

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

December 31, 2009 and 2008

**8. Equity Method Investments**

(a) Investments in companies accounted for using the equity method as of December 31, 2009 were as follows:

(In thousands of Won)

<b>Company</b>	<b>Number of shares</b>	<b>Percentage of ownership</b>		<b>Historical cost</b>	<b>Book value</b>
Hyundai Oilbank (*1)	51,773,884	21.13%	₩	312,249,753	373,656,633
Hyundai Finance Corp. (*2)	12,350,000	67.49%		78,197,738	90,726,376
Hyundai Samho Heavy Industries Co., Ltd. (*2)	37,967,000	94.92%		204,259,700	1,817,689,776
Hyundai Heavy Industries Co. Bulgaria (*2)	12,155,829	99.09%		11,620,593	46,768,262
New Korea Country Club	16,457	20%		500,000	4,045,252
Hyundai Heavy Industries Europe N.V. (*2)	10	100%		35,656,728	10,322,118
Hyundai Vinashin Shipyard (*2)(*3)(*4)	-	10%		2,543,678	20,148,716
H.C.E U.S.A (*2)	23,900,000	100%		26,712,810	-
Vladivostok Business Center (*2)(*3)	-	57.14%		5,891,667	-
HHI China Investment Co., Ltd. (*2)(*3)	-	100%		160,804,529	286,425,278
Hyundai Merchant Marine Co., Ltd. (Common stock) (*5)	23,424,037	17.6%		404,039,118	360,633,965
Hyundai Merchant Marine Co., Ltd. (Preferred stock) (*5)	3,516,688	17.58%		52,750,320	56,303,455
Qinhuangdao Shouqin Metal Materials Co., Ltd. (*3)	-	20%		67,658,226	128,357,731
Hyundai Ideal Electric Co. (*2)	1,000	100%		18,119,600	25,493,855
Hyundai Financial Leasing Co., Ltd. (*2)(*3)	-	66.02%		37,622,743	44,416,791
Hyundai Construction Equipment India Private Ltd. (*2)	17,184,775	100%		39,354,139	22,226,238
Wärtsilä-Hyundai Engine Company Ltd. (*3)	-	50%		33,930,000	40,496,305
Ulsan Hyundai Football Club Co.,Ltd. (*2)	2,000,000	100%		10,000,000	913,199
HYMS(*2)	29,600,000	100%		148,000,000	122,135,871
KAM Corp.	23,520,000	49%		117,600,000	117,667,618
Grand China Hyundai Shipping Company Ltd.	1,000,000	50%		1,016,600	1,045,336
KOMAS Corp.	754,414	100%		3,772,070	1,634,795
Hotel Hyundai Co.,Ltd.	80,000	100%		1,397,000	1,806,723
Khorol Zerno Ltd. (*3)	-	67.6%		5,546,562	5,380,910
Khorol Agro Ltd. (*3)	-	49.99%		2,335,741	2,196,010
Hyundai Corporation	4,992,782	22.36%		105,134,024	105,134,024
Taebaek Wind Power Co., Ltd.	703,500	35%		3,517,500	3,482,618
			₩	<u>1,890,230,839</u>	<u>3,689,107,855</u>

## Equity Method Investments, Continued

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

(In thousands of Won)

Company	Number of shares	Percentage of ownership		Historical cost	Book value
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 Donganh 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
Vladivostok Business Center (*2, 3)	-	57.14%		5,891,667	-
Koentec Co., Ltd.	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) (*5)	23,424,037	17.60%		404,039,118	481,689,397
Hyundai Merchant Marine Co., Ltd. (Preferred stock) (*5)	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
Wärtsilä-Hyundai Engine Company Ltd. (*3)	-	50.00%		33,930,000	32,894,351
Ulsan Hyundai Football Club Co., 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
			₩	1,640,263,598	2,712,825,310

(\*1) The Company accounted for its investment using the equity method of accounting despite the fact that its ownership percentage is under 20% as it has the ability to significantly influence financial and operating policy decisions.

(\*2) Company subsidiary

(\*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 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, 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 ₩ 26,700 per share at December 31, 2009. 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, 2009 were as follows:

(In thousands of Won)

<b>Company</b>	<b>Balance at January 1, 2009</b>	<b>Increase (decrease)</b>	<b>Amortization</b>	<b>Balance at December 31, 2009</b>
Hyundai Oilbank	₩ -	25,428,599	-	25,428,599
Koentec Co., Ltd.	691,486	(691,486)	-	-
Hyundai Merchant Marine Co., Ltd. (Common stock)	36,466,286	-	(16,207,238)	20,259,048
Qinhuangdao Shouqin Metal Materials Co., Ltd.	8,524,737	-	(2,843,064)	5,681,673
Hotel Hyundai Co., Ltd.	-	394,700	(78,940)	315,760
Khorol Zerno Ltd.	-	1,268,883	(83,239)	1,185,644
Khorol Agro Ltd.	-	785,368	(63,505)	721,863
Hyundai Corporation	-	72,334,654	-	72,334,654
	₩ <u>45,682,509</u>	<u>99,520,718</u>	<u>(19,275,986)</u>	<u>125,927,241</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, 2009 were as follows:

(In thousands of Won)

<b>Company</b>	<b>Balance at January 1, 2009</b>	<b>Net income (loss)</b>	<b>Accumulated other comprehensive income</b>	<b>Other increase (decrease)</b>	<b>Balance at December 31, 2009</b>
Hyundai Oilbank	₩ 289,760,570	44,498,651	(6,701,998)	46,099,410	373,656,633
Hyundai Finance Corp.	88,945,279	524,341	1,256,756	-	90,726,376
Hyundai Samho Heavy Industries Co., Ltd.	1,040,405,978	325,007,870	509,226,428	(56,950,500)	1,817,689,776
Incheon Airport Energy Co., Ltd. (*1)	-	-	-	-	-
Hyundai Heavy Industries Co. Bulgaria	38,119,093	13,764,516	(2,752,946)	(2,362,401)	46,768,262
New Korea Country Club	3,613,235	432,017	-	-	4,045,252
Hyundai Donganh Steel Tower Co., Ltd. (*2)	-	-	-	-	-
Hyundai Heavy Industries Europe N.V.	8,884,122	3,279,989	(1,841,993)	-	10,322,118
Hyundai Vinashin Shipyard	14,982,234	6,818,811	(1,652,329)	-	20,148,716
H.C.E U.S.A. (*3)	4,170,513	(4,170,348)	(165)	-	-
Vladivostok Business Center(*4)	-	-	-	-	-
Koentec Co., Ltd. (*5)	4,721,024	-	-	(4,721,024)	-
HHI China Investment Co., Ltd.	246,276,553	58,336,234	(24,935,009)	6,747,500	286,425,278
Hyundai Merchant Marine Co., Ltd. (Common stock)	481,689,397	(160,133,545)	50,790,132	(11,712,019)	360,633,965
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	164,661,077	(18,351,612)	(8,441,657)	(9,510,077)	128,357,731
Hyundai Ideal Electric Co.	17,943,929	3,326,150	(2,654,224)	6,878,000	25,493,855
Hyundai Financial Leasing Co., Ltd.	24,053,234	4,802,680	(5,073,123)	20,634,000	44,416,791
Hyundai Construction Equipment India Private Ltd.	34,423,101	(10,978,554)	(1,218,309)	-	22,226,238
Wärtsilä-Hyundai Engine Company Ltd.	32,894,351	7,601,954	-	-	40,496,305
Ulsan Hyundai Football Club Co., Ltd.	1,181,505	(268,306)	-	-	913,199

(In thousands of Won)

Company	Balance at January 1, 2009	Net income (loss)	Accumulated other comprehensive income	Other increase (decrease)	Balance at December 31, 2009
HYMS	114,593,849	7,542,022	-	-	122,135,871
KAM Corp.	42,481,873	(394,117)	(370,138)	75,950,000	117,667,618
Grand China Hyundai Shipping Company Ltd.	1,261,438	(137,321)	(78,781)	-	1,045,336
KOMAS Corp.	1,459,500	175,295	-	-	1,634,795
Hotel Hyundai Co.,Ltd.	-	409,723	-	1,397,000	1,806,723
Khorol Zerno Ltd.	-	(79,805)	(85,848)	5,546,563	5,380,910
Khorol Agro Ltd.	-	(65,716)	(74,015)	2,335,741	2,196,010
Hyundai Corporation	-	965,891	-	104,168,133	105,134,024
Taebaek Wind Power Co., Ltd.	-	(34,882)	-	3,517,500	3,482,618
<b>₩</b>	<b>2,712,825,310</b>	<b>284,981,951</b>	<b>505,392,781</b>	<b>185,907,813</b>	<b>3,689,107,855</b>

- (\*1) Use of the equity method was discontinued since the value of investments for Incheon Airport Energy Co., Ltd. is less than zero due to accumulated deficit and completed to be disposed in 2009.
- (\*2) Use of the equity method was discontinued since the value of investments for Hyundai Donganh Steel Tower Co., Ltd. is less than zero due to accumulated deficit and completed to be disposed in 2009.
- (\*3) Use of the equity method was discontinued since the loss on valuation using equity method is more than the value of investments. In addition, cumulative unrecognized loss due to suspension of applying the equity method amounts to ₩ (4,622) million for the year ended December 31, 2009.
- (\*4) 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 ₩ (84,748) million including ₩ 8,332 million increased for the year ended December 31, 2009, and allowance amounting to ₩ 74,725 million was provided for accounts receivables-other for Vladivostok Business Center.
- (\*5) Equity securities in Korea Environment Technology Co., LTD. were transferred to available-for-sale securities in 2009.
- (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, 2009 and 2008, unrealized gain eliminated under the equity of accounting method of accounting are ₩ 119,825 thousand and ₩ 119,094 thousand, respectively.
- (f) Equity securities accounted for using the equity method as of December 31, 2009 are valued based on the financial statements of the investees as of the same reporting period, 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)

Company	Net asset value before adjustments	Adjustments	Net asset value after adjustments
Hyundai Oilbank	₩ 348,228,034	-	348,228,034
Hyundai Finance Corp.	90,726,376	-	90,726,376
Hyundai Samho Heavy Industries Co., Ltd. (*1)	2,101,710,715	(271,208,488)	1,830,502,227
Hyundai Heavy Industries Co. Bulgaria	46,835,481	-	46,835,481
New Korea Country Club	4,045,252	-	4,045,252
Hyundai Heavy Industries Europe N.V.	30,069,043	-	30,069,043
Hyundai Vinashin Shipyard	20,148,716	-	20,148,716

(In thousands of Won)

<u>Company</u>	<u>Net asset value before adjustments</u>	<u>Adjustments</u>	<u>Net asset value after adjustments</u>
H.C.E U.S.A.	12,832,011	-	12,832,011
Vladivostok Business Center	-	-	-
HHI China Investment Co., Ltd. (*1)	249,297,277	68,820,786	318,118,063
Hyundai Merchant Marine Co., Ltd. (Common stock)	340,374,917	-	340,374,917
Hyundai Merchant Marine Co., Ltd. (Preferred stock)	56,303,455	-	56,303,455
Qinhuangdao Shouqin Metal Materials Co., Ltd	122,676,058	-	122,676,058
Hyundai Ideal Electric Co.	25,493,855	-	25,493,855
Hyundai Financial Leasing Co., Ltd.	44,416,791	-	44,416,791
Hyundai Construction Equipment India Private Ltd.	28,533,825	-	28,533,825
Wärtsilä-Hyundai Engine Company Ltd.	40,496,305	-	40,496,305
Ulsan Hyundai Football Club Co., Ltd.	913,199	-	913,199
HYMS	156,355,195	-	156,355,195
KAM Corp.	117,667,618	-	117,667,618
Grand China Hyundai Shipping Company Ltd.	1,045,336	-	1,045,336
KOMAS Corp.	3,781,916	-	3,781,916
Hotel Hyundai Co.,Ltd.	1,490,963	-	1,490,963
Khorol Zerno Ltd.	4,195,266	-	4,195,266
Khorol Agro Ltd.	1,474,147	-	1,474,147
Hyundai Corporation	32,799,370	-	32,799,370
Taebaek Wind Power Co., Ltd.	3,482,618	-	3,482,618
	<u>₩ 3,885,393,739</u>	<u>(202,387,702)</u>	<u>3,683,006,037</u>

(\*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 method investments as of and for the year ended December 31, 2009 was as follows:

(In millions of Won)

<u>Company</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Sales</u>	<u>Net income (loss)</u>
Hyundai Oilbank	₩ 5,611,575	3,963,548	10,867,969	222,858
Hyundai Finance Corp.	151,096	16,660	7,102	777
Hyundai Samho Heavy Industries Co., Ltd.	7,387,250	5,173,000	4,185,154	346,725
Hyundai Heavy Industries Co. Bulgaria	62,991	15,725	90,912	13,905
New Korea Country Club	24,819	4,593	13,028	2,138
Hyundai Heavy Industries Europe N.V.	95,302	65,233	137,219	(10,640)
Hyundai Vinashin Shipyard	410,796	209,309	304,507	68,092
H.C.E U.S.A.	66,359	53,527	69,988	(8,283)
Vladivostok Business Center	23,549	171,864	11,604	(1,401)
HHI China Investment Co., Ltd.	319,603	70,306	11,921	13,852
Hyundai Merchant Marine Co., Ltd.	8,338,894	6,085,042	6,115,482	(804,360)
Qinhuangdao Shouqin Metal Materials Co., Ltd	1,929,877	1,316,497	1,450,821	(77,543)
Hyundai Ideal Electric Co.	44,593	19,099	70,436	3,450
Hyundai Financial Leasing Co., Ltd.	438,781	371,504	31,174	7,275
Hyundai Construction Equipment India Private Ltd.	82,243	53,709	54,074	(9,352)
Wärtsilä-Hyundai Engine Company Ltd.	237,414	156,421	152,411	15,204
Ulsan Hyundai Football Club Co., Ltd.	1,944	1,031	16,112	(268)

(In millions of Won)

<u>Company</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Sales</u>	<u>Net income (loss)</u>
HYMS	300,520	144,165	357,326	7,161
KAM Corp.	398,814	158,677	-	(804)
Grand China Hyundai Shipping Company Ltd.	2,154	64	-	(270)
KOMAS Corp.	3,802	20	280	21
Hotel Hyundai Co.,Ltd.	5,385	3,894	28,280	489
Khorol Zerno Ltd.	9,726	3,520	2,116	168
Khorol Agro Ltd.	3,398	449	59	(5)
Hyundai Corporation	808,779	662,086	2,577,549	(52,562)
Taebaek Wind Power Co., Ltd.	9,950	-	-	(100)