

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

December 31, 2008

7 Long-term Investments Securities

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

<i>In thousands of Won</i>		<u>2008</u>	<u>2007</u>
<b>Available-for-sale securities (non-current)</b>			
Marketable securities	₩	359,745,209	645,820,238
Non-marketable securities		136,515,148	68,843,174
	₩	<u>496,260,357</u>	<u>714,663,412</u>

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

*In thousands of Won, except percentage of ownership*

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

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

*In thousands of Won, except percentage of ownership*

			<u>2008</u>	<u>2007</u>
	<u>Percentage of ownership</u>		<u>Acquisition cost</u>	<u>Fair value</u>
			<u>Fair value</u>	<u>Fair value</u>
<b>Unlisted equity securities: (*1)</b>				
Gangwon Football Club Co., Ltd.	0.02	₩	1,000	1,000
Kuk Dong Heavy Conveyance Co., Ltd.	7.50		501,720	501,720
Novelis Korea Ltd.	0.39		14,598,913	1,405,452
Daehan Oil Pipeline Corp.(*2)	6.39		14,511,802	30,051,393
Dong-A Precision Machinery Co., Ltd.	0.74		35,640	-
Doosan Capital Co., Ltd.(*3)	9.99		10,000,000	24,378,000
Bexco, Ltd.	7.96		9,460,000	9,460,000
Chonggu Co., Ltd.	0.00		188,260	-
Postec Electronic Power Fund Co.	1.75		500,000	500,000
Hanwha Electric Venture Fund.	2.00		500,000	500,000
Hyundai Research Institute	14.40		1,440,000	1,440,000
Hyundai Climate Control Co., Ltd.	10.00		50,000	50,000
Enova System Inc.	1.45		1,314,583	1,314,583
PT. Golden Hyundai Machinery	20.83		155,250	155,250
HHI Mauritius Limited(*4)	100.00		122	122
Hynix Semiconductor America Inc.	1.33		34,525,619	-
Hyundai Heavy Industries France SAS.(*4)	100.00		22,787	22,787
Hyundai (Malaysia.) SDN BHD (*4)	100.00		17,286	-

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	Percentage of ownership	2008		2007
		Acquisition cost	Fair value	Fair value
<b>Unlisted equity securities: (*1)</b>				
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
		<u>93,988,060</u>	<u>73,616,587</u>	<u>62,745,339</u>
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	-
	₩	<u>169,256,898</u>	<u>136,515,148</u>	<u>68,843,174</u>

(\*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 ₩ 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:

*In thousands of Won*

		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

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	<b>2008</b>		
	<b>Balance at January 1, 2008</b>	<b>Increase (Decrease)</b>	<b>Balance at December 31, 2008</b>
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)
<b>₩</b>	<b>64,862,644</b>	<b>(261,499,340)</b>	<b>(196,636,696)</b>

- (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:

*In thousands of Won*

		<b>2007</b>		
		<b>Balance at January 1, 2007</b>	<b>Increase (Decrease)</b>	<b>Balance at December 31, 2007</b>
Kia Motors Corp.	<b>₩</b>	(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
<b>₩</b>		<b>4,216,481</b>	<b>60,646,163</b>	<b>64,862,644</b>