

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

December 31, 2009 and 2008

7. Long-Term Investments

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

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

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

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

Long-Term Investments, Continued

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

<i>(In thousands of Won, except percentage of ownership)</i>			<u>2009</u>		<u>2008</u>
	<u>Percentage of ownership</u>		<u>Acquisition cost</u>	<u>Fair value</u>	<u>Fair value</u>
Unlisted equity securities: (*1)					
Gangwon Football Club Co., Ltd.	0.02	₩	1,000	1,000	1,000
Kuk Dong Heavy Conveyance Co., Ltd.	7.50		501,720	501,720	501,720
Novelis Korea Ltd.	0.39		14,598,913	1,405,452	1,405,452
Daehan Oil Pipeline Corp.(*2)	6.39		14,511,802	14,511,802	30,051,393
Dong-A Precision Machinery Co., Ltd.	0.74		35,640	-	-
Doosan Capital Co., Ltd.(*3)	9.99		10,000,000	24,762,000	24,378,000
Bexco, Ltd.	7.96		9,460,000	9,460,000	9,460,000
Chonggu Co., Ltd.	0.00		188,260	-	-
Postec Electronic Power Fund Co.	1.75		500,000	500,000	500,000

(In thousands of Won, except percentage of ownership)

	Percentage of ownership	2009		2008
		Acquisition cost	Fair value	Fair value
Unlisted equity securities: (*1)				
Hanwha Electric Venture Fund	2.00	500,000	500,000	500,000
Hyundai Research Institute	14.40	1,440,000	1,440,000	1,440,000
Hyundai Climate Control Co., Ltd.	10.00	50,000	50,000	50,000
Enova System Inc.	1.45	1,314,583	1,314,583	1,314,583
PT. Golden Hyundai Machinery(*4)	20.83	155,250	155,250	155,250
HHI Mauritius Limited(*4)	100.00	122	122	122
Hynix Semiconductor America Inc.	1.33	34,525,619	-	-
Hyundai Heavy Industries France SAS (*4)	100.00	22,787	22,787	22,787
Hyundai (Malaysia.) SDN BHD (*4)	100.00	17,286	-	-
Hyundai S/V Indonesia (*4)	45.00	261,864	-	-
Hyundai Technologies Center Hungary Kft (*4)	100.00	26,302	26,302	26,302
Hyundai-Enova Innovative Technical Center Inc.	60.00	₩ -	-	3,360,000
KC Karpovsky BV	10.00	2,443	2,443	2,443
Korea Ship Finance Co., Ltd.	2.36	200,000	200,000	200,000
Nikorma-Transport Limited	11.50	10,914	10,914	10,914
PHECO Inc.(*4)	100.00	2,303,555	236,621	236,621
		<u>90,628,060</u>	<u>55,100,996</u>	<u>73,616,587</u>
Subordinated debentures				
(Tong Yang Securities Inc.)(*5)		-	-	47,776,067
Marketable securities				
Investments in capital		59,073,003	115,427,397	9,964,384
		<u>5,160,910</u>	<u>5,160,910</u>	<u>5,158,110</u>
	₩	<u>154,861,973</u>	<u>175,689,303</u>	<u>136,515,148</u>

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

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

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

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

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

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

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

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

(d) Valuation of available-for-sale securities in accumulated other comprehensive income (net of tax effect), all

of which are classified into long-term investment securities stated at fair value as of December 31, 2009, was as follows:

(In thousands of Won)

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

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

(In thousands of Won)

		2008		
		Balance at		Balance at
		January 1, 2008	Increase (decrease)	December 31, 2008
Kia Motors Corp.	₩	(1,297,998)	(342,819)	(1,640,817)
Korea Line Corp.		-	(26,925,588)	(26,925,588)
Tong Yang Securities		20,087,727	(35,062,679)	(14,974,952)
Mirae Asset Securities Co.,Ltd.		159,360	(3,070,890)	(2,911,530)
SK Broadband Corp.		8,919	(3,835)	5,084
Hyundai Elevator Co., Ltd.		13,890,185	(7,355,153)	6,535,032
Hyundai Motor Company		18,239,512	(188,990,743)	(170,751,231)
Hyundai Corp.		793,331	(452,929)	340,402
Daehan Oil Pipeline Corp.		971,228	11,149,653	12,120,881
Doosan Capital Co., Ltd.		11,705,850	(491,010)	11,214,840
		<u>64,558,114</u>	<u>(251,545,993)</u>	<u>(186,987,879)</u>
Investments in capital		304,530	(304,530)	-
Subordinated bonds		-	(1,734,668)	(1,734,668)
Marketable securities		-	(7,914,149)	(7,914,149)
	₩	<u>64,862,644</u>	<u>(261,499,340)</u>	<u>(196,636,696)</u>