock turnover from four 10,000 TEU-class containerships to eight.

Greatness always finds opportunity in adversity. In 2008, we boosted our global shipbuilding market share from 7% to 11% despite a nearly 50% drop in newbuild demand.

2008 Overview

While the global shipbuilding industry enjoyed relatively smooth sailing in the first half of 2008, the market hit rough seas starting in September as the global credit crisis swept the globe, freezing markets in its wake. According to Lloyd's Register, the global industry booked 86.4 million gross tons (mgt) in 2008, a drop of nearly 50% from the previous year's record high of 170 mgt. Despite this large decrease, industry orders for the year came in significantly above the 78 mgt annual average for orders booked since 2000.

While the Korean shipbuilding industry continued to rank No. 1 globally in 2008 with a steady 40% market share, Chinese shipbuilders lost momentum and slipped three percentage points to 33% as orders for bulk carriers plummeted. Very-large crude carriers were the only class of vessel to experience order growth in 2008, rising from 37 vessels totaling 1.6 mcgt to 107 vessels totaling 4.7 mcgt. Orders for bulk carriers and containerships both saw sharp declines. While robust demand and rising steel plate costs through mid-year drove vessel prices to new highs, those prices began to soften in the fourth quarter as demand fell.

At Hyundai Heavy Industries, orders for VLCCs, containerships, and Capesize bulk carriers were robust through the first three quarters of the year before falling sharply in the fourth. We increased our global market share from 7% to 11% as we booked USD 13.6 billion in orders for the year, about 13% lower than our record-setting USD 15.7 billion performance in 2007. Tankers led the way in 2008, accounting for 34% of total orders, followed by containerships with 30% and bulk carriers with 16%. We also followed up our first drillship order in 2007 with orders for two more, allowing us to gain further production efficiencies. At year end, our orderbook stood at 350 vessels worth USD 28.6 billion, enough work to keep us operating at full capacity through 2011.

2009 Outlook

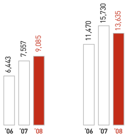
The shipbuilding industry outlook for 2009 is uncertain but bleak given the current global economic downturn, credit crunch, and stagnant ocean shipping market. Tankers look to be the ship category least affected by the current conditions, and we expect to see new orders from end-user clients such as state-run shipping lines and oil majors. We also anticipate the tender of several major LNG carrier projects that have been delayed in recent years from Russia and Nigeria as well as new orders for LNG floating production, storage and offloading (FPSO) and floating storage and regasification units (FSRU) as well as other specialty vessels.

Given the current challenging global economic climate and newbuild market, the shipbuilding industry appears to be headed into a period of restructuring and polarization. Tight credit and an unfavorable outlook for the shipping industry make it likely that some clients will request existing orders be delayed or, in some cases, cancelled. The inevitable restructuring that lies ahead will further broaden the gap between leading shipbuilders and greenfield yards, particularly those that have overinvested in facility expansion. On a more positive note for the industry as a whole, restructuring will, over time, help resolve nagging concerns about oversupply as well as provide an opportunity for the industry to return to balanced, sustainable growth based on the long-term fundamentals of the shipping and shipbuilding markets.

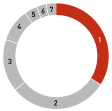
Considering the serious challenges to growth mentioned above, our first priority in 2009 will be on boosting profitability as we rely on our strong three-year order backlog to get us through the current downturn. We will be actively pursuing a variety of cost-reduction initiatives as we take advantage of falling steel plate prices and opportunities to improve productivity. Irrespective of the current environment, we believe that our industry leading quality and engineering capabilities give us a formidable competitive advantage that will keep us at the forefront of global shipbuilding, whatever course the industry may take in the years ahead.

Sales
in KRW billions

Orders
in USD millions

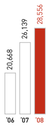


2008 Order Breakdown
by Value

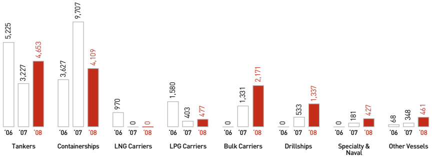


1. Tankers: 34%
2. Containerships: 30%
3. Bulk Carriers: 16%
4. Drillships: 10%
5. LPG Carriers: 4%
6. Specialty & Naval: 3%
7. Other Vessels: 3%

Backlog
in USD millions



2006~2008 Orders by Ship Type
in USD millions

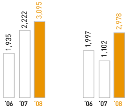


Offshore & Engineering Division

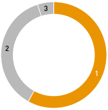
Akpo FPSO Sail Away
In June 2008, we turned over this completed turnkey vessel to Total Upstream Nigeria. Measuring 310 m long, 61 m wide, and 31 m high, the FPSO has a crude oil storage capacity of 2 mmbbl and can process 185,000 bopd of oil and 530 mmscfd of gas. Ordered back in 2005, it began operations in March 2009 at OML 130 in 1,325 m of water about 150 km south of Port Harcourt, Nigeria.

Sales in KRW billions

Orders in USD millions



2008 Order Breakdown
by Value



1. Floating Units: 58%
2. Fixed Platforms: 37%
3. Subsea Pipelines: 5%

Greatness fosters loyalty. In 2008, we booked our second FPSO and fifth project to date from Total as we attracted record orders from the biggest names in energy exploration and production.

2008 Overview

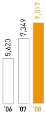
Despite the financial crisis that swept the globe in the second half of 2008, global capex by the energy exploration and production industry rose approximately 11% to USD 418 billion. The industry trend toward large-scale deepwater floating production units and fixed platforms kept the offshore facility market growing briskly, with global orders reaching USD 75 billion in 2008. Increased deepwater oil field development boosted overall demand for floating facilities as rising demand for medium-size FPSO newbuilds and conversions outpaced slowing demand for large FPSO newbuilds. In the latter part of the year, we began to receive inquiries from the LNG industry about floating production units as well as large-scale onshore modules. The pipeline industry saw brisk demand, led by oil field expansion and pipeline replacement projects across the Middle East and India. The drilling rig newbuild market also continued to enjoy steady growth.

At Hyundai Heavy Industries, we far surpassed all 2008 targets as we booked record orders of USD 2.98 billion for a spectacular 170% year-on-year increase and set a new sales record of nearly KRW 3.1 trillion. A steady stream of offshore facility orders for floating production units and fixed platforms kept our production yard busy. We clinched the ultra-large Usan FPSO unit order from Total—our fifth offshore production facilities order to date from that French oil major. Our proven expertise and capabilities on major offshore projects such as these firmly position us to win follow-on projects across Southeast Asia and Australia in the coming years.

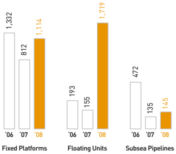
Yadana Medium Compression Platform Installation
In March 2008, we completed the installation of this 6,752-ton MCP project ordered by Total E&P Myanmar back in 2005. Located in 45 m of water, the platform connects to land at Kanbauk, Myanmar by a 344 km pipeline.

H Dock Completion
In February 2009, we completed our first dry dock dedicated to the building of FPSOs and other floating vessels. Built over a period of 15 months, the 490 m long, 115 m wide, 13.5 m deep dock is equipped with two 1,600-ton gantry cranes and is designed to handle vessels up to a million tons.

Backlog
in USD millions



2006~2008 Orders by Project Type
in USD millions



2009 Outlook

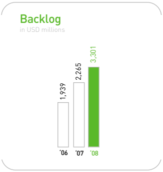
With weak oil prices and the global credit crunch complicating project financing, global capex for the energy exploration and production industries is expected to contract for the first time since 2002. International investment bank Barclays Capital forecasts that global capex will fall 12% to around USD 400 billion based on a survey of 357 exploration and production firms from around the world. Despite this general downturn, steadily growing global demand for energy will continue to drive deepwater oil field development in Africa and South America, keeping demand for FPSOs steady. Over the next five years, market forecasts estimate a total of 123 to 149 FPSS, FPU, FPSO, and other floating vessels and platforms worth USD 43 billion will be ordered, including conversions, leases, and new-builds.

In 2008, we neared completion of our first dry dock and added a second 1,600-ton gantry crane as we continued to strategically upgrade our competitiveness. H Dock measures 490 m long by 115 m wide with over 56,000 sqm of workspace, allowing us to build FPSOs and other large vessels with load capacities up to 1 million tons. These unrivaled fabrication capabilities will significantly enhance our competitiveness and profitability across-the-board by shortening fabrication times, boosting productivity, and improving safety, enabling us to flexibly respond to changes in the marketplace. Together with our advanced installation capabilities, they will also enable us to aggressively pursue and win EPIC (engineering, procurement, installation, commissioning) offshore production projects anywhere in the world.

Looking ahead to 2009 and beyond, we will be tailoring our product offerings to meet the specific requirements of each region, product type, and client to ensure we deliver the highest level of client satisfaction. We will be breaking new ground in the LNG field with on-ground module fabrication and floating units as we continue to actively partner with clients to develop new solutions for the offshore industry. We will be building partnerships with local production yards around the world to enhance competitiveness as well as to meet local content and other specific client requirements. We will also be expanding leasing of idle pipeline installation vessels and equipment for local and regional projects to further enhance our bottom line.

Industrial Plant & Engineering Division

Marafiq IWPP Project
In June 2007, we won a USD 1.07 billion EPC contract to build the power plant portion of the largest independent power and water plant project to date in the Middle East. Scheduled to begin commercial operations in 2010, the USD 3.5 billion Marafiq IWPP project in Saudi Arabia's Jubail Industrial City will have a 2,750 MW gas-fired combined-cycle power plant and a 176 migd multiple-effect distillation desalination plant.



Greatness thinks big. In 2008, we booked our largest order yet by winning a USD 1.76 billion EPC contract to build the first phase of Bahrain's Al Dur IWPP project.

2008 Overview

Orders for major energy and infrastructure projects continued to boom in the Middle East during the first half of 2008, buoyed by record-high oil prices. However, the dramatic fall of oil prices and global financial crisis that hit in the second half of the year brought project tenders to a virtual standstill in the fourth quarter. Demand for combined-cycle power plants steadily grew across the region. Similarly, demand for oil and gas plants continued to grow as rising demand for energy brought a number of large-scale energy development projects to the drawing board.

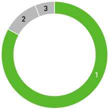
At Hyundai Heavy Industries, our world-class technical and construction capabilities in the EPC combined-cycle power plant field helped us grow orders 35% in 2008 to USD 2.07 billion. In September, we significantly raised our profile in Middle East desalination and power markets when we were selected as the EPC contractor for the Al Dur IWPP project in Bahrain, our largest contract to date worth USD 1.76 billion. Scheduled for commissioning in 2011, the Al Dur project includes a 1,245 MW gas-fired combined-cycle power plant and a 220,000 ton-per-day reverse-osmosis desalination plant. Overall, this strong order performance combined with a robust orderbook helped us boost sales more than 35% to KRW 1,374.4 billion as we continued to lay a solid foundation for future growth.

Ahmadi Crude Oil Export Facility Project
We are now in the final stages of this USD 1.2 billion EPC project to upgrade and expand Kuwait Oil Company's crude oil export facilities at Al Ahmadi Port. The contract includes an 11.4 million barrel storage facility with 19 tanks, offshore pipelines, gravity lines, metering systems, and CALM buoys.

Al Dur IWPP Project
In September 2008, we won a USD 1.7 billion EPC contract from Suez Energy International and Gulf Investment Corporation to build the first phase of what is expected to be a four-phase IWPP development in Al Dur, Bahrain. Scheduled to begin operations in 2011, the Al Dur project will include a 1,245 MW gas-fired combined-cycle power plant and a 48 migd reverse-osmosis desalination plant.

2008 Order Breakdown

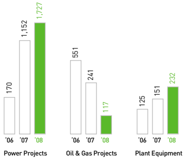
by Value



1. Power Projects: 83%
2. Plant Equipment: 11%
3. Oil & Gas Projects: 6%

2006~2008 Orders by Project Type

in USD millions



2009 Outlook

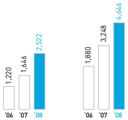
While the prospects for independently funded power and water projects in the Middle East in 2009 are uncertain, public sector and other government-led projects are expected to move forward on schedule. With population growth and industrialization increasing energy demand by 3% to 10% annually in markets across the region, power plant projects will necessarily continue to come up for tender. Although new oil and gas plant projects are expected to drop slightly due to lower oil prices and tight credit markets, projects already on the drawing board are expected to move ahead. The gas field is one area in which projects are expected to selectively proceed to meet steadily rising demand.

Given the ongoing nature of the global financial crisis, we'll be aggressively pursuing new business opportunities, relying heavily on our proven engineering capabilities and expert knowledge of emerging growth markets worldwide. In the power plant field, we'll be leveraging our experience on major power projects in Saudi Arabia as well as our strong name recognition in the Middle East as we focus on winning profitable large-scale projects across the region. We'll also be stepping up collaboration with our turbine, boiler, and other main equipment suppliers and partners, working closely together from the initial market survey phase to maximize our opportunities for success. In the oil and gas field, we'll be leveraging our extensive portfolio of successful energy projects across the Middle East and in Nigeria as we target upcoming oil and gas and tank farm projects in Arab Gulf markets with ambitious expansion plans such as Saudi Arabia and the UAE. We'll also be stepping up efforts to sharpen our engineering and construction capabilities and strengthen partnerships with local firms and industry leaders as we position ourselves to compete and win in today's challenging marketplace.

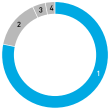
Engine & Machinery Division

Global Engine Powerhouse
In 2008, we were once again the world's largest maker of diesel engines (7K80ME-C9 pictured) in terms of total horsepower, producing a combined total of 14.67 million bhp. We are currently in the process of expanding our production capacity to 700 two-stroke and 2,500 four-stroke engines annually, the equivalent of 20 million bhp and 6.5 million bhp respectively by 2010.

Sales in KRW billions | **Orders** in USD millions



2008 Order Breakdown
by Value



1. Marine Engines: 79%
2. Power Plant Engines: 14%
3. Robotic Systems: 4%
4. Industrial Pumps: 3%

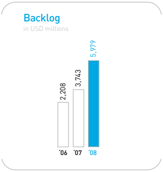
Greatness is powerful. In 2008, we produced marine and power plant engines totaling over 14.6 million brake horsepower as sales surged by over 50%.

2008 Overview

The global shipbuilding sector saw orders fall nearly 50% in 2008 as the global credit crisis knocked the wind out of the industry's sails in the final quarter of the year. Despite the huge decline in new ship orders, the industry's long order-to-delivery cycle largely insulated the marine engine industry from the immediate impact of the downturn as engine orders for 2010 ship deliveries held steady for the year. In sharp contrast, the diesel power plant sector continued to boom, benefitting from strong demand in developing markets across Latin America and Africa as well as Iraq, where post-war reconstruction is in full swing. The machinery sector also continued to enjoy robust demand for industrial pumps in Middle East power and desalination markets and industrial robots from automakers in the Czech Republic, India, and China.

At Hyundai Heavy Industries, our timely production capacity expansions in recent years and strong demand for marine and power plant engines enabled us to grow orders 43% as we booked a record USD 4.65 billion in new contracts. Our marine engine business once again captured 35% of the global and 60% of our home market as orders jumped 35% to reach USD 3.65 billion, riding a surge of turnkey ship propulsion system orders from mid-size local shipyards as well as new yards in China and Turkey.

Our power plant engine business had a breakout year in 2008, boosting orders 130% to USD 675 million. Building on a string of successful deliveries of packaged power stations (PPS)—containerized diesel generator sets—to Cuba approaching USD 1 billion over the



past few years, we won orders from 13 nations across Latin America, the Middle East, and Africa—including, Brazil, Nicaragua, Haiti, Iraq and Malawi.

Our machinery business saw orders for side thrusters rise as we continued to win business from rival shipbuilders. Our industrial pumps steadily gained market share on overseas power and desalination plant projects. Our robotic systems also won brisk orders for over 1,630 industrial robots from auto and LCD manufacturers in China, the Czech Republic, Iran, the US, India, and Korea.

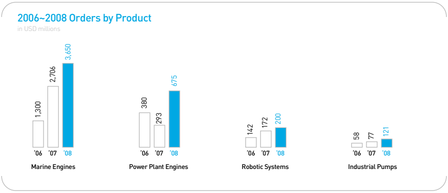
2009 Outlook

We expect marine engine sales to slow in 2009 as the shipbuilding market continues to cool and shipowners reevaluate and make changes to vessel specifications or types for previous orders in light of current shipping market conditions. On the positive side, we expect demand for HiMSEN power plant engines to continue to grow across the Middle East as oil and gas refinery and power infrastructure projects move forward. We also expect demand for PPS solutions to steadily rise across Latin America, the Middle East, and Africa.

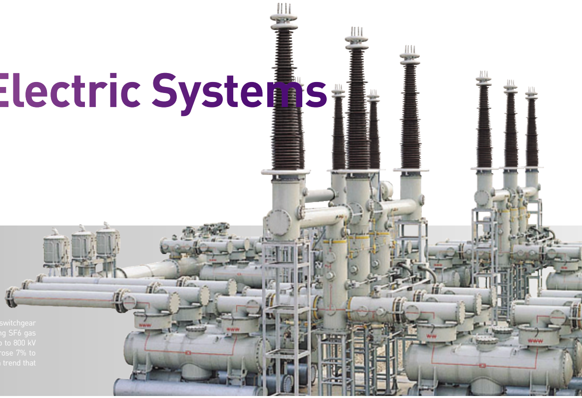
Given the current challenges of the global marketplace, we are now accelerating a number of initiatives to expand our global market presence and bolster our marketing capabilities as we pursue new opportunities that will help keep our orderbook in good shape. We also continue to sharpen our competitiveness as we focus on the innovations that will ensure we survive and thrive in tomorrow's uncertain business climate.

New High-Power HiMSEN Engines
In December 2008, we completed type-approval testing of a new line of four-stroke HiMSEM engines with outputs of 6 to 10 MW. In contrast with the inline cylinder configuration of our previous five lines, the H32/40V series features a vee-configuration that delivers superior power and efficiency, making it ideal for both marine propulsion and generation and stationary generation applications.

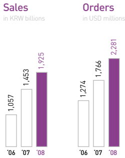
Iraqi Diesel Power Plants
In June 2008, we booked an order from Iraq for 144 diesel power plant engines that will meet the power needs of some 120,000 households. This second order follows an order for 30 of our PPS containerized diesel generator sets (pictured above) in 2007, bringing orders from this market to USD 420 million over the past two years.



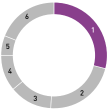
Electro Electric Systems Division



Gas Insulated Switchgear
We manufacture a wide range of high-performance switchgear solutions to meet any voltage requirement, including SF6 gas insulated switchgear models ranging from 24 kV up to 800 kV (362 kV pictured). In 2008, our switchgear orders rose 7% to USD 306 million, part of a broader, balanced growth trend that saw division orders grow by 29% for the year.



2008 Order Breakdown
by Value



1. Transformers: 29%
2. Rotating Machinery: 22%
3. Switchgear: 13%
4. Gas Insulated Switchgear: 11%
5. Solar Power Systems: 6%
6. Other Equipment: 19%

Greatness is transforming. In 2008, we boosted our transformer production capacity to 100,000 MVA as we positioned ourselves to meet the world's growing thirst for power.

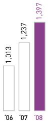
2008 Overview

While the global credit crisis that swept the world in late 2008 sent demand plunging in virtually every sector of industry, the electrical equipment industry was one of the few that proved to be highly resilient. Demand for replacement equipment from the US market held steady, as did demand for new equipment from emerging markets in the Middle East, Russia, and Latin America. Demand for alternative and renewable energy systems did experience a slight downturn primarily in Europe during the second half of the year as the credit crisis temporarily made financing all but impossible.

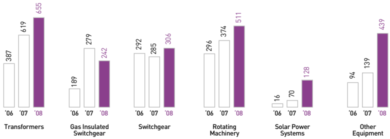
At Hyundai Heavy Industries, we recorded robust growth of 29% in 2008, booking orders worth USD 2.28 billion as we continued to successfully expand our market share in the US and Middle East markets. Strong demand for replacement electrical equipment from US and European utilities enabled us to post gains of 78% and 74% in those respective markets, while orders from the Middle East held steady.

Looking closer at the results, our electrical equipment business recorded a strong 30% growth in orders. Our fast-growing solar power systems business, which started the year with photovoltaic cell and module manufacturing capacities of 30 MW and 70 MW respectively, generated a spectacular 83% growth with orders of USD 128 million. Currently the only Korean manufacturer to produce both photovoltaic cells and modules, we are now entering the final year of a roughly KRW 300 billion investment program that will boost our cell manufacturing capacity eleven-fold over 2007 to 330 MW by 2010.

Backlog
in USD millions



2006~2008 Orders by Product
in USD millions



Transformer Capacity Expansion
We marked our 21st year in the transformer (765 kV pictured) business by passing the 500,000 MVA shipped milestone in September 2008. Then in December, we completed a new state-of-the-art factory that boosted our annual production capacity by 30,000 MVA to an industry-leading 100,000 MVA, about 25% greater than the current capacity of Korea's entire power distribution network.

Solar Power Systems
Our advanced photovoltaic solutions are helping us make inroads into markets in Europe as well as at home (1.6 MW plant pictured) with turnkey utility-scale projects. We are now aggressively upgrading production capacity and pursuing opportunities for vertical integration as we set our sights on becoming a global PV industry leader by 2014.

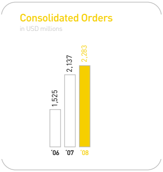
2009 Outlook

We believe ongoing electrical grid upgrades in the US and expansion in the Middle East combined with new investment in Russia and other emerging markets will keep global electrical equipment demand steady in 2009. We also expect alternative and renewable energy projects in Europe and elsewhere to get back on track, with those segments of the industry growing by around 60% in the coming year.

Given this favorable global growth outlook, we have increased our 2009 order target by 15% to USD 2.6 billion and our sales target by 46% to KRW 2.8 trillion. In the electrical equipment field, we aim to make inroads in India's high-voltage transformer and gas-insulated switchgear markets as we step up our marketing to win a bigger share of the US high-voltage transformer market and challenge major European players in Middle Eastern markets. In the solar power systems field, we will be aggressively pursuing new business in European growth markets such as Italy and Greece as we further expand marketing in France, the Czech Republic, and other regional markets.

Construction Equipment Division

R210LC-9 Excavator
Officially launched in December 2008, our flagship 9-series excavators significantly raise the bar for performance. The completely redesigned series takes the most advanced features of our previous top-of-the-line 7A-series and adds new ones such as our patented Posi-Nega hydraulic control system, Hi-Mate GPS-based remote management system, and more standard features than any other machine on the market.



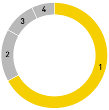
Greatness is innovating. In 2008, we unveiled the world's most sophisticated hydraulic control system on our all-new 9-series excavators and expanded our LPG forklift lineup with new muscle.

2008 Overview

The global construction equipment industry enjoyed brisk sales in major resource-rich regions such as the Middle East, Russia, and Brazil during the first half of 2008, buoyed by rising oil and natural resource prices. However the credit crisis that started in the US and rapidly spread worldwide in the second half of the year had a chilling effect on demand, particularly in North America and Europe where orders slid more than 20% year-on-year. In China, excavator orders grew at a strong 18% pace for the year but stumbled in the fourth quarter, dropping nearly 30% year-on-year for the quarter. The situation was similar in other emerging markets as well. Demand rose in the first half of the year as major infrastructure projects moved forward only to plummet in the second half. Demand in Korea also declined in the second half as local construction and real estate markets cooled.

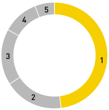
At Hyundai Heavy Industries, we grew orders by 14% to a record high of USD 1.86 billion in 2008 despite the ongoing global economic slowdown. This growth was primarily driven by emerging markets such as the Middle East, Africa, CIS, and Latin America where ongoing resource development and infrastructure construction booms helped push new orders up over 46% for the year. US equipment orders rebounded slightly, rising 8% on relatively strong demand. European orders stumbled, falling 11% as the financial crisis impacted markets across the continent and a housing slump hit the east. At home, orders recorded a slight uptick as local governments moved forward with public works projects and demand for medium- and heavy-duty forklifts picked up.

2008 Sales Breakdown
by Product



1. Excavators: 67%
2. Wheel Loaders: 16%
3. Forklifts: 10%
4. Skid Loaders & Others: 7%

2008 Order Breakdown
by Region



1. Rest of World: 48%
2. Korea: 18%
3. Europe: 17%
4. China: 11%
5. North America: 6%

2009 Outlook

The global construction equipment market will face a number of major challenges in 2009. The credit crunch triggered by the US subprime mortgage crisis has chilled markets around the world, setting the stage for steep declines in demand that will make an already competitive industry even more so. Our proactive response to these challenges includes special marketing programs that will provide active support to major dealers in each market as well as more-attractive parts and service policies. We will also be launching several new equipment lines, including our new 9-series excavator lineup and backhoe loaders, as we focus on cutting costs and improving quality across our equipment portfolio.

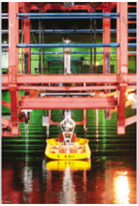
Given the ongoing global credit crisis, we have significantly lowered our 2009 order target to USD 1.26 billion, a 31% year-on-year decrease. While equipment demand for private sector projects is expected to be flat for the foreseeable future, we do see potential for gradual gains as major government-led economic stimulus projects get underway in China, the US, and other markets. Overall, we expect equipment orders to begin to slowly pick up in the second half of the year as these stimulus plans start to have an impact on the marketplace. In China, we expect excavator sales to grow around 8% as we expand and upgrade the professionalism of our local agent network and improve and expand leasing and purchase options. We will also continue to explore and develop market opportunities across Africa, the CIS, and Asia as we work to maximize our long-term growth potential in the global marketplace.

Showing the World
The triennial ConExpo show (pictured) held in Las Vegas in March 2008 was just one of the more than 15 major international shows we exhibited at during the year. Key product introductions for the year included our first 80-ton excavator for the heavy mining market and a preview of our completely redesigned 9-series excavators.

Growing LPG Forklift Lineup
In early 2009, we expanded our 7-series LPG forklifts with the 35L-7, 40L-7, and 45L-7 (pictured) models featuring a powerful 4.3-liter GM engine for superior performance as well as improved operator ergonomics. Our LPG forklift lineup now includes nine models with load capacities ranging from 1,500 kg to 4,500 kg.

Research & Development

Ship Propulsion Performance Innovations
- Fuel-economic hull form design technology
- Systematic, optimal designs take construction productivity into account



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.

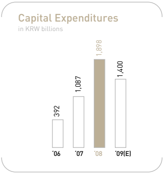
At Hyundai Heavy Industries, innovation is an integral part of our corporate DNA. On average, our research organization has well over 1,400 projects underway at any given time. Augmented by institutes in Hungary and China as well as a growing number of international partnerships, our four Korea-based research institutes are the creative dynamos that have helped us achieve a top-five global market share in 25 product categories to date, including six in 2008 alone. Our goal is to expand this number to more than 35 categories by the end of the decade.

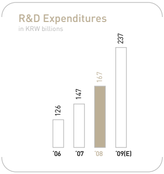
In 2008, we increased our investment in R&D by 13% to KRW 167 billion. We plan to invest KRW 237 billion in 2009—42% more than we invested last year and the equivalent of 1.0% of our projected sales—as we continue to innovate to enhance our global competitiveness.

R&D Strategies

In 2009, we will be focusing on sharpening our core capabilities in current business fields as well as identifying and pursuing opportunities in new fields with strong potential for growth. The following five strategies will guide us over the coming year.

- We will continue to advance our development efforts in five broad areas: core product leadership, core technology advancement, production technology leadership, new technology and product development, and new business development.
- We will continue to expand our efforts to identify and create new growth businesses.
- We will continue to improve our return on R&D investment.
- We will continue to foster excellence in research.
- We will continue to expand our global R&D network.





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 hydrodynamics, propulsion and maneuvering, structural design, noise and vibration control, engine performance, and machinery design.

In 2008, HMRI completed sea trials of a full-scale thrust fin, a wing-shaped device mounted to ship rudder horns in line with the propeller to enhance propulsion efficiency. The trials verified the 4% to 6% efficiency gains predicted by the model tests, producing a fuel savings of over 300 tons per day. At current fuel costs of around USD 350 per ton, this savings would add up to USD 1.4 million annually and USD 35 million over the normal 25-year operating life of a larger containership. We are seeing strong interest in this technology from the marine shipping industry. To date, we have delivered one thrust-fin equipped 8,600 TEU containership to a German shipowner, a customer who has since added this option to six more vessels currently on order.

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 2008, HIRI completed development of a hot-wire electro-gas welding process that increases both quality and efficiency when welding the extremely thick steel plating that is increasingly common in ships and offshore structures. The innovative process was recognized as the top innovation of the year at our annual corporate R&D awards.

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, and industrial robotics.

In 2008, HEMRI marked its second year in the LCD robot business with the development of the HC2500BD handling robot for 8th generation LCD glass substrates. Designed entirely in-house, the HC2500BD's combination of price, performance, and quality enabled us to win orders for more than 100 units from LG Display in Korea during the year. We expect international orders for the robot to pick up as other major LCD makers move to 8th generation production lines in the coming years.

TECHNO DESIGN INSTITUTE (TDI)

Founded in 2000, TDI enhances the quality and competitiveness of our products, communications, and facilities through visual design. TDI collaborates with design research institutes and universities in Korea as well partners overseas to ensure our customers get value that looks as good as it works.

In 2008, TDI completed development of the award-winning TP510 teaching pendant for our Hi5 industrial robot controller. A comprehensive review of operating environment and ergonomic factors led to a redesigned button layout and grip for enhanced usability. To date, the TP510 has been named a 2008 Pin Up Design Award bronze winner in Korea as well as a 2009 iF Product Design Award winner in Germany.

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.

True greatness is always sustainable. It recognizes that its future is intrinsically linked to the future of employees, suppliers, and communities. It unites and serves. And as it grows, it enriches life for all.

Greatness in Respon-sibility

At Hyundai Heavy Industries, we believe that our people are our greatest asset and the driving force that keeps us sustainably growing.

Human Resource Initiatives

At Hyundai Heavy Industries, we believe that our people are our greatest asset and the driving force that keeps us sustainably growing. Whether they are responsible for developing business strategies or welding in a dry dock, we go to great lengths through our professional development programs and Hyundai Technical College to equip our people with the knowledge and skills they need to excel in their jobs and further their careers.

We also believe in taking good care of our family with one of the best benefit packages in the industry. In addition to competitive salaries and quality housing, we provide comprehensive family healthcare benefits, daycare programs and seasonal camps for dependents, and a wide variety of leisure and cultural programs through our five community centers. This strong commitment to employee growth and well-being forms the basis for one of Korea's most successful labor-management partnerships.

Labor-Management Relations

Trust and respect are the foundation of our win-win labor-management relationship. While many Korean firms find themselves facing violent labor strikes and work slowdowns, we marked our 14th straight strike-free year in 2008 as we continued to forge win-win collective bargaining agreements with our people. The Korea Employers Federation recognized our leadership in the field by selecting us the winner of the prestigious 2008 Labor-Management Cooperation Award in the large enterprise category.

Supplier Support Initiatives

As of the end of 2008, we relied on 195 onsite and offsite suppliers to meet our production requirements. As part of our efforts to build strong win-win relationships, we work closely with each supplier to ensure that their accounting, technical, personnel, and information systems are up-to-date and compatible with our high standards. We also provide their employees with the same online training, medical, and other benefits that our own people receive.

Community Service Initiatives

As a major employer in the Ulsan region, we believe that we have an important role to play in making our community a better place to live. Every spring, our "Housewives College" program gives homemakers a wide variety of opportunities for self improvement and community service. Our cafeterias and local food donation programs actively support local agricultural and fisheries industries through their purchases. We subsidize school lunches for about 1,000 needy local students each year. We have also partnered with the Korea Organ and Tissue Donor Program since 2007 to run Korea's most successful corporate organ donation campaign. Approximately 8,800 employees of our shipbuilding group, which includes Hyundai Samho Heavy Industries and Hyundai Mipo Dockyard, signed donation cards during the 2008 campaign, bringing our total to over 15,000 donors to date.

English and ski camps [1~2] are just two of the popular vacation programs we run for the children of our employees, union members, and suppliers. The International Supervisors Spring Festival [3~4] treats expat supervisors and their families to a day of great food, friendly competition, and good entertainment each May.

We received the prestigious 2008 Labor-Management Cooperation Award [5] from the Korea Employers Federation in recognition of our commitment to excellence in labor relations. Our second annual campaign with the Korea Organ and Tissue Donor Program [6] signed up 8,800 donors across our three Hyundai shipbuilding group firms, bringing total donor card signers to over 15,000, a remarkable 25% of our total combined workforces.

Employees as of December 31, 2008

	Male	Female	Total
Administrative	8,152	840	8,992
Technical & Skilled Workers	15,702	546	15,559
Total	23,854	1,386	25,240

Our 49 cafeterias [7] support the Ulsan community by purchasing farm produce, meat, and seafood from local sources whenever possible. Within 48 hours of Korea's worst oil spill to date back in December 2007, our volunteers were on-site [8] with equipment and supplies to aid in the massive cleanup effort. In 2008, we pledged KRW 1.1 billion [9] to support local social welfare programs. We have donated over KRW 8.5 billion to date to over 170 local service organizations and groups to make our community a better, brighter place to live.

From green procurement to green products, we're working hard to ensure a sustainable and safe future for our employees, neighbors, and customers.

Environmental Initiatives

At Hyundai Heavy Industries, minimizing our environmental footprint is a key priority in our commitment to creating greater long-term value for all of our stakeholders. Since acquiring ISO 14001 certification in 1997, we have continued to enhance our environmental management system, meet and exceed domestic and international environmental regulations, build green manufacturing systems, and expand into eco-friendly businesses. We believe that by working together toward these goals at all levels of our organization, we are helping lead the global heavy manufacturing sector into a cleaner, greener sustainable future.

Our environmental initiatives cover a wide range of areas. In recent years, we have converted all worksite furnaces and boilers from bunker C and kerosene fuel to clean-burning LNG, dramatically reducing sulfur oxide emissions. We have installed four regenerative thermal oxidizer units—including two in 2008—significantly cutting volatile organic compound emissions. We continue to steadily decrease wastewater discharges and improve discharge water quality through ongoing process innovations and bi-monthly testing. These innovations enabled us to cut our discharge volume by 48% in 2008. We also continue to steadily reduce waste generation and improve recycling, keeping our hazardous waste recycling ratio above 53% in 2008. Last, but not least, we actively promote environmental protection and conservation in the greater Ulsan region, participating in a variety of programs to help keep local mountains, rivers, and coastlines clean, green, and safe.

Safety Initiatives

The safety of our employees, contractors, and local community is another top priority for us as we strive for a zero-accident workplace. Our Safety Learning Center continues to be our most popular and effective safety initiative. Rather than using theoretical, classroom-style training, the center provides realistic, hands-on training on how to avoid and handle common workplace hazards. In 2008, more than 12,000 employees, on-site contractors, and vocational trainees participated in center safety courses. We also run a comprehensive accident prevention program that emphasizes workplace safety talk and systematic inspections in addition to monthly "safety days" to keep awareness high and accidents low.

Caring for the heath and well-being of our people is another one of our top priorities. Our on-site medical clinic has a full-time staff of 28 medical professionals as well as a full complement of consultation, physical therapy, and rehabilitation services. We also run a wide range of health programs that focus on musculoskeletal, cardiovascular, and cerebrovascular disorder and disease prevention as well as smoking cessation to better meet the healthcare needs of our 25,000-strong workforce.

We continue to improve air quality, water quality, and waste management performance at our Ulsan shipyard. Our environmental facilities include four regenerative thermal oxidizer units [1] to reduce VOC emissions, two water treatment plants [2], and one incinerator.

As a shipbuilder, we have a close affinity for the oceans and coasts. This is why we join the Ulsan community for regular clean-up events [3~5] to keep our local coastline healthy and safe. We also put safety first with comprehensive systems and training. Our Safety Learning Center [6~7] is a key part of our training efforts, providing realistic scenarios for employees to learn how to stay safe in the workplace.

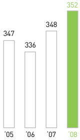
Major Certifications


ISO 14001


OHSAS 18001

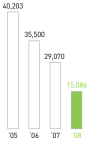
SO_x Emissions

in kg/year

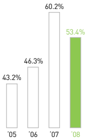


Wastewater Discharges

in cum/year



Hazardous Waste Recycling Ratio



True greatness is consistently profitable. It looks far into the future, but never loses sight of the present. It aims for the best, but prepares for the worst. And as it grows, it creates value and wealth for all stakeholders.

Greatness in Results

The following discussion and analysis is based on financial information prepared according to accounting principles generally accepted in the Republic of Korea (Korean GAAP). References to the "Company" are references to Hyundai Heavy Industries Co., Ltd.

The following sections contain descriptions of management plans and objectives, including assumptions, plans, and expectations related to financial condition, operational performance, and businesses of the Company. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results or performance of the Company to be materially different from any future results or performance expressed or implied by such statements.

The Company does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this section, and nothing contained herein is, or shall be relied upon as, a promise, whether as to the past or the future. Such forward-looking statements are based on current plans, estimates, and projections of the Company and the political and economic environment in which the Company will operate in the future. You should therefore not place undue reliance on them. Forward-looking statements only represent conditions as of the date they are made, and the Company undertakes no obligation to update publicly any of them in light of new information or future events.

Business Overview

The Company is composed of six major divisions: Shipbuilding, Offshore & Engineering, Industrial Plant & Engineering, Engine & Machinery, Electro Electric Systems, and Construction Equipment. The majority of these businesses are sensitive to both local and overseas economic trends. Since exports account for more than 80% of sales, the Company's performance is significantly impacted by global business conditions.

Despite a rapidly deteriorating business environment in the wake of the global financial crisis that started in the US, the Company booked record sales of KRW 19,957.1 billion in 2008. The Company moved forward with a number of major investment projects during the year, including new shipbuilding facilities at Gunsan Port on Korea's west-central coast, the offshore yard's first dry dock—known as H Dock—capable of building vessels up to 1 million tons, and engine and transformer plant expansions. The Company also accelerated investment in the new and alternative energy fields, funding the expansion of a photovoltaic cell and module manufacturing plant in Eumseong and a planned wind turbine plant in Gunsan.

The Company achieved a number of major production milestones and industry firsts in 2008. These included a single-year delivery record of 102 marine vessels, a single-year two-stroke marine engine production record of 10 million bhp, and an accumulated two-stroke marine engine production record of 80 million bhp. Other significant milestones reached included 500,000 MVA of transformer production in just 30 years, and 150,000 pieces of construction and industrial equipment produced in just 20 years.

Results of Operations

Profit Analysis

Sales

The Company's six business divisions generated sales of KRW 19,957.1 billion in 2008, a KRW 4,424.1 billion or 28.5% increase over 2007 due to strong growth in new orders and the depreciation of the Korean won.

The Shipbuilding Division recorded sales growth of 20.2% to reach KRW 9,084.9 billion on the back of rising orders for high-priced vessels.

The Engine & Machinery Division recorded sales growth 53.3%, reaching KRW 2,522.1 billion on strong demand for marine diesel engines.

The Offshore & Engineering Division recorded sales growth of 39.3% due to increased on-ground shipbuilding and offshore project orders in recent years.

The Industrial Plant & Engineering Division recorded sales growth of 35.2% as orders grew strongly for a second straight year.

The Electro Electric Systems Division recorded sales growth of 32.4% as global demand for power equipment continued to rise in the US, China, and emerging markets.

The Construction Equipment Division recorded sales growth of 17.0%, benefitting from continued robust infrastructure investment in China and other emerging markets.

Cost of Sales

The Company's cost of sales rose 29.6% to KRW 16,812.0 billion due to steep increases in sales as well as raw materials costs. This contributed to a slight decrease in gross profit margin from 16.5% in 2007 to 15.8% in 2008. Steel plate and other raw material price hikes pushed the raw material portion of manufacturing costs up two percentage points over the previous year to 68%.

Operating Income

The Company recorded an operating income of KRW 2,206.2 billion in 2008, a KRW 455.5 billion or 26% increase over 2007 on the strength of rising sales. Operating margin decreased slightly from 11.3% to 11.1% due to higher raw material costs. For the Shipbuilding, Industrial Plant & Engineering, and Construction Equipment Divisions, margins dropped slightly due to soaring raw material prices. The Offshore & Engineering, Engine & Machinery, and Electro Electric Systems Divisions each saw their operating margins improve for the year.

The Shipbuilding Division saw operating income rise 2.8% to KRW 1,066.7 billion. Operating margin fell two percentage points to 11.1% due to raw material price increases. Accordingly, the steel plate portion of overall material costs rose sharply in 2008 over the previous year, jumping from 25% to 37%.

The Offshore & Engineering Division saw operating income rise 28.0% to KRW 289.0 billion. While the division's on-ground shipbuilding business—which generates 50% of sales—experienced a slight drop in profitability due to rising steel costs, the offshore structure fabrication and installation businesses both made solid gains in both sales and profitability.

The Industrial Plant & Engineering Division marked its second straight year of profitability. While overall profitability slipped in 2008 due to construction delays on several oil and gas plant projects, steady income from recent power plant orders kept the division solidly in the black.

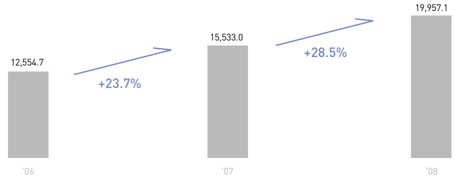
Operations by Division

in KRW billions

	2008		2007		2006	
		Change		Change		Change
Sales	**19,957.1**	**+28.5%**	**15,533.0**	**+23.7%**	**12,554.7**	**+21.2%**
Shipbuilding	9,084.9	+20.2%	7,556.7	+17.3%	6,442.8	+21.0%
Offshore & Engineering	3,095.1	+39.3%	2,222.1	+14.9%	1,934.5	+31.1%
Industrial Plant & Engineering	1,374.4	+35.2%	1,016.6	+69.0%	601.6	(2.8%)
Engine & Machinery	2,522.1	+53.3%	1,645.7	+34.9%	1,219.6	+27.8%
Electro Electric Systems	1,924.5	+32.4%	1,453.4	+37.6%	1,056.5	+30.4%
Construction Equipment	1,768.6	+17.0%	1,512.0	+26.2%	1,197.9	+13.9%
Others	187.5	+48.2%	126.5	+24.3%	101.8	(16.1%)
		Margin		Margin		Margin
Operating Income	**2,206.2**	**11.1%**	**1,750.7**	**11.3%**	**878.9**	**7.0%**
Shipbuilding	1,066.7	11.7%	1,038.0	13.7%	504.4	7.8%
Offshore & Engineering	289.0	9.3%	225.7	10.2%	222.5	11.5%
Industrial Plant & Engineering	17.1	1.2%	40.3	4.0%	(77.3)	(12.8%)
Engine & Machinery	613.6	24.3%	345.5	21.0%	205.8	16.9%
Electro Electric Systems	359.7	18.7%	224.1	15.4%	149.7	14.2%
Construction Equipment	113.4	6.4%	129.5	8.6%	98.1	8.2%
Others	(253.3)	-	(252.4)	-	(224.3)	-

Sales Trend

in KRW billions

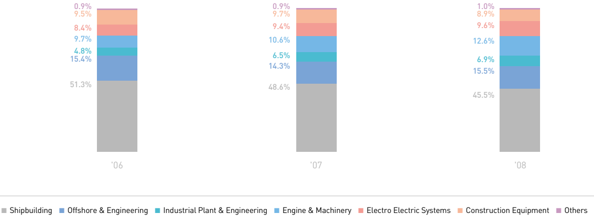


The Engine & Machinery Division continued to lead the way in profitability growth as it saw operating income leap 77.5% to KRW 613.6 billion. Marine engine profitability continued to grow incrementally, benefitting from both rising vessel prices and the shipbuilding boom. Power plant engines also made major gains in both sales and profitability as orders continued to grow.

The Electro Electric Systems Division saw operating income rise 60.5% as global demand for power continued to explode. Growing demand for replacement power distribution equipment in the US and robust investment in power generation facilities across the Middle East over the past two years helped drive large gains in both sales and profitability.

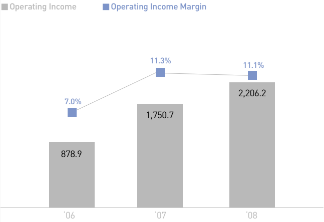
The Construction Equipment Division saw operating income fall 12.4% as US demand continued to shrink in the face of a stagnant housing market and previously booming demand in Europe, China, and other emerging markets cooled.

Sales Breakdown by Division



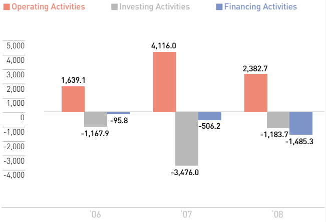
Operating Income & Operating Income Margin

in KRW billions



Cash Flows

in KRW billions



Non-Operating Income

The Company posted a net non-operating income of KRW 743.5 billion, a 15.5% year-on-year improvement. Improved profitability and growth in advances from customers drove a 45.2% increase in interest income. The Company also saw a 28.5% increase in net gains on valuation of equity method accounted investments from Hyundai Samho Heavy Industries and other investment holdings.

Net Income

The Company recorded net income of KRW 2,256.7 billion, a 30% year-on-year increase. This growth was driven by rising Shipbuilding and Engine & Machinery Division operating income from growing backlogs and higher prices as well as solid operating results from the Offshore & Engineering and Electro Electric Systems Divisions. Net earnings per share continued to surge, rising 34% from KRW 27,778 in 2007 to KRW 37,340.

Cash Flows Analysis

Net cash provided by operating activities shrank by 42% to KRW 2,382.7 billion in 2008 as both inventories and advance payments rose.

Net cash used in investing activities was KRW 1,183.7 billion as rising investment in fixed assets far exceeded cash inflows from the disposal of short-term financial instruments and investment securities.

Net cash used in financing activities jumped 193.4% due to the distribution of a cash dividend and the buy-back of 3% of total issued shares.

As a result of the above cash flows, cash and cash equivalents dropped 30%, declining KRW 286.3 billion to KRW 667.5 billion at the end of 2008.

Net Non-Operating Income / Expenses

in KRW billions

	2008	2007	2006
Net Non-Operating Income/Expenses	**743.5**	**643.7**	**270.7**
Net interest income	273.4	188.3	79.2
Net gain on foreign currency translation	21.0	4.5	(9.7)
Net gain on foreign currency transactions	34.5	9.8	(66.3)
Net gain on valuation of equity method accounted investments	619.9	482.5	179.2
Net gain on foreign exchange forward contracts	(221.6)	(33.8)	96.3
Net of others	16.3	(7.6)	(8.0)

Financial Structure Analysis

Assets

The Company's total assets stood at KRW 25,280.4 billion at 2008 year-end, a 50.5% year-on-year increase of KRW 8,481.7 billion. The Company applied fair-value hedge accounting to derivative transactions regarding foreign shipbuilding contracts that met firm commitment conditions as of September 30, 2008 in accordance with the Financial Supervisory Service's Practical Opinion on Financial Reporting 2008-2. As a result, firm commitment assets increased by KRW 4,559.1 billion. The related gain and loss on valuation of firm commitments are recorded in non-operating income and expenses.

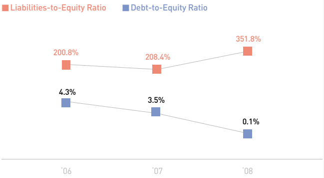
Liabilities

The Company's total liabilities stood at KRW 19,685.2 billion at 2008 year-end, a 73.4% year-on-year increase of KRW 8,334.2 billion. Strong shipbuilding order growth continued to push advances from customers sharply upward, increasing them 27.0% to KRW 10,177.4 billion. The rapid depreciation of the Korean won increased foreign exchange forward contract liabilities to KRW 5,654.9 billion. As a result, the liabilities-to-equity ratio rose 143.4 percentage points to 351.8% at year-end. Total borrowings declined to KRW 3.3 billion due to the increased cash generated from advances from customers, effectively reducing the debt-to-equity ratio to effectively zero.

Stockholders' Equity

The Company's stockholders' equity stood at KRW 5,595.2 billion at 2008 year-end, a 2.7% increase of KRW 147.5 billion. This improvement was driven by a KRW 1,790.0 billion or 62% increase in retained earnings, reflecting the solid 30% rise in net income for the year. A KRW 832.7 billion share buy-back and a decline in share prices during the year resulted in a 117% increase in capital adjustments to KRW 1,762.0 billion.

Financial Stability Ratios



Balance Sheet Summary

in KRW billions

	2008	2007	2006
Assets	**25,280.4**	**16,798.7**	**12,996.1**
Current assets	12,617.6	8,481.9	6,037.8
Non-current assets	12,662.8	8,316.8	6,958.3
Liabilities	**19,685.2**	**11,351.0**	**8,675.3**
Current liabilities	16,473.9	10,807.1	8,152.5
Non-current liabilities	3,211.3	543.9	522.8
Stockholders' Equity	**5,595.2**	**5,447.7**	**4,320.8**

Liabilities

	2008	2007	2006
Total Liabilities	**19,685.2**	**11,351.0**	**8,675.3**
Liabilities/Equity	351.8%	208.4%	200.8%
Total Debt	**3.3**	**189.0**	**186.9**
Debt/Equity	0.1%	3.5%	4.3%
Debt/EBITDA	0.1%	8.8%	14.9%
Debt/Capital	0.9%	49.7%	49.2%

New Order & Backlog Analysis

Although the global financial crisis that swept the world in the second half of 2008 impacted the order performance of all divisions, the Company recorded order growth of 9.8% as orders rose from USD 25.0 billion to USD 27.5 billion. While Shipbuilding Division orders were well off their 2007 record high, non-shipbuilding orders—marine engines, power plant engines, crude oil production and processing facilities, power plant and substation equipment, and construction equipment—saw steady growth.

According to Lloyd's Register, global shipbuilding orders fell approximately 50% from their record high of 170 million gross tons set in 2007. The Shipbuilding Division's flexible and proactive response to falling demand and customer needs helped significantly cushion the downturn, limiting the fall in orders to 13.3%.

According to international investment bank Barclays Capital, global capex spending by the energy exploration and production industry rose approximately 11% to USD 418.0 billion in 2008. The Offshore & Engineering Division recorded a dramatic 170% year-on-year order increase, rising from USD 1.1 billion to USD 2.98 billion on a balanced mix of floating production facilities and fixed offshore platforms.

The Industrial Plant & Engineering Division benefitted from rising investment in energy production facilities and public infrastructure across the Middle East, recording a strong 35% rise in orders to USD 2.07 billion. In September, it booked the USD 1.7 billion Al Dur IWPP project, the Company's largest single-project order to date.

The Engine & Machinery Division recorded solid order growth for marine engines thanks to its ongoing diversification into China and other markets. The division also continued to see rising demand for "packaged power stations" (containerized diesel power generators)—a segment that has racked up orders in excess of USD 700 million since 2005—following up a 73% order gain in 2007 with a 43% gain in 2008.

The Electro Electric Systems Division recorded order growth of 29% on steadily rising demand for replacement equipment from the US and new equipment from the Middle East, Russia, Latin America, and other emerging markets.

The Construction Equipment Division saw construction equipment markets in North America and Europe fall more than 20% in the second half of the year as the US financial crisis spread rapidly, erasing the favorable growth performance of the first half. Orders from emerging markets followed a similar pattern, rising solidly in the first half of the year as major infrastructure projects moved ahead before dropping sharply in the second half. Overall, orders grew 14% in 2008, an 18 percentage point drop from 2007.

The Company finished the year with a record order backlog of USD 48.3 billion, a solid 18% increase over 2007.

Orders & Backlog

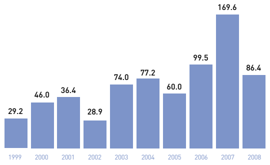
in USD millions

	2008	2007	2006
Orders	**27,473**	**25,020**	**18,706**
Shipbuilding	13,635	15,730	11,470
Offshore & Engineering	2,978	1,102	1,997
Industrial Plant & Engineering	2,076	1,544	846
Engine & Machinery	4,646	3,248	1,880
Electro Electric Systems	2,281	1,766	1,274
Construction Equipment	1,857	1,630	1,239
Backlog	**48,250**	**40,733**	**31,448**
Shipbuilding	28,556	26,139	20,668
Offshore & Engineering	9,017	7,349	5,620
Industrial Plant & Engineering	3,301	2,265	1,939
Engine & Machinery	5,979	3,743	2,208
Electro Electric Systems	1,397	1,237	1,013

• Backlog is calculated by subtracting recognized revenues from sales on a percentage-of-completion basis.

Global Shipbuilding Orders

in GT millions



Source: Lloyd's Register

2009 Business Outlook

Sales

The Company believes that the unprecedented nature of the current global economic recession makes the business outlook for 2009 extremely difficult to forecast. What is certain is that the Company's record 2008 order performance has given it a robust backlog that will keep manufacturing operations busy for roughly the next three years. For this reason, the Company expects to record sales of KRW 22,876.1 billion in 2009, a 14.6% year-on-year increase.

With the exception of the Construction Equipment Division, which expects the ongoing economic downturn to further depress sales, the Company expects its five other divisions to continue to post incremental sales growth. The following two divisions in particular are expected to perform exceptionally well. The Engine & Machinery Division is aiming for a dramatic increase in sales due to recent increases in new orders and production capacity. The Electro Electric Systems Division also anticipates major growth as new capacity comes online and the solar power system market takes off.

Orders

The Company is targeting orders of USD 21.1 billion in 2009, a 23.2% year-on-year decrease. In light of the current global credit freeze and economic slowdown, the Shipbuilding and Construction Equipment Divisions are certain to see lower order growth. While the slowdown in shipbuilding orders will significantly impact marine engine orders, the Engine & Machinery Division expects strong demand for diesel power plants, such as HiMSEN-engine-based PPS packaged power stations, to help limit the decline. The Offshore & Engineering Division expects order growth to surpass its 2008 performance as the energy exploration and development industry continues to grow. The Electro Electric Systems Division also expects higher growth than 2008, backed by steady global demand for electric equipment as well as new growth businesses such as solar and wind power systems.

Capital Expenditures

The Company will continue with push forward with major investment projects that are currently underway. These include the construction of a new shipyard at Gunsan Port, additional engine-building capacity, and new and additional manufacturing facilities for the solar and wind power businesses. All other new projects will be shelved or scaled back as the 2009 capital expenditures budget shrinks by 24.7% to KRW 1,430.0 billion.

Independent Auditors' Report

Based on a report originally issued in Korean

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

We have audited the accompanying non-consolidated balance sheet of Hyundai Heavy Industries Co., Ltd. (the "Company") as of December 31, 2008, and the related non-consolidated statement of income, appropriation of retained earnings, changes in equity and cash flows for the year 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 audit. The accompanying non-consolidated financial statements of the Company as of December 31, 2007, were audited by other auditors, whose report thereon dated February 22, 2008, expressed an unqualified opinion on those statements.

We conducted our audit 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, 2008 and the results of its operations, appropriation of its retained earnings, the changes in its equity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea.

KPMG Samjong Accounting Corp.

Seoul, Korea
February 26, 2009

Notice to Readers

This report is effective as of February 26, 2009, 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 theabove audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2008 AND 2007

Korean won (In thousands)

ASSETS		2008		2007
CURRENT ASSETS:				
Cash and cash equivalents (Notes 28 and 34)	₩	667,492,156	₩	953,756,858
Short-term financial instruments (Note 3)		1,676,394,826		2,154,137,014
Short-term investment securities (Note 5)		102,459,800		503,388,199
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩96,532,225 in 2008 and ₩70,815,544 in 2007 (Notes 22, 27 and 28)		4,498,868,535		2,740,673,266
Accounts receivable - other, net of allowance for doubtful accounts of ₩296,094,108 in 2008 and ₩268,303,195 in 2007 (Notes 17, 27 and 28)		162,113,211		147,455,116
Advanced payments, net of allowance for doubtful accounts of ₩17,757,919 in 2008 and ₩12,567,027 in 2007		852,779,452		336,144,870
Accrued income		58,732,447		30,528,517
Foreign exchange forward contracts (Note 16)		1,851,056,213		167,882,896
Deferred income tax assets (Notes 16 and 23)		212,461,924		70,990,353
Inventories (Note 4)		2,263,296,422		1,119,219,452
Other current assets (Note 6)		271,913,270		257,729,822
Total current assets		**12,617,568,256**		**8,481,906,363**
NON-CURRENT ASSETS:				
Long-term financial instruments (Notes 3 and 28)		15,322,748		9,003,360
Long-term investment securities (Note 7)		496,260,357		714,663,412
Equity method accounted investments (Notes 8 and 26)		2,712,825,310		2,222,730,033
Property, plant and equipment, net (Notes 9 and 29)		6,189,953,763		4,968,785,355
Intangible assets (Notes 10 and 29)		262,296,296		236,048,362
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts of ₩832,009 in 2008 and ₩965,609 in 2007		82,368,900		95,595,244
Foreign exchange forward contracts		2,815,240,074		17,637,724
Other non-current assets (Notes 11 and 28)		88,565,217		52,334,858
Total non-current assets		**12,662,832,665**		**8,316,798,348**
Total assets	₩	**25,280,400,921**	₩	**16,798,704,711**

(Continued)

Korean won (In thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY		2008		2007
CURRENT LIABILITIES:				
Trade accounts and notes payable (Notes 27 and 28)	₩	2,337,258,676	₩	1,495,173,461
Accounts payable - other (Notes 27 and 28)		180,439,441		122,492,217
Advances from customers (Note 22)		10,177,418,459		8,013,303,994
Accrued expenses (Notes 27 and 28)		289,674,793		250,899,632
Income tax payable (Note 23)		457,058,997		455,564,205
Current maturities of debentures and long-term borrowings,				
net of discounts of ₩ in 2008 and ₩298,966 in 2007 (Notes 13 and 28)		-		187,341,034
Foreign exchange forward contracts (Note 16)		2,798,264,234		125,422,256
Other current liabilities (Note 12)		233,766,414		156,881,303
Total current liabilities		**16,473,881,014**		**10,807,078,102**
NON-CURRENT LIABILITIES:				
Debentures and long-term borrowings (Notes 13 and 28)		3,314,633		1,625,627
Long-term accrued expenses (Notes 17)		-		1,029,341
Provision for retirement and severance benefits, net of severance insurance deposits				
and others of ₩1,112,905,108 in 2008 and ₩1,079,968,485 in 2007 (Note 14)		139,018,332		110,865,582
Deferred income tax liabilities (Notes 8, 16, 23 and 26)		133,497,415		276,376,968
Foreign exchange forward contracts (Note 16)		2,856,649,956		80,564,196
Other long-term liabilities (Note 15)		78,820,055		73,455,854
Total non-current liabilities		**3,211,300,391**		**543,917,568**
Total liabilities		**19,685,181,405**		**11,350,995,670**
STOCKHOLDERS' EQUITY:				
Common stock of ₩5,000 par value		380,000,000		380,000,000
Authorized – 160,000,000 shares				
Issued and outstanding – 76,000,000 shares in 2008 and 2007				
Capital surplus (Notes 18 and 16)		2,818,590,688		2,813,693,355
Capital adjustments (Notes 20 and 26)		(1,762,040,031)		(811,302,031)
Accumulated other comprehensive income (Notes 5, 7, 8, 16, 23, 24 and 26)		(498,454,758)		198,258,025
Retained earnings (Note 19)		4,657,123,617		2,867,059,692
Total stockholders' equity		**5,595,219,516**		**5,447,709,041**
Total liabilities and stockholders' equity	₩	**25,280,400,921**	₩	**16,798,704,711**

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

	Korean won (In thousands, except per share amounts)	
	2008	2007
Sales (Notes 16, 22, 27 and 29)	₩ 19,957,080,881	₩ 15,533,013,307
Cost of sales (Notes 22 and 27)	16,811,989,016	12,976,118,554
Gross profit	**3,145,091,865**	**2,556,894,753**
Selling, general and administrative expenses (Note 30)	938,918,930	806,197,217
Operating income	**2,206,172,935**	**1,750,697,536**
NON- OPERATING INCOME:		
Interest and dividend income	288,868,980	205,072,125
Gain on foreign currency transactions	677,244,920	87,926,436
Gain on foreign currency translation	140,564,809	12,923,568
Gain on valuation of equity method accounted investments (Note 8)	771,497,568	489,179,298
Gain on foreign exchange forward contracts (Note 16)	1,773,396,856	40,963,544
Gain on disposition of property, plant and equipment	48,774,129	6,709,012
Others	126,755,536	112,014,629
Non-operating income	**3,827,102,798**	**954,788,612**
NON- OPERATING EXPENSES:		
Interest expense	6,472,122	11,402,580
Loss on foreign currency transactions	642,757,743	78,099,571
Loss on foreign currency translation	119,579,748	8,360,813
Loss on impairment of long-term investments securities	-	105,249
Loss on disposition of property, plant and equipment	57,568,485	33,263,439
Loss on valuation of equity method accounted investments (Note 8)	151,574,109	6,643,654
Loss on foreign exchange forward contracts (Note 16)	1,995,002,134	74,793,871
Others	110,689,186	98,431,106
Non-operating expenses	**3,083,643,527**	**311,100,283**
Income before income taxes	**2,949,632,206**	**2,394,385,865**
Income taxes expense (Note 23)	692,967,361	658,325,534
Net income	**₩ 2,256,664,845**	**₩ 1,736,060,331**
Earnings per share		
Basic earnings per share (Note 25)	₩ 37,340	₩ 27,778

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

Date of Appropriation for 2008: March 13, 2009
Date of Appropriation for 2007: March 14, 2009

Korean won (In thousands)

	2008	2007
Unappropriated retained earnings		
Balance at beginning of year	₩ 4	₩ 9
Net income	2,256,664,845	1,736,060,331
Balance at end of year before appropriation	**2,256,664,849**	**1,736,060,340**
Transfer from voluntary reserves		
Reserve for research and human development	6,666,667	17,690,636
Reserve for legal reserve	21,543,399	-
Unappropriated retained earnings available for appropriation	**2,284,874,915**	**1,753,750,976**
Appropriation of retained earnings		
Legal reserve	-	46,660,092
Reserve for research and human development	1,985,207,630	1,240,489,960
Cash dividends (Note 21)	299,667,280	466,600,920
Unappropriated retained earnings to be carried over to subsequent year	**₩ 5**	**₩ 4**

See accompanying notes to non-consolidated financial statements.

Korean won (In thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total stockholder's equity
Balance at January 1, 2007	**₩ 380,000,000**	**₩ 2,771,383,687**	**₩ (351,821,818)**	**₩ 386,855,426**	**₩ 1,292,233,001**	**₩ 4,478,650,296**
Cumulative effect of change in accounting policy	-	-	(135,429,138)	(76,847,171)	-	(212,276,309)
Balance at January 1, 2007, restated	**380,000,000**	**2,771,383,687**	**(487,250,956)**	**310,008,255**	**1,292,233,001**	**4,266,373,987**
Dividends	-	-	-	-	(161,233,640)	(161,233,640)
Balance after appropriations	**-**	**-**	**-**	**-**	**1,130,999,361**	**4,105,140,347**
Net income	-	-	-	-	1,736,060,331	1,736,060,331
Changes in capital surplus on valuation of equity method accounted investments	-	42,309,668	-	-	-	42,309,668
Change in treasury stock	-	-	(344,907,695)	-	-	(344,907,695)
Change in equity method accounted treasury stock	-	-	22,492,574	-	-	22,492,574
Changes in capital adjustments on valuation of equity method accounted investments	-	-	(1,635,954)	-	-	(1,635,954)
Gain on valuation of investment securities	-	-	-	63,184,877	-	63,184,877
Changes in unrealized gain on valuation of equity method accounted investments	-	-	-	102,123,889	-	102,123,889
Negative Changes in unrealized gain on valuation of equity method accounted investments	-	-	-	(9,801,583)	-	(9,801,583)
Change in the valuation of derivatives	-	-	-	(267,257,413)	-	(267,257,413)
Balance at December 31, 2007	**₩ 380,000,000**	**₩ 2,813,693,355**	**₩ (811,302,031)**	**₩ 198,258,025**	**₩ 2,867,059,692**	**₩ 5,447,709,041**

(Continued)

NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

Korean won (In thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total stockholder's 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	**-**	**-**	**-**	**-**	**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 accounted 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 accounted 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 accounted investments	-	-	-	(20,318,477)	-	(20,318,477)
Negative Changes in unrealized gain on valuation of equity method accounted 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 YEAR ENDED DECEMBER 31, 2008 AND 2007

Korean won (In thousands)

		2008		2007
Cash flows from operating activities				
Net income	₩	**2,256,664,845**	₩	**1,736,060,331**
Adjustments for:				
Depreciation		347,327,963		351,718,296
Accrual for severance benefits		230,151,603		198,841,279
Accrual for allowance for doubtful accounts		35,565,244		12,877,187
Loss on foreign currency translation		117,775,185		8,329,771
Loss on disposition of property, plant and equipment		57,568,485		33,263,439
Equity in net loss of equity accounted investees		151,574,109		6,643,654
Amortization of development costs		41,423,910		38,181,230
Loss on valuation of foreign exchange forward contracts		2,966,525,406		59,199,240
Accrual for foreseeable losses on construction contracts		65,158,129		-
Loss on impairment of long-term investment securities		-		105,249
Gain on foreign currency translation		(137,571,569)		(11,252,407)
Equity in net income of equity method accounted investees		(771,497,568)		(489,179,298)
Gain on valuation of foreign exchange forward contracts		(1,713,371,925)		(234,959,971)
Gain on reversal of provision		(1,421,861)		(6,392,055)
Others, net		(28,132,693)		(48,750,885)
		3,617,739,263		**1,654,685,060**
Changes in assets and liabilities:				
Change in trade accounts and notes receivable		(1,724,001,640)		(256,285,468)
Change in accounts receivable-other		(16,578,847)		66,031,312
Change in accrued income		(28,203,930)		(24,969,810)
Change in advanced payments		(552,953,561)		61,724,429
Change in inventories		(1,144,075,525)		9,557,776
Change in foreign exchange forward contracts		(990,190,623)		303,208,956
Change in trade accounts payable		854,632,361		312,601,393
Change in accounts payable-other		49,677,150		(3,826,357)
Change in advances from customers		2,459,903,477		1,768,443,574
Change in accrued expenses		(24,520,129)		60,504,616
Change in income tax payable		1,494,792		287,846,165
Change in long-term accrued expenses		(1,029,342)		(1,239,893)
Change in deposits for retirement and severance benefits		(37,269,107)		(142,655,720)
Payments of retirement and severance benefits		(169,062,230)		(143,195,698)
Change in deferred income tax assets		(42,217,698)		(70,990,353)
Change in deferred income tax liabilities		18,379,478		161,765,351
Others, net		110,987,270		72,803,493
Net cash provided by operating activities	₩	**2,382,711,159**	₩	**4,116,008,826**

(Continued)

Korean won(In thousands)

	2008	2007
Cash flows from investing activities		
Withdrawal of short-term financial instruments	₩ 2,390,621,000	₩ 1,030,621,000
Disposition of short-term investment securities	2,382,649,007	1,178,453,619
Disposition of long-term investment securities	13,355,791	17,193,951
Disposition of equity method accounted investments	70,937	6,585,516
Disposition of long-term financial instruments	2,004,095	539,893
Disposition of other non-current assets	4,523,174	1,721,898
Disposition of property, plant and equipment	83,417,532	18,924,381
Acquisition of short-term financial instruments	(1,912,945,045)	(2,950,621,000)
Acquisition of short-term investment securities	(1,960,000,000)	(1,424,000,000)
Acquisition of long-term investment securities	(136,397,826)	(246,507,801)
Acquisition of equity method accounted investments	(148,056,640)	(133,347,454)
Acquisition of long-term financial instruments	(6,003,410)	(367,473)
Acquisition of other non-current assets	(35,805,532)	(9,563,269)
Acquisition of property, plant and equipment	(1,791,434,120)	(910,854,533)
Acquisition of intangible assets	(69,711,129)	(54,750,934)
Net cash used in investing activities	**(1,183,712,166)**	**(3,475,972,206)**
Cash flows from financing activities		
Increase in long-term borrowings	1,689,006	282,600
Repayment of current portion of long-term borrowings and other long-term liabilities	(187,640,000)	(341,960)
Payment of cash dividends	(466,600,920)	(161,233,640)
Acquisition of treasury stock	(832,711,781)	(344,907,695)
Net cash used in financing activities	**(1,485,263,695)**	**(506,200,695)**
Net increase (decrease) in cash and cash equivalents	**(286,264,702)**	**133,835,925**
Cash and cash equivalents at beginning of year	953,756,858	819,920,933
Cash and cash equivalents at end of year	**₩ 667,492,156**	**₩ 953,756,858**

See accompanying notes to non-consolidated financial statements.

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 to manufacture and sell 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., National Pension Corp.,and Mirae Asset investment management Co., Ltd. own 10.80%, 8.15%, 7.98%, 5.01% and 4.50%, 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, 2008. 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. Summary of Basis of Presenting Financial Statements and Significant Accounting Policies

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 16 and 26 related to accounting changes and the adoption of changes to Statements of Korean Accounting Standards ("SKAS"), No.15 Investments in Associates, Korea Accounting Institute Opinion 06-2 (Deferred Income Taxes on Investments in Subsidiaries, Associates and Interests in Joint Ventures), and Financial Supervisory Services Staff Opinions on Financial Reporting 2008-2 (Forecast transactions contracted in a foreign currency that meet the definition of firm agreement), the Company applied the same accounting policies that were adopted in the previous year's non-consolidated financial statements.

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

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.

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.

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.

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 each balance sheet date. 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 balance sheet date or where the likelihood of disposal within one year from the balance sheet date is probable, are presented as current assets. Held-to-maturity securities, which mature within one year from the balance sheet date, 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.

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, the Company applies (a) the foreign exchange rate as of the Company's balance sheet date 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.

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.

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.

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.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the balance sheet date, with the resulting gains or losses recognized in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated using the Seoul Money Brokerage Service Ltd. Basic Rate, which was ₩1,257.50 and W 938.20 to USD1.00 at December 31, 2008 and 2007, respectively, and translation gains or losses are reflected in current operations. 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 balance sheet date. 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.

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 balance sheet as a provision for foreseeable losses from construction contracts.

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.

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.

Retirement and Severance Benefits

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

Through March 1999, under the National Pension Scheme of Korea, the Company transferred a certain portion of retirement allowances for employees to the National Pension Service. 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.

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.

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 balance sheet date.

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.

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, 2008 and 2007 are as follows:

Korean won (In thousands)

		2008		2007
Short-term financial instruments	₩	2,257,812	₩	-
Long-term financial instruments		5,460,565		33,000
	₩	**7,718,377**	**₩**	**33,000**

4. Inventories

Inventories as of December 31, 2008 and 2007 are summarized as follows:

Korean won (In thousands)

		2008		2007
Merchandise	₩	70,561,858	₩	48,769,359
Finished goods		198,528,892		125,533,379
Work-in-progress		651,163,931		332,450,119
Raw materials		865,977,551		346,780,441
Supplies		21,243,329		20,392,577
Materials-in-transit		455,820,861		245,293,577
	₩	**2,263,296,422**	**₩**	**1,119,219,452**

5. Short-term Investment Securities

Short-term investment securities consist of available-for-sale securities (current assets only) as of December 31, 2008 and 2007 are summarized as follows:

Korean won (In thousands)

		2008		2007
Beneficiary certificates	₩	102,459,800	₩	478,376,100
Subordinated debentures				
(Dong Yang Securities Inc.)		-		25,012,099
	₩	**102,459,800**	**₩**	**503,388,199**

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 ₩1,864,531 thousand and ₩3,181,444 thousand in accumulated other comprehensive income as of December 31, 2008 and 2007, respectively.

6. Other Current Assets

Other current assets as of December 31, 2008 and 2007 are summarized as follows:

Korean won (In thousands)

		2008		2007
Short-term loans	₩	30,000,000	₩	-
Prepaid expenses		238,690,207		254,860,452
Other current deposits		3,223,063		2,869,370
	₩	**271,913,270**	₩	**257,729,822**

7. Long-term Investment Securities

(a) Long-term investment securities, which consist of available-for-sale securities (non-current assets only) as of December 31, 2008 and 2007 are summarized as follows:

Korean won (In thousands)

		2008		2007
Available-for-sale securities (non-current)				
Marketable securities	₩	359,745,209	₩	645,820,238
Non-marketable securities		136,515,148		68,843,174
	₩	**496,260,357**	₩	**714,663,412**

(b) Equity securities stated at fair value included in long-term investment securities as of December 31, 2008 and 2007 consist of the following:

Korean won (In thousands)

					2008		2007
	Percentage of ownership		Acquisition cost		Fair value		Fair value
Listed equity securities:							
Kia Motors Corp.	0.03	₩	2,681,616	₩	578,005	₩	891,275
Korea Line Corp.	2.71		55,130,663		20,610,678		-
Tong Yang Investment Bank	3.40		99,828,399		24,119,644		71,025,510
Mirae Asset Securities Co., Ltd.	0.10		6,654,173		2,921,441		6,873,980
SK Broadband Corp.	0.00		7,947,667		6,518		12,301
Hyundai Elevator Co., Ltd.	2.16		1,632,339		10,010,585		20,791,215
Hyundai Motor Company	3.45		519,246,924		300,335,090		544,404,872
Hyundai Corp.	0.36		11,227,434		1,163,248		1,821,085
		₩	**704,349,215**	₩	**359,745,209**	₩	**645,820,238**

(c) Equity securities stated at acquisition cost included in long-term investment securities as of December 31, 2008 and 2007 consist of the following:

Korean won (In thousands)

					2008		2007
	Percentage of ownership		Acquisition cost		Fair value		Fair value
Unlisted equity securities: (*1)							
Gangwon Football Club Co., Ltd.	0.02	₩	1,000	₩	1,000	₩	-
Kuk Dong Heavy Conveyance Co., Ltd.	7.50		501,720		501,720		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		30,051,393		15,851,427
Dong-A Precision Machinery. Co., Ltd.	0.74		35,640		-		-
Doosan Capital Co., Ltd.(*3)	9.99		10,000,000		24,378,000		26,146,000
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		3,042,465
PT. Golden Hyundai Machinery	20.83		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.(*4)	60.00		3,360,000		3,360,000		3,360,000
KC Karpovsky BV	10.00		2,443		2,443		2,443
Korea Ship Finance Co., Ltd.	2.36		200,000		200,000		200,000
Nikorma-Transport Limited	11.50		10,914		10,914		-
Pheco Inc.(*4)	100.00		2,303,555		236,621		236,621
			93,988,060		**73,616,587**		**62,745,339**
Subordinated Debentures (Dong Yang Securities Inc.)(*5)			50,000,000		47,776,067		-
Marketable securities			20,110,728		9,964,384		6,097,835
Investments in capital			5,158,110		5,158,110		-
		₩	**169,256,898**	₩	**136,515,148**	₩	**68,843,174**

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

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

(*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, 2007 and 2006, is less than W 7,000 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.

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

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 Investment Bank		20,087,727		(35,062,679)		(14,974,952)
Mirae Asset Securities Co.,Ltd.		159,360		(3,070,890)		(2,911,530)
SK Broadband Corp.		8,919		(3,835)		5,084
Hyundai Elevator Co., Ltd.		13,890,185		(7,355,153)		6,535,032
Hyundai Motor Company		18,239,512		(188,990,743)		(170,751,231)
Hyundai Corp.		793,331		(452,929)		340,402
Daehan Oil Pipeline Corp.		971,228		11,149,653		12,120,881
Doosan Capital Co., Ltd.		11,705,850		(491,010)		11,214,840
		64,558,114		(251,545,993)		(186,987,879)
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)

(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, 2007, were as follows:

Korean won (In thousands)

						2007
		Balance at January 1, 2007		Increase (Decrease)		Balance at December 31, 2007
Kia Motors Corp.	₩	(1,083,673)	₩	(214,325)	₩	(1,297,998)
Tong Yang Investment Bank		(1,300,571)		21,388,298		20,087,727
Mirae Asset Securities Co., Ltd.		-		159,360		159,360
SK Broadband Corp.		6,780		2,139		8,919
Hyundai Elevator Co., Ltd.		6,275,209		7,614,976		13,890,185
Hyundai Motor Company		(405,601)		18,645,113		18,239,512
Hyundai Corp.		703,179		90,152		793,331
Daehan Oil Pipeline Corp.		-		971,228		971,228
Doosan Capital Co., Ltd.		-		11,705,850		11,705,850
		4,195,323		60,362,791		64,558,114
Government and municipal		40,390		(40,390)		-
Subordinated bonds		(300,894)		300,894		-
Investments in capital		281,662		22,868		304,530
	₩	4,216,481	₩	60,646,163	₩	64,862,644

8. Equity Method Accounted Investments

(a) 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 Dongahn Steel (*2&3)	-	54.99	1,231,036	-
Hyundai Heavy Industries Europe N.V. (*2)	10	100.00	35,656,728	8,884,122
Hyundai Vinashin Shipyard (*2,3&4)	-	10.00	2,543,678	14,982,234
H.C.E U.S.A (*2)	23,900,000	100.00	26,712,810	4,170,513
Vladivostock Business Center (*2&3)	-	57.14	5,891,667	-
Koentec Co., Ltd. (*5)	3,792,000	7.58	6,617,040	4,721,024
HHI China Investment Co., Ltd. (*2&3)	-	100.00	154,057,029	246,276,553
Hyundai Merchant Marine Co., Ltd. (Common stock) (*6)	23,424,037	17.60	404,039,118	481,689,397
Hyundai Merchant Marine Co., Ltd. (Preferred stock) (*6)	3,516,688	17.58	52,750,320	56,303,455
Qinhuangdao Shouqin Metal Materials Co., Ltd. (*3)	-	20.00	67,658,226	164,661,077
Hyundai Ideal Electric Co. (*2)	1,000	100.00	11,241,600	17,943,929
Hyundai Financial Leasing Co., Ltd. (*2&3)	-	60.03	16,988,743	24,053,234
Hyundai Construction Equipment India Private Ltd. (*2)	17,184,775	100.00	39,354,139	34,423,101
Wartsila Hyundai Engine Company Ltd. (*3)	-	50.00	33,930,000	32,894,351
Ulsan Hyundai Football Club. Ltd. (*2)	2,000,000	100.00	10,000,000	1,181,505
HYMS(*2)	29,600,000	100.00	148,000,000	114,593,849
KAM Corp.	8,330,000	49.00	41,650,000	42,481,873
Grand China Hyundai Shipping Company Ltd.	1,000,000	50.00	1,016,600	1,261,438
Komas Corp.	754,414	100.00	3,772,070	1,459,500
			₩ 1,640,263,598	₩ 2,712,825,310

(b) Investments in companies accounted for using the equity method as of December 31, 2007 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	₩ 329,826,033
Hyundai Finance Corp. (*2)	12,350,000	67.49	78,197,738	88,223,005
Hyundai Samho Heavy Industries Co., Ltd. (*2)	37,967,000	94.92	204,259,700	1,043,149,379
Changzhou Hyundai Construction Machinery Co., Ltd. (*2&3)	-	60.00	20,215,057	23,323,703
Beijing Hyundai Construction Machinery Co., Ltd. (*2&3)	-	60.00	15,661,020	13,612,598
MOST #3 Venture Investment	130	24.53	122,630	125,485
Incheon Airport Energy	3,284,884	31.00	16,424,420	3,847,377
Hyundai Jiangsu Construction Machinery Co., Ltd. (*2&3)	-	60.00	28,514,868	40,106,509
Hyundai Heavy Industries Co. Bulgaria (*2)	12,155,829	99.09	11,620,593	22,730,051
New Korea Country Club	16,457	20.00	500,000	3,272,781
Hyundai Dongahn Steel (*2&3)	-	54.99	1,231,036	1,314,368
Hyundai Heavy Industries Europe N.V. (*2)	10	100.00	35,656,728	23,312,570
Hyundai Vinashin Shipyard (*2,3&4)	-	10.00	2,543,678	7,806,652
Yantai Hyundai Moon Heavy Industries Co., Ltd. (*2&3)	-	54.99	7,254,254	6,920,669
Hyundai Heavy Industry (China) Electric Co., Ltd. (*2&3)	-	55.22	18,256,250	13,739,103
H.C.E U.S.A (*2)	23,900,000	100.00	26,712,810	6,634,931
Vladivostock Business Center (*2&3)	-	57.14	5,891,667	-
Koentec Co., Ltd. (*5)	3,792,000	7.58	6,617,040	5,318,298
HHI China Investment Co., Ltd. (*2&3)	-	100.00	28,372,350	27,508,118
Hyundai Merchant Marine Co., Ltd. (Common stock) (*6)	23,424,037	17.60	404,039,118	357,350,650
Hyundai Merchant Marine Co., Ltd. (Preferred stock) (*6)	3,516,688	17.58	52,750,320	56,303,455
Qinhuangdao Shouqin Metal Materials Co., Ltd. (*3)	-	20.00	67,658,226	92,647,265
Hyundai Ideal Electric Co. (*2)	1,000	100.00	11,241,600	11,378,786
Hyundai Financial Leasing Co., Ltd. (*2&3)	-	60.03	2,496,186	2,020,867
Hyundai Construction Equipment India Private Ltd. (*2)	8,603,025	100.00	18,557,139	20,287,075
Wartsila Hyundai Engine Company Ltd. (*3)	-	50.00	22,230,000	21,970,305
			₩ 1,353,174,771	**₩ 2,222,730,033**

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

(*2) The Company's subsidiaries.

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

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

(*5) Since the Company is able to exercise significant influence over the operating and financial policies, investment in Koentec Co., Ltd. was accounted for using the equity method of accounting deposit its ownership percentage is under 20%. In addition, the closing price of Koentec Co., Ltd. on the KOSDAQ. was ₩1,080 per share at December 31, 2008.

(*6) Since the ownership's percentage of the Company and its subsidiary exceeded over 20% and the Company is able to exercise significant influence over the operating and financial policies, investment in these securities are accounted for using the equity method of accounting. In addition, the closing common stock price of Hyundai Merchant Marine Co., Ltd. on the stock market of the Republic of Korea was ₩ 37,100 per share at December 31, 2008. 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, 2008 were as follows:

Korean won (In thousands)

Company	Balance at January 1, 2008	Increase (Decrease)	Amortization	Balance at December 31, 2008
Hyundai Vinashin Shipyard	₩ (99,085)	₩ -	₩ 99,085	₩ -
Koentec Co., Ltd.	1,382,971	-	(691,485)	691,486
Hyundai Merchant Marine Co., Ltd. (common stock)	52,673,525	-	(16,207,239)	36,466,286
Qinhuangdao Shouqin Metal Materials Co., Ltd.	11,367,799	-	(2,843,062)	8,524,737
	₩ 65,325,210	**₩ -**	**₩ (19,642,701)**	**₩ 45,682,509**

(d) Changes in the opening and closing balances of investments in companies accounted for using the equity method for the year ended December 31, 2008 were as follows:

Korean won (In thousands)

Company	Balance at January 1, 2008	Net income (loss)	Accumulated other comprehensive income	Other increase (decrease)	Balance at December 31, 2008
Hyundai Oilbank	₩ 329,826,033	₩ (58,699,470)	₩ 18,634,007	₩ -	₩ 289,760,570
Hyundai Finance Corp.	88,223,005	(21,164)	1,978,438	(1,235,000)	88,945,279
Hyundai Samho Heavy Industries Co., Ltd.	1,043,149,379	594,375,706	(521,185,107)	(75,934,000)	1,040,405,978
Changzhou Hyundai Construction Machinery Co., Ltd.	23,323,703	-	-	(23,323,703)	-
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	13,612,598	-	-	(13,612,598)	-
MOST #3 Venture Investment	125,485	-	-	(125,485)	-
Incheon Airport Energy(*2)	3,847,377	(3,847,377)	-	-	-
Hyundai Jiangsu Construction Machinery Co., Ltd.	40,106,509	-	-	(40,106,509)	-
Hyundai Heavy Industries Co. Bulgaria	22,730,051	6,606,628	8,782,414	-	38,119,093
New Korea Country Club	3,272,781	440,454	-	(100,000)	3,613,235
Hyundai Dongahn Steel (*3)	1,314,369	(1,534,453)	220,084	-	-
Hyundai Heavy Industries Europe N.V.	23,312,570	(24,637,991)	10,209,543	-	8,884,122
Hyundai Vinashin Shipyard	7,806,651	4,499,454	3,417,479	(741,350)	14,982,234

Korean won (In thousands)

Company	Balance at January 1, 2008	Net income (loss)	Accumulated other comprehensive income	Other increase (decrease)	Balance at December 31, 2008
Yantai Hyundai Moon Heavy Industries Co., Ltd.	6,920,669	-	-	(6,920,669)	-
Hyundai Heavy Industry (China) Electric Co., Ltd.	13,739,102	-	-	(13,739,102)	-
H.C.E U.S.A.	6,634,931	(6,883,517)	4,419,099	-	4,170,513
Vladivostok Business Center (*1)	-	-	-	-	-
Koentec Co., Ltd.	5,318,298	(498,939)	(3,535)	(94,800)	4,721,024
HHI China Investment Co., Ltd.	27,508,118	25,345,990	67,461,678	125,960,767	246,276,553
Hyundai Merchant Marine Co., Ltd. (Common stock)	357,350,650	102,669,927	33,380,838	(11,712,018)	481,689,397
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	92,647,265	31,413,281	40,600,531	-	164,661,077
Hyundai Ideal Electric Co.	11,378,786	2,397,083	4,168,060	-	17,943,929
Hyundai Financial Leasing Co., Ltd.	2,020,867	803,706	6,736,104	14,492,557	24,053,234
Hyundai Construction Equipment India Private Ltd.	20,287,075	(10,138,027)	3,477,053	20,797,000	34,423,101
Wartsila Hyundai Engine Company Ltd.	21,970,306	(775,955)	-	11,700,000	32,894,351
Ulsan Hyundai Football Club. Ltd.	-	(8,818,495)	-	10,000,000	1,181,505
HYMS	-	(33,406,151)	-	148,000,000	114,593,849
KAM Corp.	-	831,873	-	41,650,000	42,481,873
Grand China Hyundai Shipping Company Ltd.	-	3,453	241,385	1,016,600	1,261,438
Komas Corp.	-	(2,312,570)	-	3,772,070	1,459,500
	₩ 2,222,730,033	**₩ 619,923,459**	**₩ (317,461,929)**	**₩ 187,633,747**	**₩ 2,712,825,310**

(*1) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit. In addition, cumulative unrecognized loss due to suspension of applying the equity method amounts to ₩93,079 million, including ₩10,322 million increased for the year ended December 31, 2008, and allowance amounting to W 79,156 million was provided for accounts receivables-other for Vladivostok Business Center.

(*2) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit. In addition, cumulative unrecognized loss due to suspension of applying the equity method amounts to ₩3,598 million for the year ended December 31, 2008.

(*3) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit. In addition, cumulative unrecognized loss due to suspension of applying the equity method amounts to ₩90 million for the year ended December 31, 2008.

(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, 2008 and 2007, unrealized gain eliminated under the equity of accounting method of accounting are ₩119,093,738 thousand and ₩40,499,079 thousand, respectively.

(f) Equity securities accounted for using the equity method as of December 31, 2008 are valued based on the financial statements of the investees as of the same balance sheet date, which were neither audited nor reviewed by an external auditor. Those net asset values from using the provisional settlement were as follows:

Korean won (In thousands)

Company	Net asset value before adjustments	Adjustments	Net asset value after adjustments
Hyundai Oilbank	₩ 289,760,570	₩ -	₩ 289,760,570
Hyundai Finance Corp.	88,945,279	-	88,945,279
Hyundai Samho Heavy Industries Co., Ltd.(*1)	1,362,291,641	(311,111,503)	1,051,180,138
Incheon Airport Energy	-	-	-
Hyundai Heavy Industries Co. Bulgaria	38,172,499	-	38,172,499
New Korea Country Club	3,613,235	-	3,613,235
Hyundai Dongahn Steel	-	-	-
Hyundai Heavy Industries Europe N.V.	42,550,739	-	42,550,739
Hyundai Vinashin Shipyard	14,982,234	-	14,982,234
H.C.E U.S.A.	17,002,524	-	17,002,524
Vladivostok Business Center	-	-	-
Koentec Co., Ltd.	4,029,538	-	4,029,538
HHI China Investment Co., Ltd.(*1)	274,055,536	(7,599,321)	266,456,215
Hyundai Merchant Marine Co., Ltd. (Common stock)	445,223,111	-	445,223,111
Hyundai Merchant Marine Co., Ltd. (Preferred stock)	56,303,455	-	56,303,455
Qinhuangdao Shouqin Metal Materials Co., Ltd.	156,136,341	-	156,136,341
Hyundai Ideal Electric Co.	17,943,929	-	17,943,929
Hyundai Financial Leasing Co., Ltd	24,053,234	-	24,053,234
Hyundai Construction Equipment India Private Ltd.	39,104,008	-	39,104,008
Wartsila Hyundai Engine Company Ltd.	32,894,351	-	32,894,351
Ulsan Hyundai Football Club Ltd.	1,181,505	-	1,181,505
HYMS	149,194,656	-	149,194,656
KAM Corp.	42,481,873	-	42,481,873
Grand China Hyundai Shipping Company Ltd.	1,261,438	-	1,261,438
Komas Corp.	3,765,667	-	3,765,667
	₩ 3,104,947,363	**₩ (318,710,824)**	**₩ 2,786,236,539**

(*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-accounted investments as of and for the year ended December 31, 2008 is as follows:

Korean won (In thousands)

Company	Assets	Liabilities	Sales	Net income (loss)
Hyundai Oilbank	₩ 4,807,118	₩ 3,333,822	₩ 14,766,964	₩ (254,155)
Hyundai Finance Corp.	142,857	11,060	6,171	(2,729)
Hyundai Samho Heavy Industries Co., Ltd.	7,427,241	5,992,003	3,750,648	632,545
Incheon Airport Energy	157,231	168,839	80,381	(23,976)
Hyundai Heavy Industries Co. Bulgaria	57,488	18,964	62,711	7,421
New Korea Country Club	23,897	5,831	12,840	2,420
Hyundai Dongahn Steel	16,032	16,195	17,710	(2,952)
Hyundai Heavy Industries Europe N.V.	181,449	138,898	355,816	(5,246)
Hyundai Vinashin Shipyard	377,488	227,666	205,498	44,198
H.C.E U.S.A.	88,002	70,999	135,008	(683)
Vladivostok Business Center	25,912	188,809	13,043	(827)
Koentec Co., Ltd.	66,725	13,593	24,227	2,326
HHI China Investment Co., Ltd.	311,052	36,996	12,618	28,325
Hyundai Merchant Marine Co., Ltd.	8,273,176	5,423,632	8,003,039	681,747
Qinhuangdao Shouqin Metal Materials Co., Ltd.	2,207,053	1,426,372	2,109,211	180,297
Hyundai Ideal Electric Co.	45,688	27,745	57,590	2,879
Hyundai Financial Leasing Co., Ltd.	138,485	98,419	7,179	1,339
Hyundai Construction Equipment India Private Ltd.	79,493	40,389	6,314	(5,457)
Wartsila Hyundai Engine Company Ltd.	155,853	90,064	31,914	(1,717)
Ulsan Hyundai Football Club Ltd.	1,678	496	2,463	(8,818)
HYMS	253,207	104,013	83,203	1,195
KAM Corp.	92,229	5,531	-	1,709
Grand China Hyundai Shipping Company Ltd.	2,549	26	-	7
Komas Corp.	3,776	11	129	(6)

9. Property, Plant and Equipment

(a) Property, plant and equipment as of December 31, 2008 and 2007 are as follows:

Korean won (In thousands)

	2008	2007
Buildings and structures	₩ 3,049,528,786	₩ 2,572,752,181
Machinery and equipment	2,404,550,660	2,169,947,389
Ships	208,674,068	186,009,863
Vehicles	33,420,855	30,439,712
Tools, furniture and fixtures	1,111,073,115	975,914,777
	6,807,247,484	5,935,063,922
Less: Accumulated depreciation	(3,194,142,671)	(2,944,344,006)
	3,613,104,813	2,990,719,916
Land	1,592,414,576	1,550,415,149
Less: Government subsidy	(5,455,000)	-
	1,586,959,576	1,550,415,149
Construction-in-progress	989,889,374	427,650,290
	₩ 6,189,953,763	**₩ 4,968,785,355**

(b) The changes in property, plant and equipment for the year ended December 31, 2008 are 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	126,424,000	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	**1,592,414,576**	**2,132,007,385**	**917,521,401**	**2,404,550,660**	**2,343,057,412**	**9,389,551,434**
Government subsidy(*1)	(5,455,000)	-	-	-	-	(5,455,000)
Depreciation	-	(50,334,387)	(20,842,084)	(159,234,377)	(116,917,115)	(347,327,963)
Accumulated depreciation	-	(396,796,079)	(180,731,330)	(1,682,561,906)	(934,053,356)	(3,194,142,671)

(*1) The Company established Gunsan shipbuilding yard with the government subsidy received for the amount of ₩5,455,000 thousand and accounted for the establishment as a deduction from the land of Gunsan shipbuilding yard.

(c) The changes in property, plant and equipment for the year ended December 31, 2007 were as follows:

Korean won (In thousands)

	2007					
	Land	**Buildings**	**Structures**	**Machinery and equipment**	**Other**	**Total**
Beginning of period	₩ 1,365,024,824	₩ 1,720,045,695	₩ 732,649,010	₩ 2,093,584,301	₩ 1,249,333,286	₩ 7,160,637,116
Acquisition and other	193,045,712	84,983,518	70,643,937	138,858,689	423,321,289	910,853,145
Disposal	(7,655,387)	(35,080,292)	(489,687)	(62,495,601)	(52,639,933)	(158,360,900)
End 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**
Depreciation	-	(43,842,312)	(18,753,331)	(186,520,439)	(102,602,214)	(351,718,296)
Accumulated depreciation	-	(360,856,814)	(161,350,202)	(1,559,756,993)	(862,379,997)	(2,944,344,006)

A substantial portion of buildings, machinery and equipment are insured against fire and other casualty losses up to approximately ₩2,726,878 million as of December 31, 2008. The Company maintains insurance coverage against fire and other casualty losses of up to ₩6,945,491 million for ships and sea structures under construction and the insurance proceed of ₩1,404,530 million is pledged as collateral for loans from the Export-Import Bank of Korea as of December 31, 2008.

In addition to the above insurance, most valuable property owned by the Company is covered by a general liability insurance policy up to ₩1,324,571 million as of December 31, 2008. The Company also maintains insurance on cargo against damage and claims losses of up to ₩6,916,250 million for products being exported and imported as of December 31, 2008.

Construction in progress is block assembling factories and H Dock construction for the year ended December 31, 2008.

As of December 31, 2008 and 2007, the value of land owned by the Company is ₩1,458,969 million and ₩1,364,161 million, respectively, as announced by the Korean government.

10. Intangible Assets

(a) Intangible assets as of December 31, 2008 and 2007 are as follows:

Korean won (In thousands)

	2008	2007
Development costs	₩ 242,161,165	₩ 213,873,947
Usage right for donated properties	20,135,131	22,174,415
	₩ 262,296,296	**₩ 236,048,362**

(b) Details of changes in intangible assets for the years ended December 31, 2008 and 2007 are summarized as follows:

Korean won (In thousands)

	Development Cost		Usage right for donated properties	
	2008	**2007**	**2008**	**2007**
Beginning balance	₩ 213,873,947	₩ 197,304,243	₩ 22,174,415	₩ 24,213,698
Capitalized	69,711,128	54,750,934	-	-
Amortization	(41,423,910)	(38,181,230)	(2,039,284)	(2,039,283)
Ending balance	**₩ 242,161,165**	**₩ 213,873,947**	**₩ 20,135,131**	**₩ 22,174,415**

Research costs amounting to ₩17,857 million and ₩17,530 million, and ordinary development costs amounting to ₩79,443 million and ₩75,060 million are included in selling and administrative expenses for the years ended December 31, 2008 and 2007, respectively. The amortized development costs of ₩41,424 million and ₩38,181 million are included in the cost of sales and selling and administration expenses for the years ended December 31, 2008 and 2007, respectively.

11. Other Non-current Assets

Other non-current assets as of December 31, 2008 and 2007 are summarized as follows:

Korean won (In thousands)

		2008		2007
Guarantee deposits	₩	6,519,197	₩	5,354,714
Other non-current assets		82,046,020		46,980,144
	₩	**88,565,217**	₩	**52,334,858**

12. Other Current Liabilities

Other current liabilities as of December 31, 2008 and 2007 are summarized as follows:

Korean won (In thousands)

		2008		2007
Withholdings of income taxes	₩	129,518,237	₩	99,603,636
Unearned revenues		19,276		18,206,896
Provision for construction losses		104,228,901		39,070,771
	₩	**233,766,414**	₩	**156,881,303**

13. Debentures and Long-term Borrowings

(a) Debentures as of 2008 and 2007 are summarized as follows:

Korean won (In thousands)

	Maturity	Annual interest rate		2008		2007
111th non-guaranteed debenture	2008.09.22	6M L+0.475	₩	-	₩	187,640,000
Current portion				-		(187,640,000)
			₩	**-**	₩	**187,640,000**

(b) Foreign currency loans as of December 31, 2008 and 2007 are as follows:

Korean won (In thousands)

	Interest rate as of December 31, 2008 (%)		2008				2007		
Business loans from Korea National Oil Corporation	2.00	USD	2,929,258	₩	3,314,633	USD	1,742,806	₩	1,625,627
			2,929,258		**3,314,633**		**1,742,806**		**1,625,627**
Current portion			-		-		-		-
		USD	**2,929,258**	**₩**	**3,314,633**	USD	**1,742,806**	**₩**	**1,625,627**

(c) The maturities of long-term debt as of December 31, 2008 are not readily determinable since the long-term debt is paid by installment in case of success in the oil development business.

14. Retirement and Severance Benefits

Accrued severance benefits of December 31, 2008 and 2007 are as follows:

Korean won (In thousands)

		2008		2007
Beginning balance	₩	1,190,834,067	₩	1,135,188,486
Retirement and severance payment		(169,062,230)		(143,195,698)
Provisions		230,151,603		198,841,279
		1,251,923,440		**1,190,834,067**
Less: Retirement and severance insurance		(1,080,063,958)		(1,042,794,852)
National pension		(32,841,150)		(37,173,633)
Ending balance	**₩**	**139,018,332**	**₩**	**110,865,582**

Accrued retirement and severance benefits are funded approximately 86.3% and 87.6% as of December 31, 2008 and 2007, 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, 2008 and 2007 are summarized as follows:

Korean won (In thousands)

		2008		2007
Deposits received	₩	12,467,827	₩	13,652,846
Provision for construction warranties		22,343,521		23,720,007
Provision for product warranties		44,008,707		36,083,001
	₩	**78,820,055**	**₩**	**73,455,854**

16. Commitments and Contingencies

(a) The Company has entered into bank overdraft agreements with 8 banks amounting to ₩188,100 million as of December 31, 2008.

(b) As of December 31, 2008, the Company has entered into credit facilities agreements with various banks for the Company's exports and imports such as letter of credit including usance L/C, totaling USD 2,188,740 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 13 blank checks and notes as of December 31, 2008.

(d) The outstanding balance of note receivables, guaranteed by the importers' Government or others and sold to financial institutions with recourse is USD 36,452 thousand, equivalent to ₩45,839 million, as of December 31, 2008. Also, the Company's outstanding balance of trade receivables sold with recourse amounts to ₩6,634 million as of December 31, 2008.

(e) As of December 31, 2008, the Company is contingently liable for loan guarantees of its foreign subsidiaries and affiliated companies, amounting to USD 130,384 thousand and ₩36,844 million. The Company has provided certain performance guarantees for bareboat charters amounting to USD 581,093 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 18 ships (Contract amount: USD 2,296,223 thousand).

(f) In connection with the Company's contract performance guarantees, the Company has also been provided with guarantees up to ₩2,461,727 million and USD 15,040,327 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 22 banks including Korea Exchange Bank. As of December 31, 2008, the valuation and gain (loss) on transaction of the forward contracts are as follows:

Korean won (In thousands)

						Description		
		Cash flow hedge		**Fair value hedge**		**For trading**		**Total**
Contract amount								
	USD	1,829,901	USD	19,440,002	USD	243,265	USD	21,513,168
	EUR	223,425		-	EUR	367	EUR	223,792
	JPY	464,090		-		-	JPY	464,090
Adjustment to sales	₩	(182,836)		(1,374,879)		-	₩	(1,557,715)
Non-operating income (expense)		25,413		(155,356)		(89,704)		(219,647)
Other comprehensive income		(418,674)		-		-		(418,674)
Firm commitment – asset		-		4,559,055		-		4,559,055
Firm commitment – liability		-		38,771		-		38,771
Derivatives – asset								107,241
Derivatives – liability								5,616,143

According to Financial Supervisory Service's practical opinion on financial reporting 2008-2, the Company applied fair value hedge accounting to derivatives transactions regarding foreign ship contracts qualifying as firm commitments since September 30, 2008. Therefore, forward exchange gains and loss related to fair value hedge which had been recorded in other comprehensive income were reclassified as firm commitment assets and liabilities. For comparative purposes, the accounts of current and non-current derivative assets and liabilities in the prior year were reclassified to reflect the changes of accounts in current financial statements and these reclassifications have no effect on the prior year's net income or net assets.

The Company reflected the consequential effects on the deferred tax asset (liability) and changes in unrealized gain on valuation of equity method investments in the financial statements.

Korean won (In thousands)

Description		Before		After
Firm commitment asset (current)	₩	-	₩	1,782,772
Firm commitment asset (non-current)		-		2,776,283
Firm commitment liability (current)		-		22,735
Firm commitment liability (non-current)		-		16,036
Other comprehensive income	₩	(3,804,582)	₩	(317,481)

As of December 31, 2008, the Company applies cash flow hedge accounting, out of which the Company accounted for the effective portion of the hedge amounting to ₩(-)317,481 million (net of deferred income tax adjustment of ₩(-)101,193 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, 2008 is ₩(-)412,929 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 hedge. As a result, net balance of firm commitment assets and liabilities were ₩4,520,284 million and related gain and loss on valuation of the firm commitments were recorded as ₩1,616,949 million and ₩39,134 million, respectively, in non-operating income and expenses.

Gain and loss on derivatives transactions that matured within the current year were recorded as ₩59,704 million and ₩583,912 million, respectively in non-operating income and expense. Gain and loss on valuation of derivatives are recorded as ₩96,423 million and ₩1,369,676 million, respectively in non-operating income and expense.

In relation to valuation of derivatives that have not reached to maturity dates, the Company accounted for derivative assets of ₩107,241 million and derivative liabilities of ₩5,616,143 million.

Besides the above financial derivatives, the interest swap contract which the Company has entered into with CSFB to hedge the exposure to interest rate risk of floating rate debentures (variable interest rate: 6M Libor, fixed interest rate: 4.50%) amounting to USD 200,000 thousand matured on September 22, 2008. Related recognized gain and loss on derivatives transactions were recorded as ₩321 million and ₩2,280 million, respectively in non-operating income and expense.

17. Litigations

(a) The Company has filed a protest against a penalty amounting to ₩19,415 million that had been imposed on the Company by the Korean Fair Trade Commission, relating to the construction equipment sales with affiliated companies, relating to the transactions from 2001 to 2004. As a result, the penalty decreased by ₩4,186 million pursuant to the resolution of the Korea Fair Trade Commission on January 5 and 24, 2006 and the Company filed litigation for the remainder of the penalty to Seoul High Court.

In addition, the Company has been brought into 4 legal actions by its employees with claims amounting to ₩242 million for damages from industrial disaster, all of which are pending as of December 31, 2008.

(b) Hynix Semiconductor Inc. ("HSI") sold 13 million shares of Hyundai Investment Trust & Securities Co., Ltd. ("HITS") for USD13.46 per share to Canadian Imperial Bank of Commerce ("CIBC") on June 4, 1997. In relation to this transaction, the Company made a Share Option Agreement with CIBC under which the Company was obligated to buy back the 13 million shares of HITS for USD16.96 per share, if CIBC exercised its option. Based on this agreement, the Company was provided a written promissory note from HSI and Hyundai Securities Co., Ltd. ("HSC") on July 1, 1997 to compensate the Company for losses incurred in connection with the transaction with CIBC under certain circumstances. Based on the above agreement, on July 20, 2000, the Company repurchased the 13 million shares from CIBC for USD 220,480 thousand. The Company required HSI and HSC to honor their written promissory note; however, HSI and HSC refused. Accordingly, the Company filed a lawsuit against HSI and HSC on July 28, 2000 and deposited the stocks repurchased from CIBC in Suwon District Court. On January 25, 2002, the Company partially won the litigation for the settlement of claim amounting to ₩171,800 million of principal and accrued interest thereon and recovered ₩220,933 million.

However, the Company didn't accept the court's decision. Pursuant to the resolution of the board of directors on January 27, 2002, the Company filed an appeal to a High Court for claiming the whole amount of the principal and accrued interest. Also, the Company has filed a lawsuit for the advanced payments and reimbursable expenses for 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 to the Supreme Court of Korea. The Company has provided an allowance for doubtful accounts on the above amount as of June 30, 2006. The management and legal advisor of the Company predict that the case will be decided in the Company's favor; however, the ultimate effect of these litigations cannot presently be determined and no adjustment that may result has been made in the accompanying financial statements.

(c) The National Tax Service imposed additional income tax amounting to ₩107,600 million on March 27, 2006. The assessment resulted from the participation in the capital increase of Hyundai Space and Aircraft Co., Ltd. when Korea was under foreign currency exchange crisis in late 1990's. The National Tax Service concluded this capital increase to be unfair financial support for the insolvent affiliate. The Company appealed judgment by National Tax Tribunal and the case is in progress as of December 31, 2008.

(d) As of March 25, 2008, the Company determined that International Petroleum Investment Co. (hereafter "IPIC"), the major shareholder of Hyundai Oilbank, breached the Contract between Shareholders entered into with the former shareholders of the Hyundai Group, including Hyundai Heavy Industries and notified IPIC to exercise IPIC's Deemed Offer (stock purchase option) against its shares of Hyundai Oilbank of 171,557,695 shares (70%). The Company also filed for arbitration at the International Court of Arbitration of the International Chamber of Commerce, in regard to IPIC's breach of contract and exercise of the Deemed Offer. The arbitration will be processed in Singapore. The notified Deemed Offer may not be rescinded and in case IPIC does not agree to the stock purchase, the offer will need to be determined by the arbitration judgment. As of December 31, 2008, the arbitration period and the exercise price of the stock purchase options are undetermined.

18. Capital Surplus

Capital surplus as of December 31, 2008 and 2007 is as follows:

Korean won (In thousands)

		2008		2007
Paid-in capital in excess of par value	₩	843,324,390	₩	843,324,390
Asset revaluation surplus		1,862,725,081		1,862,725,081
Other capital surplus		65,334,216		65,334,216
Capital surplus on valuation of equity method investments		47,207,001		42,309,668
	₩	**2,818,590,688**	**₩**	**2,813,693,355**

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., W 10,123 million thousand of gain on disposal of treasury stock (net of tax effect) and ₩21,830 million of gain on business combination and others.

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

19. Retained Earnings

(a) Retained earnings as of December 31, 2008 and 2007 are as follows:

Korean won (In thousands)

		2008		2007
Appropriated:				
Legal reserve (A & C)	₩	211,543,400	₩	164,883,307
Reserve for corporate development (C)		30,000,000		30,000,000
Reserve for research and human development (B)		230,000,000		247,690,637
Reserve for facilities (B)		78,270,000		78,270,000
Other voluntary reserves (D)		1,850,645,368		610,155,408
Unappropriated retained earnings		2,256,664,849		1,736,060,340
	₩	**4,657,123,617**	**₩**	**2,867,059,692**

(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, 2008 and 2007, treasury stock is as follows:

Korean won (In thousands)

	2008	2007
Treasury stock	₩ (1,529,441,294)	₩ (696,729,512)

The Company has been operating special money in trust for treasury stock amounting to ₩705,000 million since January 2000 for the purpose of stabilizing the share price of the Company, and disposed 11,631,580 shares of treasuring stock amounting to ₩392,000 million in 2003.
In addition, pursuant to the resolution of the board of directors on January 31, 2008, the Company made a decision to acquire 2,280 thousand shares for the purpose of stabilizing the share price of the Company, and has completed the acquisition by May 2, 2008.

(b) Other capital adjustments

As of December 31, 2008 and 2007, other capital adjustments are as follows:

Korean won (In thousands)

	2008	2007
Treasury stock owned by subsidiaries	₩ (103,565,209)	₩ (92,330,720)
Capital adjustments on valuation of equity method	(129,033,528)	(22,241,799)
	₩ (232,598,737)	**₩ (114,572,519)**

21. Dividends

(a) Proposed dividends for 2008 and 2007 are summarized as follows.

Korean won in thousand expect par value

Year	Description	Number of shares (*)	Par value	Dividend rate	Cash dividend	Net income	Dividend to net income
2008	Common stock	59,933,456	₩ 5,000	100 %	₩299,667,280	₩2,256,664,845	13.28%
2007	Common stock	62,213,456	₩ 5,000	150 %	₩466,600,920	₩1,736,060,331	26.88%

(*) Net of 16,066,544 shares and 13,786,544 shares of treasury stock as of December 31, 2008 and 2007

(b) Yields to market price of proposed dividend for 2008 and 2007 are as follows:

Korean won in thousand expect par value

Year	Description	Dividends per share	Closing price	Yield to market price
2008	Common stock	₩ 5,500	₩199,500	2.5%
2007	Common stock	₩ 7,500	₩442,500	1.7%

22. Sales and Cost of Sales

(a) Sales and cost of sales, by major industry segment, for the years December 31, 2008 and 2007 are as follows:

Korean won (In thousands)

	2008		2007	
	Sales	Cost of sales	Sales	Cost of sales
Shipbuilding	₩ 9,084,857,132	₩ 7,871,919,368	₩ 7,556,662,571	₩ 6,395,626,876
Offshore & Engineering	3,095,131,826	2,732,624,725	2,222,062,607	1,944,753,420
Industrial Plant & Engineering	1,374,441,667	1,317,494,596	1,016,617,875	941,797,376
Engine & Machinery	2,522,059,761	1,828,995,030	1,645,739,658	1,238,318,869
Electro Electric Systems	1,924,488,853	1,455,189,735	1,453,389,981	1,139,078,373
Construction Equipment	1,768,563,318	1,429,287,892	1,512,048,621	1,192,836,163
Others	187,538,323	176,477,670	126,491,994	123,707,477
	₩ 19,957,080,880	**₩ 16,811,989,016**	**₩ 15,533,013,307**	**₩ 12,976,118,554**

(b) The Company's outstanding contracts as of December 31, 2008 are summarized as follows:

Korean won (In millions)

	Shipbuilding	Others	Total
Beginning of period	₩ 29,841,783	₩ 20,839,642	₩ 50,681,425
Increase during the period	14,967,517	14,564,095	29,531,612
Recognized as revenue in current income	(9,084,857)	(10,872,224)	(19,957,081)
End of period	**₩ 35,724,443**	**₩ 24,531,513**	**₩ 60,255,956**

As of December 31, 2008, 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, 2008, accumulated cost of construction and others connected with construction in progress by major industry segment are 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	₩ 12,573,320	₩ 1,863,332	₩ 6,530,773	₩ 1,933,989	₩ 173,982	₩ 1,760,007
Offshore & Engineering	5,715,029	558,399	2,078,578	556,467	109,538	446,929
Industrial Plant & Engineering	4,155,213	144,327	453,058	120,874	16,477	104,397
Engine & Machinery	2,977,279	1,174,449	996,144	561,061	99,230	461,831
Electro Electric Systems	62,251	24,562	117,295	542,345	517,021	25,324
Construction Equipment (*)	-	-	1,069	174,768	174,768	-
Others (*)	-	-	501	705,897	705,897	-
	₩ 25,483,092	**₩ 3,765,069**	**₩ 10,177,418**	**₩ 4,595,401**	**₩ 1,796,913**	**₩ 2,798,488**

(*) 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 ₩104,229 million.

23. Income Taxes

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

Korean won (In millions)

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, 2008 and 2007 is as follows:

Korean won (In thousands)

	2008	2007
Current income tax	₩ 716,805,582	₩ 567,550,538
Changes in deferred income taxes due to temporary differences	(284,351,124)	62,405,721
Changes in deferred income taxes directly adjusted in equity	260,512,903	28,369,275
Income tax expense	692,967,361	658,325,534
Income before income tax	2,949,632,206	2,394,385,865
Effective income tax rate	**23.50%**	**27.50%**

(c) For the years ended December 31, 2008 and 2007, the differences between income before income tax in financial accounting and taxable income pursuant to the Corporate Income Tax Law of Korea are as follows:

Korean won (In thousands)

	2008	2007
Income before income tax	₩ 2,949,632,206	₩ 2,394,385,865
Temporary differences	(265,789,847)	(372,702,227)
Non-temporary differences	2,095,326	28,276,727
Taxable income	**₩ 2,685,937,685**	**₩ 2,049,960,365**

(d) Details of changes in, and effects on income tax expense of, cumulative temporary differences for the years ended December 31, 2008 and 2007 are summarized as follows:

Korean won (In thousands)

		2008		2007
Description	**Balance at January 1, 2008**	**Balance at December 31, 2008**	**Balance at January 1, 2007**	**Balance at December 31, 2008**
Investment securities accounted for using the equity method (*1)	₩ (815,831,141)	₩ (788,296,615)	₩ (334,964,461)	₩ (815,831,141)
Loss on valuation of investment securities	74,558,133	74,558,133	70,374,032	74,558,133
Reserve for technology development	(230,000,000)	(223,333,333)	(247,690,636)	(230,000,000)
Allowance for doubtful accounts (*1)	146,465,573	158,039,183	187,042,333	146,465,573
Accrued income	(28,499,206)	(56,690,429)	(2,824,172)	(28,499,206)
Loss on valuation of receivables	859,903	859,903	859,903	859,903
Loss on valuation of short-term investment securities and others	-	-	121,273	-
Currency forward contracts	37,679,354	710,042,273	(458,399,783)	37,679,354
Other	67,906,967	395,956,287	265,550,983	67,906,967
	(746,860,417)	271,135,402	(519,930,528)	(746,860,417)
Tax rate		27.5%		27.5%
Cumulative tax effects		74,562,236		(205,386,615)
Effects of income tax rate change		4,402,273		-
Deferred income tax assets, end of period		78,964,509		(205,386,615)
Deferred income tax assets, beginning of period		(205,386,615)		(142,980,894)
Changes in deferred income taxes on temporary differences		₩ 284,351,124		₩ (62,405,721)

(*1) The temporary difference amounting to ₩(-)164,034 million, which were not recognized as deferred income tax asset is included.

(e) The deferred tax assets and liabilities that were directly charged or credited to capital adjustments as of December 31, 2008 are as follows:

Korean won (In thousands)

	Tax effects
Capital surplus on valuation of equity method investments	₩ 2,733,699
Capital adjustments on valuation of equity method investments	28,578,061
Gain(loss) on valuation of short-term and long-term investment securities	80,676,187
Changes in equity arising on application of the equity method	24,009,174
Negative changes in equity arising on application of the equity method	25,873,392
Loss on valuation of foreign exchange forward contract	98,642,390

(f) Deferred income tax assets (liabilities) as of December 31, 2008 are as follows:

Korean won (In millions)

		Current		Non-current		Total
Accumulated temporary difference	₩	877,941,835	₩	(606,806,433)	₩	271,135,402
Tax rate		24.2%		22.0%		22.0%(24.2%)
Tax effects		212,461,924		(133,497,415)		78,964,509
Deferred income tax assets (liabilities)	₩	212,461,924	₩	(133,497,415)	₩	78,964,509

24. Statements of Comprehensive Income

Statements of comprehensive income for the years ended December 31, 2008 and 2007 are as follows:

Korean won (In thousands)

		2008		2007
Net income	₩	2,256,664,845	₩	1,736,060,330
Other comprehensive income		(696,712,783)		(111,750,230)
Gain (loss) on valuation of short-term and long-term investment securities, net of tax effects of ₩80,676,187 in 2008, ₩(-)23,966,678 in 2007		(262,816,255)		63,184,877
Changes in equity arising on application of the equity method, net of tax effects of ₩24,009,174 in 2008, ₩(-)8,564,757 in 2007		(20,318,477)		102,123,889
Negative changes in equity arising on application of the equity method, net of tax effects of ₩25,873,392 in 2008, ₩4,724,634 in 2007		(102,820,239)		(9,801,583)
Gain (loss) on valuation of financial derivatives, net of tax effects of ₩98,642,390 in 2008, ₩101,373,498 in 2007		(310,757,812)		(267,257,413)
Comprehensive income	**₩**	**1,559,952,062**	**₩**	**1,624,310,100**

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, 2008 and 2007.

Basic income per share and for the years ended December 31, 2008 and 2007 is calculated as follows:

Korean won (In thousands)

		2008		2007
Net income (In thousands of Won)	₩	2,256,664,845	₩	1,736,060,331
Weighted average number of outstanding common shares (In thousands of shares)		60,435		62,498
Income per share (In Won)	₩	37,340	₩	27,778

26. Changes in Accounting Policy

(a) Equity method accounted investment in subsidiaries

The Company put retained earning and capital adjustment from equity method into additional paid-in-capital in conformity with scheme of the Company's consolidated financial statements, because SKAS No. 15 has revised the amendment that the amount of net income and net asset of the controlling entity should be identical to the proportional amount of those from the consolidated financial statements in applying equity method of accounting to subsidiaries.

(b) Recognition of deferred income tax regarding internally unrealized gain (loss)

The Company adopted the Implementations on SKAS 06-2, 'Accounting appliances on recognizing deferred income tax regarding investment assets on shares from subsidiary, investment on equity method or joint venture'. As allowed by this standard, the Company recognized the deferred income tax liabilities and income tax amounted to 25,648 million, in conformity with the consolidated financial statements.

(c) These changes of accounting policies are included in the restatement of Company's financial statements retrospectively, and related monetary effects are as follows:

Korean won (In thousands)

January 1, 2008	Before	After
Equity method accounted investments	₩ 2,248,120,981	₩ 2,222,730,033
Deferred income tax liabilities	257,968,531	276,376,968
Capital surplus on valuation of equity method accounted investments	-	42,309,668
Equity method treasury stock	-	(92,330,720)
Capital adjustment on valuation of equity method accounted investments	-	(22,241,798)
Changes in equity arising on application of the equity method of accounting	141,649,351	169,090,934
Negative changes in equity arising on application of the equity method of accounting	(33,175,068)	(32,153,186)

27. Transactions and Balances with Related Companies

(a) The Company is the ultimate holding company and its subsidiaries as of December 31, 2008 are as follows:

Controlled subsidiary	Particulars
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding
Hyundai Mipo Dockyard Co., Ltd.	Shipbuilding
Hyundai Finance Corporation	Granting of credit
Hyundai Venture Investment Corporation	Granting of credit
Hyundai Futures Corporation	Entrust and brokerage of futures transaction
HVIC IT Fund 3rd	Other financial intermediation
Hyundai Investment Fund 1 on patent Technology	Other financial intermediation
Mipo engineering co., Ltd.	Other engineering service
Changzhou Hyundai Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
Hyundai Heavy Industries Europe N.V.	Sale of machinery equipment for construction
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	Sale and manufacture of machinery equipment for construction
Hyundai Dongahn 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 cylinder for construction equipment
Hyundai Technologies Center Hungary Kft	Research and development on technology
Hyundai (Malaysia) SDN BHD	Trading
Hyundai S/V Indonesia	Maintenance and repair services of transformers
HHI Mauritius	Manufacturing
PHECO Inc.	Design services for offshore facilities
Hyundai-Enova Innovative 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 Hyndai 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, 2008 are as follows:

Korean won (In millions)

Related Party		Sales		Purchases		Receivables		Payables
Hyundai Samho Heavy Industries Co., Ltd.	₩	527,039,483	₩	27,170,142	₩	307,912,636	₩	34,128,636
Hyundai Mipo Dockyard Co., Ltd.		404,902,668		10,023,019		142,562,203		1,929,002
Hyundai Oilbank		1,322,451		137,747,129		4,216		7,805,577
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.		57,483,825		2,153,759		10,974,295		373,395
Hyundai Heavy Industries Europe N.V.		329,088,833		2,504,526		67,854,996		1,543,288
H.C.E U.S.A.		122,949,444		2,633,331		19,809,319		867,160
Hyundai Jiangsu Construction Machinery Co., Ltd.		144,244,654		11,049,011		19,524,887		862,611
Yantai Hyundai Moon Heavy Industries Co., Ltd.		463,572		14,289,478		20,998		-
Hyundai Jiangsu Construction Machinery Co., Ltd.		10,228,138		17,239,081		9,604,580		617,612
HYMS		12,850,061		80,815,171		4,583,809		32,188,186
	₩	**1,610,573,129**	**₩**	**305,624,647**	**₩**	**582,851,939**	**₩**	**80,315,467**

(c) The Company has entered into rental agreements (deposits received of ₩148 million) with Hyundai Mipo Dockyard Co., Ltd. and other affiliated companies as of December 31, 2008. 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 ₩79,156 million as of December 31, 2008.

(e) The compensation for the key management of the Company for the year ended December 31, 2008 is as follows:

Korean won (In thousands)

		2008
The compensation for the key management	₩	2,789,679

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

28. Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies as of December 31, 2008 and 2007 are as follows:

		Foreign currencies (In thousands)		Korean won (In thousands)	
Account	Currency	2008	2007	2008	2007
Assets:					
Cash and cash equivalents	USD	84,777	102,404	₩ 106,606,752	96,075,225
	EUR	1,568	243	2,785,069	335,485
	Others	-	-	23,354,869	38,331,487
Trade accounts and notes receivable	USD	2,695,452	1,971,617	3,389,531,038	1,849,771,383
	EUR	104,122	155,043	184,942,816	214,154,216
	Others	-	-	52,977,506	42,287,627
Accounts receivable-other	USD	65,852	71,016	82,808,521	66,626,817
	EUR	1,766	371	3,136,317	512,935
	Others	-	-	118,799	15,272,851
Long-term trade accounts and notes receivable	USD	66,164	102,921	83,200,909	96,560,853
Long-term financial instruments & others	USD	7,965	7,542	10,016,181	7,076,331
	EUR	3,079	13	5,469,733	17,680
	Others	-	-	2,539,770	1,309,631
				₩ 3,947,488,280	**2,428,332,521**
Liabilities:					
Trade accounts and notes payable	USD	332,382	217,852	₩ 417,970,851	204,388,331
	EUR	41,649	26,985	73,977,828	37,273,968
	Others	-	-	47,487,173	24,251,064
Current maturities of long-term borrowings	USD	-	200,000	-	187,640,000
Long-term borrowings	USD	2,929	1,743	3,314,633	1,625,627
Accounts payable-other and other liabilities	USD	247,260	227,716	310,929,310	213,642,721
	EUR	10,850	10,436	19,272,376	14,414,274
	Others	-	-	27,761,676	11,451,174
				₩ 900,713,847	**694,687,159**

29. 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, 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 & 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)

(b) As of and for the year ended December 31, 2007

Korean won (In thousands)

	Shipbuilding	Offshore & Engineering	Industrial Plant & Engineering	Engine & Machinery	Electro Electric Systems	Construction Equipment	Others
Sales	₩ 7,556,662,571	₩2,222,062,607	₩1,016,617,875	₩1,645,739,658	₩1,453,389,981	₩1,512,048,621	₩ 126,491,994
Operating income (loss)	1,037,967,535	225,679,131	40,353,336	345,551,579	224,069,089	129,518,206	(252,441,340)
Tangible & intangible assets	1,565,525,891	390,891,025	49,841,759	496,453,168	270,181,751	149,637,828	2,282,302,295
Depreciation	(133,667,874)	(42,770,243)	(7,843,103)	(69,864,673)	(33,715,026)	(15,258,311)	(48,599,066)

30. Selling, General and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2008 and 2007 are as follows:

Korean won (In thousands)

		2008		2007
Wages	₩	269,166,844	₩	254,595,885
Accrual for severance benefits		30,127,495		26,919,167
Employee welfare		67,958,772		69,392,575
Advertisement		37,636,684		21,847,528
Ordinary development expenses		79,443,398		75,059,849
Accrual for allowance for doubtful accounts		35,565,244		12,877,187
Depreciation		32,276,786		26,432,935
Service charges		75,339,184		54,071,315
Transportation		100,266,504		66,384,117
Sales commission		39,665,555		39,554,181
After-service expenses		42,734,638		40,084,111
Others		128,737,826		118,978,367
	₩	**938,918,930**	₩	**806,197,217**

31. Financial Performance in the last interim period

The financial performance for the three months ended December 31, 2008 and 2007 (Unaudited) is summarized as follows:

Korean won (In thousands)

		2008		2007
Sales	₩	6,050,872,596	₩	4,252,304,003
Net income		867,323,996		512,884,688
Net income per share		14,471		8,244

32. The Company's Environmental Standards and Policies

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

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

33. Employee Welfare and Contributions to Society

For employee welfare, the Company granted scholarship funds of W 54,782 million for the employees' children (middle, high, college students) and W 8,342 million for medical benefits, such as health inspection and medical treatment, to its employees and their families during the year ended December 31, 2008. In addition, the Company provided 16,000 apartment buildings for employee housing and the rate of housing supplied for employees reached approximately 94%. The Company also operates 7 culture welfare union halls and the Hyundai Arts Center, established in December 1998, to provide members of the community and its employees with various art and musical performances.

Korean won (In thousands)

		2008		2007
Expense for human development and discipline	₩	22,538	₩	12,988
Expense for social welfare facilities and religion donation		13,736		19,587
Donation for Social Overhead Capital and Government		22		135
	₩	**36,296**	₩	**32,710**

34. Non-cash investing and Financing Activities

Significant non-cash investing and financing activities for the years ended December 31, 2008 and 2007 are summarized as follows:

Korean won (In thousands)

		2008		2007
Transfer of long-term trade accounts to current assets	₩	46,222,745	₩	34,486,027
Transfer of long-term investment securities to current assets		-		25,012,099
Transfer of construction-in-progress to plant assets		817,191,986		372,987,616
Transfer of debenture		-		187,640,000
Investment in kind of equity method accounted investments		130,724,418		-
Unrealized gain (loss) on valuation of available-for-sale securities		262,816,255		63,184,877
Capital surplus on valuation of equity method accounted investments		4,897,333		42,309,668
Equity method treasury stock		11,234,489		22,492,574
Capital adjustment on valuation of equity method accounted investments		106,791,729		1,635,954
Changes in equity arising on application of the equity method		20,318,477		102,123,889
Negative changes in equity arising on application of the equity method		102,820,239		9,801,583
Gain (loss) on valuation of financial derivatives		310,757,812		267,257,413

Independent Accountants' Review Report on Internal Accounting Control System

English translation of a Report Originally Issued in Korean

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, 2008. 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, 2008, 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 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 Report on the Operations of Internal Accounting Control System as of December 31, 2008 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, 2008. We did not review the Company's IACS subsequent to December 31, 2008. 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 Samjong Accounting

February 26, 2009

Notice to Readers

This report is annexed in relation to the audit of the non-consolidated financial statements as of December 31, 2008 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, 2008.

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, 2008, in all material respects, in accordance with the IACS Standards issued by the IACS Operations Committee.

January 29, 2009

Lee Jai-seong, Internal Accounting Control Officer

Min Keh-sik, Chief Executive officer

OVERSEAS OFFICES

EUROPE

LONDON
2ND FLOOR, THE TRIANGLE, 5-17
HAMMERSMITH GROVE
LONDON, W6 0LG, U.K.
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
FAX: 30-210-428-2144

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

ISTANBUL
ESKI BUYUKDERE CADDESI PARK
PLAZA, NO:22 KAT: 5 MASLAK 34398,
ISTANBUL, TURKEY
TEL: 90-212-345-1261
FAX: 90-212-345-1263

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
FAX: 1-201-816-4083

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

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, PANAMA
TEL: 507-213-7657
FAX: 507-213-7660

ASIA

TOKYO
8TH FLOOR, YURAKUCHO DENKI
BLDG.,1-7-1 YURAKU-CHO, CHIYO-
DA-KU, TOKYO 100-0006, JAPAN
TEL: 81-3-3211-4799
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: 65-6337-4680

MUMBAI
301, 3RD FLOOR SARJAN PLAZA
100, ANNIE BESANT ROAD, WORLI
MUMBAI 400 018, INDIA
TEL: 91-22-2498-6022
FAX: 91-22-2498-6020

MIDDLE EAST

DUBAI
LEVEL 2, UNIT 205 EMAAR SQUARE
BLDG. 4 SHEIKH ZAYED ROAD
P.O.BOX 252458 DUBAI, U.A.E
TEL: 971-4-425-7995
FAX: 971-4-425-7996

AFRICA

LUANDA
RUA LUCRECIA PAIM NO. 28/30
LUANDA, ANGOLA
TEL: 244-222-370669
FAX: 244-222-399667

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
FAX: 359-2-803-3203

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
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
FAX: 1-847-437-3574

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

CALIFORNIA
(HYUNDAI - ENOVA ITC)
879 W. 190th St. SUITE 580
GARDENA, CA 90248, U.S.A.
TEL: 1-310-533-7436
FAX: 1-310-755-6171, 527-7888

ASIA

BEIJING
(BEIJING HYUNDAI JINGCHENG
CONSTRUCTION MACHINERY CO.,
LTD.) NO.2, NANLI, LUGUOQIAO
FENGTAI DISTRICT, BEIJING, CHINA
TEL: 86-10-8321-8348
FAX: 86-10-8321-1353

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

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
FAX: 86-511-8842-0668,0231

YANTAI
(YANTAI HYUNDAI MOON
HEAVY INDUSTRIES CO., LTD.)
No. 333 CHANGJIANG ROAD
YANTAI ETDA, SHANDONG, CHINA
TEL: 86-535-216-5801
FAX: 86-535-216-5810

SHANGHAI
(HHI CHINA INVESTMENT CO., LTD.)
ROOM 2305, NORTH TOWER,
SHANGHAI, STOCK EXCHANGE
BUILDING, #528, PUDONG SOUTH
ROAD, SHANGHAI, CHINA
TEL: 86-21-6880-0808
FAX: 86-21-6880-0608

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

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

HANOI
(HYUNDAI DONGANH STEEL
TOWER CO.,LTD.) BLOCK 23
DONGANH TOWN, HANOI, VIETNAM
TEL: 84-4-3883-3649
FAX: 84-4-3883-3648

PUNE
HYUNDAI CONSTRUCTION EQUIP-
MENT INDIA PVT., LTD. PLOT NO. A-
2, CHAKAN INDUSTRIAL AREA,
VILL.-KHALUMBRE. TALUT.-KHED.,
DIST.-PUNE 410 501, INDIA
TEL : 91-21-3530-1700
FAX : 91-21-3530-1712

AFRICA

PORT HARCOURT
(HYUNDAI HEAVY INDUSTRIES CO.
NIGERIA, LTD.) INTELS CAMP KILO-
METER 16, PORT HARCOURT - ABA
EXPRESS WAY, PORT HARCOURT,
RIVERS STATE, NIGERIA
TEL: 234-803-544-2774 (M.P)
FAX: 234-84-231-305 (Ext.2018)

ABUJA
NO.7 CHAD CRESCENT, MAITAMA,
ABUJA, NIGERIA
TEL: 234-803-775-6984 (M.P)

AFFILIATED COMPANIES

	HYUNDAI MIPO DOCKYARD CO., LTD.	**HYUNDAI SAMHO HEAVY INDUSTRIES CO., LTD.**
Business Line	Shipbuilding, Conversion & Repairs	Shipbuilding
Major Shareholder	Hyundai Samho Heavy Industries Co., Ltd. (41.09%)	Hyundai Heavy Industries Co., Ltd. (94.92%)
Paid-In Capital	KRW 100,000 million	KRW 200,000 million
	HYUNDAI FINANCE CORP.	**HYUNDAI VENTURE INVESTMENT CORP.**
Business Line	Corporate Financing, Management Consulting	Venture Fund Investments
Major Shareholder	Hyundai Heavy Industries Co., Ltd. (67.49%)	Hyundai Finance Corp. (68.38%)
Paid-In Capital	KRW 91,500 million	KRW 30,000 million
	MIPO ENGINEERING CO., LTD.	**HYUNDAI FUTURES CORP.**
Business Line	Ship Design & Engineering	Overseas Futures & Options Brokerage
Major Shareholder	Hyundai Mipo Dockyard Co., Ltd. (100%)	Hyundai Finance Corp. (65.20%)
Paid-In Capital	KRW 1,387 million	KRW 23,000 million
	WARTSILA - HYUNDAI ENGINE CO., LTD.	**ULSAN HYUNDAI FOOTBALL CLUB**
Business Line	Manufacturing of Dual-Fuel Engines	Professional Sports Club
Major Shareholder	Hyundai Heavy Industries Co., Ltd. (50%)	Hyundai Heavy Industries Co., Ltd. (100%)
Paid-In Capital	KRW 67,860 million	KRW 10,000 million
	HYUNDAI HEAVY MATERIAL SERVICE	**KOMAS**
Business Line	Manufacturing of Ship Components	Shipping
Major Shareholder	Hyundai Heavy Industries Co., Ltd. (100%)	Hyundai Heavy Industries Co., Ltd. (100%)
Paid-In Capital	KRW 140,000 million	KRW 3,772 million
	HI INVESTMENT AND SECURITIES	**HI ASSET MANAGEMENT**
Business Line	Securities Services	Securities Services
Major Shareholder	Hyundai Mipo Dockyard Co., Ltd. (76.15%)	Hyundai Mipo Dockyard Co., Ltd. (7.4%), HI Investment and Securities (91.28%)
Paid-In Capital	KRW 259,134 million	KRW 34,263 million
	HOTEL HYUNDAI	**HOTEL HYUNDAI GYEONGPODAE**
Business Line	Hospitality	Hospitality
Major Shareholder	Hyundai Heavy Industries Co., Ltd. (100%)	Hyundai Heavy Industries Co., Ltd. (100%)
Paid-In Capital	KRW 400 million	KRW 200 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
25,240

General Shareholders' Meeting
March 13, 2009

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

Investor Relations Team

General Manager: Cho Young-cheul
(822-746-4555, choyc@hhi.co.kr)

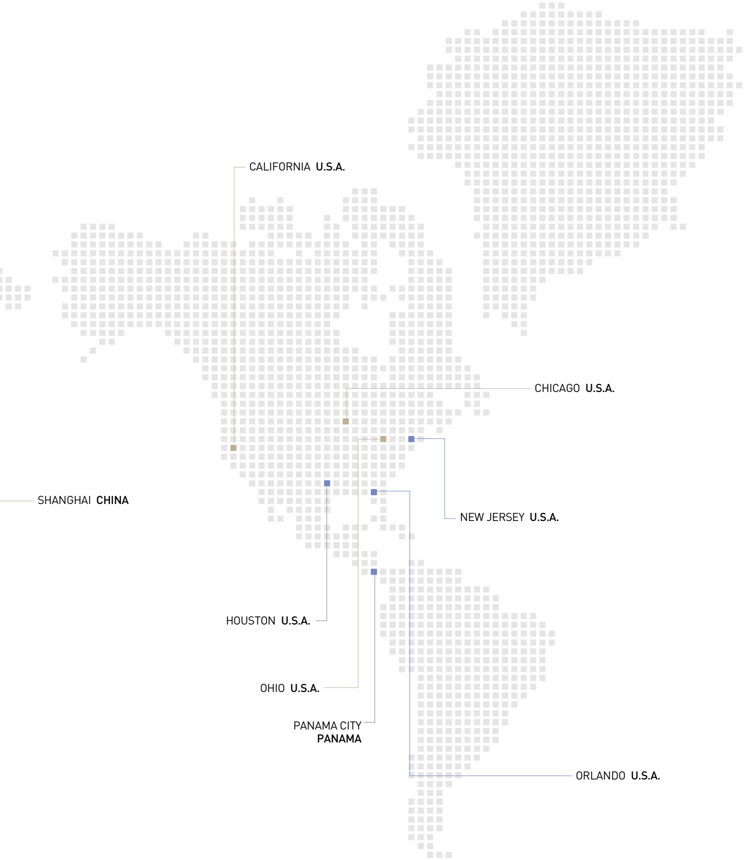
Manager: Son Sung-min
(822-746-4728, smson@hhi.co.kr)

Associate Manager: Jang Jun-young
(822-746-4565, pidolijyj@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)

OVERSEAS OFFICES INCORPORATED FIRMS


CALIFORNIA U.S.A.
CHICAGO U.S.A.
SHANGHAI CHINA
NEW JERSEY U.S.A.
HOUSTON U.S.A.
OHIO U.S.A.
PANAMA CITY PANAMA
ORLANDO U.S.A.