

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

December 31, 2008

8 Equity Method Accounted Investments

(a) Investments in companies accounted for using the equity method as of December 31, 2008 were as follows:

In thousands of Won

<u>Company</u>	<u>Number of shares</u>	<u>Percentage of ownership</u>		<u>Historical cost</u>	<u>Book value</u>
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
			₩	<u>1,640,263,598</u>	<u>2,712,825,310</u>

(b) Investments in companies accounted for using the equity method as of December 31, 2007 were as follows:

In thousands of Won

<u>Company</u>	<u>Number of shares</u>	<u>Percentage of ownership</u>		<u>Historical cost</u>	<u>Book value</u>
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

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Company	Number of shares	Percentage of ownership	Historical cost	Book value
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
			<u>₩ 1,353,174,771</u>	<u>2,222,730,033</u>

(*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 despite 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,

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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:

In thousands of Won

<u>Company</u>		<u>Balance at January 1, 2008</u>	<u>Increase (Decrease)</u>	<u>Amortization</u>	<u>Balance at December 31, 2008</u>
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
	₩	<u>65,325,210</u>	<u>-</u>	<u>(19,642,701)</u>	<u>45,682,509</u>

- (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:

In thousands of Won

<u>Company</u>		<u>Balance at January 1, 2008</u>	<u>Net income (loss)</u>	<u>Accumulated other comprehen-sive income</u>	<u>Other increase (decrease)</u>	<u>Balance at December 31, 2008</u>
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

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In thousands of Won

Company	Balance at January 1, 2008	Net income (loss)	Accumulated other comprehen-sive income	Other increase (decrease)	Balance at December 31, 2008
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
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

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- (*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 ₩ 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:

In thousands of Won

<u>Company</u>	<u>Net asset value before adjustments</u>	<u>Adjustments</u>	<u>Net asset value after adjustments</u>
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 Hyndai Football Club. Ltd.	1,181,505	-	1,181,505
HYMS	149,194,656	-	149,194,656
KAM Corp.	42,481,873	-	42,481,873

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Company	Net asset value before adjustments	Adjustments	Net asset value after adjustments
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:

In millions of Won

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 Hyndai 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)