

Hyundai Heavy Industries Co., Ltd.
Notes to Non-Consolidated Financial Statements

December 31, 2008

9. Property, Plant and Equipment

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

<i>In thousands of Won</i>	<u>2008</u>	<u>2007</u>
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
	<u>6,807,247,484</u>	<u>5,935,063,922</u>
Less: accumulated depreciation	(3,194,142,671)	(2,944,344,006)
	<u>3,613,104,813</u>	<u>2,990,719,916</u>
Land	1,592,414,576	1,550,415,149
Less: government subsidy	(5,455,000)	-
	<u>1,586,959,576</u>	<u>1,550,415,149</u>
Construction-in-progress	989,889,374	427,650,290
	<u>₩ 6,189,953,763</u>	<u>4,968,785,355</u>

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

<i>In thousands of Won</i>	<u>2008</u>					
	<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Machinery and equipment</u>	<u>Other</u>	<u>Total</u>
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	<u>1,592,414,576</u>	<u>2,132,007,385</u>	<u>917,521,401</u>	<u>2,404,550,660</u>	<u>2,343,057,412</u>	<u>9,389,551,434</u>
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 Gun-san 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 Gun-san shipbuilding yard.

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

<i>In thousands of Won</i>	<u>2007</u>					
	<u>Land</u>	<u>Buildings</u>	<u>Structures</u>	<u>Machinery and equipment</u>	<u>Other</u>	<u>Total</u>
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	<u>1,550,415,149</u>	<u>1,769,948,921</u>	<u>802,803,260</u>	<u>2,169,947,389</u>	<u>1,620,014,642</u>	<u>7,913,129,361</u>
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)

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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 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.