

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

December 31, 2009 and 2008

9. Property, Plant and Equipment

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

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

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

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

Property, Plant and Equipment, Continued

(c) The changes in property, plant and equipment for the year ended December 31, 2009 were 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		120,969,000	434,394,979	128,142,829	319,250,723	788,675,142	1,796,887,673
Disposal		(84,424,573)	(72,336,515)	(13,424,688)	(84,647,452)	(65,632,372)	(320,465,600)
End of period		<u>1,586,959,576</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>
Depreciation Accumulated depreciation		-	(50,334,387)	(20,842,084)	(159,234,377)	(116,917,115)	(347,327,963)
		-	(396,796,079)	(180,731,330)	(1,682,561,906)	(934,053,356)	(3,194,142,671)

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

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

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

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

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