

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
AND INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
Hyundai Motor Company:

We have audited the accompanying consolidated balance sheets of Hyundai Motor Company (the "Company") and its subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain subsidiaries including Kia Motors Corporation, which statements reflect total assets of ₩51,272,235 million (US\$40,773,149 thousand) and ₩40,235,279 million (US\$31,996,246 thousand) as of December 31, 2008 and 2007, respectively, and total revenues of ₩44,079,949 million (US\$35,053,637 thousand) and ₩39,742,303 million (US\$31,604,217 thousand) in 2008 and 2007, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Hyundai Motor Company and its subsidiaries as of December 31, 2008 and 2007, and the results of their operations, changes in its shareholders' equity and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea (See Note 2).

Our audits also comprehended the translation of Korean Won amounts into U.S. Dollar amounts and, in our opinion, such translation has been made in conformity with the basis in Note 2. Such U.S. Dollar amounts are presented solely for the convenience of readers outside of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

March 24, 2009

Notice to Readers

This report is effective as of March 24, 2009, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2008 AND 2007

ASSETS	Korean Won		Translation into U. S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Current assets:				
Cash and cash equivalents (Note 9)	₩ 6,218,218	₩ 4,393,692	\$ 4,944,905	\$ 3,493,990
Short-term financial instruments (Note 3)	3,369,071	3,344,206	2,679,182	2,659,408
Short-term investment securities (Note 5)	1,065,429	142,814	847,260	113,570
Trade notes and accounts receivable, less allowance for doubtful accounts and present value discount account of ₩247,539 million in 2008 and ₩202,492million in 2007 (Note 16)	6,687,501	6,308,361	5,318,092	5,016,589
Trade notes and accounts receivable - other (Notes 16 and 25)	975,218	177,587	775,521	141,222
Inventories (Notes 4, 9 and 24)	16,855,998	11,265,083	13,404,372	8,958,317
Derivative assets (Note 29)	67,494	18,760	53,673	14,918
Deferred tax assets (Note 22)	1,163,042	797,520	924,884	634,211
Advances and other current assets	2,372,417	1,741,265	1,886,614	1,384,704
Total current assets	<u>38,774,388</u>	<u>28,189,288</u>	<u>30,834,503</u>	<u>22,416,929</u>
Non-current assets:				
Long-term financial instruments (Note 3)	12,571	5,539	9,997	4,405
Long-term investment securities (Note 6)	1,075,254	1,492,399	855,073	1,186,798
Investment securities accounted for using the equity method (Notes 7 and 16)	2,702,336	2,035,078	2,148,975	1,618,352
Property, plant and equipment, net of accumulated depreciation of ₩15,541,430 million in 2008 and ₩13,277,036 million in 2007 (Notes 8, 9, 10, 16 and 24)	28,918,261	25,629,530	22,996,629	20,381,336
Intangibles (Note 11)	3,448,857	2,997,884	2,742,630	2,384,003
Derivative assets (Note 29)	1,928,165	259,656	1,533,332	206,486
Deferred tax assets (Note 22)	689,650	610,799	548,429	485,725
Other assets (Note 12)	1,457,922	1,093,401	1,159,381	869,504
Total non-current assets	<u>40,233,016</u>	<u>34,124,286</u>	<u>31,994,446</u>	<u>27,136,609</u>
Other financial business assets (Notes 13 and 16)	<u>24,198,379</u>	<u>21,533,952</u>	<u>19,243,244</u>	<u>17,124,415</u>
Total assets	<u>₩ 103,205,783</u>	<u>₩ 83,847,526</u>	<u>\$ 82,072,193</u>	<u>\$ 66,677,953</u>

(Continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2008 AND 2007

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Korean Won</u>		<u>Translation into</u> <u>U. S. Dollars (Note 2)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Current liabilities:				
Short-term borrowings (Note 14)	₩ 21,628,102	₩ 16,427,071	\$ 17,199,286	\$ 13,063,277
Current maturities of long-term debt and debentures (Notes 8 and 15)	6,418,366	4,428,143	5,104,068	3,521,386
Trade notes and accounts payable (Note 25)	8,247,726	6,263,049	6,558,828	4,980,556
Trade notes and accounts payable-other	4,759,792	3,897,252	3,785,123	3,099,206
Accrued warranties (Note 17)	1,392,609	1,340,268	1,107,443	1,065,819
Income tax payable (Note 22)	752,771	807,668	598,625	642,281
Accrued expenses	2,205,681	1,756,883	1,754,021	1,397,124
Derivative liabilities (Note 29)	343,517	389,209	273,175	309,510
Deferred tax liabilities (Note 22)	15,955	18,395	12,687	14,628
Withholdings and other current liabilities	<u>2,333,863</u>	<u>1,675,358</u>	<u>1,855,954</u>	<u>1,332,293</u>
Total current liabilities	<u>48,098,382</u>	<u>37,003,296</u>	<u>38,249,210</u>	<u>29,426,080</u>
Long-term liabilities:				
Long-term debt and debentures, net of current maturities and discount on debentures issued (Notes 8 and 15)	22,237,911	16,862,777	17,684,223	13,409,763
Accrued severance benefits, net of National Pension payments for employees of ₩27,788 million in 2008 and ₩36,613 million in 2007, and individual severance insurance deposits of ₩1,920,288 million in 2008 and ₩1,851,881 in 2007 (Note 2)	1,119,567	1,000,186	890,312	795,377
Long-term accounts payable	233,763	296,080	185,896	235,451
Derivative liabilities (Note 29)	288,033	83,597	229,052	66,479
Long-term accrued warranties (Note 17)	3,102,194	2,840,580	2,466,953	2,258,911
Provision for other liabilities	488,549	382,811	388,508	304,422
Deferred tax liabilities (Note 22)	438,272	564,016	348,527	448,521
Other long-term liabilities	<u>1,083,397</u>	<u>968,868</u>	<u>861,548</u>	<u>770,472</u>
Total long-term liabilities	<u>28,991,686</u>	<u>22,998,915</u>	<u>23,055,019</u>	<u>18,289,396</u>
Other financial business liabilities (Note 13)	<u>763,818</u>	<u>131,679</u>	<u>607,410</u>	<u>104,715</u>
Total liabilities	<u>77,853,886</u>	<u>60,133,890</u>	<u>61,911,639</u>	<u>47,820,191</u>

Commitments and contingencies (Note 28)

(Continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2008 AND 2007

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Korean Won</u>		<u>Translation into</u> <u>U. S. Dollars (Note 2)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Shareholders' equity:				
Capital stock (Note 18)	₩ 1,488,993	₩ 1,486,980	\$ 1,184,090	\$ 1,182,489
Capital surplus	5,839,874	5,753,003	4,644,035	4,574,953
Capital adjustments (Note 19)	(719,235)	(718,405)	(571,956)	(571,296)
Accumulated other comprehensive income (Notes 20 and 21)	618,309	326,725	491,697	259,820
Retained earnings	11,841,859	11,240,361	9,416,985	8,938,657
Minority interests	<u>6,282,097</u>	<u>5,624,972</u>	<u>4,995,703</u>	<u>4,473,139</u>
Total shareholders' equity	<u>25,351,897</u>	<u>23,713,636</u>	<u>20,160,554</u>	<u>18,857,762</u>
Total liabilities and shareholders' equity	<u>₩ 103,205,783</u>	<u>₩ 83,847,526</u>	<u>\$ 82,072,193</u>	<u>\$ 66,677,953</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions, except per share amounts)		(In thousands, except per share amounts)	
Sales (Notes 24, 25, 26 and 30)	₩ 79,736,351	₩ 69,601,516	\$ 63,408,629	\$ 55,349,118
Cost of sales (Notes 25 and 26)	<u>61,829,549</u>	<u>55,467,476</u>	<u>49,168,627</u>	<u>44,109,325</u>
Gross profit	17,906,802	14,134,040	14,240,002	11,239,793
Selling and administrative expenses (Note 27)	<u>14,834,759</u>	<u>11,286,018</u>	<u>11,797,025</u>	<u>8,974,965</u>
Operating income (Note 30)	<u>3,072,043</u>	<u>2,848,022</u>	<u>2,442,977</u>	<u>2,264,828</u>
Other income (expenses), net:				
Interest expense, net	(233,997)	(430,631)	(186,081)	(342,450)
Loss on foreign exchange translation, net	(2,354,804)	(169,640)	(1,872,608)	(134,903)
Gain (loss) on foreign exchange, net	(744,407)	42	(591,974)	33
Gain on valuation of investment securities accounted for using the equity method, net	356,972	281,603	283,874	223,939
Gain on disposal of investment securities accounted for using the equity method	2,025	4,484	1,611	3,566
Gain on disposal of short-term investment securities, net	1,215	30,621	966	24,351
Gain on disposal of long-term investment securities, net	38,452	35,959	30,578	28,596
Gain (loss) on valuation of derivatives, net	1,790,314	(25,295)	1,423,709	(20,115)
Loss on derivatives transaction, net	(119,406)	-	(94,955)	-
Loss on disposal of trade notes and accounts receivable	(253,905)	(245,164)	(201,913)	(194,961)
Loss on disposal of property, plant and equipment, net	(61,389)	(11,706)	(48,818)	(9,309)
Rental and royalty income	113,682	47,670	90,403	37,909
Loss on impairment of investment securities	(5,481)	(1,964)	(4,359)	(1,562)
Impairment loss on property, plant and equipment	(33,966)	(79)	(27,011)	(63)
Impairment loss on intangibles	(2,747)	(1,114)	(2,184)	(886)
Other, net	<u>(67,617)</u>	<u>246,012</u>	<u>(53,771)</u>	<u>195,635</u>
	<u>(1,575,059)</u>	<u>(239,202)</u>	<u>(1,252,533)</u>	<u>(190,220)</u>

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions, except per share amounts)		(In thousands, except per share amounts)	
Income before income tax	₩ 1,496,984	₩ 2,608,820	\$ 1,190,444	\$ 2,074,608
Income tax expense (Note 22)	409,919	652,733	325,979	519,072
Net loss of newly consolidated subsidiaries before acquisition	<u>5,487</u>	<u>-</u>	<u>4,363</u>	<u>-</u>
Net income	<u>₩ 1,092,552</u>	<u>₩ 1,956,087</u>	<u>\$ 868,828</u>	<u>\$ 1,555,536</u>
Attributable to:				
Equity holders of the parent	₩ 857,751	₩ 1,600,480	\$ 682,108	\$ 1,272,748
Minority interests	<u>234,801</u>	<u>355,607</u>	<u>186,720</u>	<u>282,788</u>
	<u>₩ 1,092,552</u>	<u>₩ 1,956,087</u>	<u>\$ 868,828</u>	<u>\$ 1,555,536</u>
Basic earnings per common share (Note 2)	<u>₩ 2,499</u>	<u>₩ 5,813</u>	<u>\$ 1.99</u>	<u>\$ 4.62</u>
Diluted earnings per common share (Note 2)	<u>₩ 2,497</u>	<u>₩ 5,800</u>	<u>\$ 1.99</u>	<u>\$ 4.61</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Korean Won						Translation into	
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Minority interests	U.S. Dollars (Note 2)	
						Total amount	Total amount	
January 1, 2007	₩ 1,484,942	₩ 5,679,998	₩ (707,045)	₩ (297,541)	₩ 9,809,765	₩ 4,995,854	₩ 20,965,973	\$ 16,672,742
Stock option exercised	2,038	13,552	(4,152)	-	-	-	11,438	9,096
Disposal of treasury stock	-	17,358	-	-	-	-	17,358	13,804
Disposal of subsidiaries' stock	-	(8,095)	-	-	53,422	88,136	133,463	106,134
Increase in subsidiaries' capital-stock	-	10,871	-	-	-	156,543	167,414	133,132
Subsidiaries' sale of assets	-	21,573	-	-	(24,449)	2,876	-	-
Effect of changes in consolidation scope	-	-	-	-	-	57,400	57,400	45,646
Payment of cash dividends	-	-	-	-	(275,373)	(74,409)	(349,782)	(278,157)
Net income	-	-	-	-	1,600,480	355,607	1,956,087	1,555,536
Treasury stock	-	-	(7,208)	-	-	-	(7,208)	(5,732)
Gain on valuation of available-for-sale securities	-	-	-	571,817	-	-	571,817	454,725
Loss on valuation of investment equity securities	-	-	-	(63,121)	-	-	(63,121)	(50,196)
Gain on overseas operation translation	-	-	-	169,091	-	-	169,091	134,466
Loss on transaction of derivatives	-	-	-	(53,521)	-	-	(53,521)	(42,561)
Others	-	17,746	-	-	76,516	42,965	137,227	109,127
December 31, 2007	<u>₩ 1,486,980</u>	<u>₩ 5,753,003</u>	<u>₩ (718,405)</u>	<u>₩ 326,725</u>	<u>₩ 11,240,361</u>	<u>₩ 5,624,972</u>	<u>₩ 23,713,636</u>	<u>\$ 18,857,762</u>

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Korean Won						Translation into	
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Minority interests	U.S. Dollars (Note 2)	
						Total amount	Total amount	
January 1, 2008	₩ 1,486,980	₩ 5,753,003	₩ (718,405)	₩ 326,725	₩ 11,240,361	₩ 5,624,972	₩ 23,713,636	\$ 18,857,762
Stock option exercised	2,013	13,391	(4,612)	-	-	-	10,792	8,582
Cancellation of stock options	-	57	(57)	-	-	-	-	-
Disposal of treasury stock	-	(3,420)	-	-	-	-	(3,420)	(2,720)
Disposal of subsidiaries' stock	-	76,305	-	-	-	25,760	102,065	81,165
Increase in subsidiaries' capital-stock	-	459	-	-	-	41,682	42,141	33,512
Effect of changes in consolidation scope	-	-	-	-	-	328,888	328,888	261,541
Payment of cash dividends (Note 23)	-	-	-	-	(275,997)	(127,646)	(403,643)	(320,988)
Net income	-	-	-	-	857,751	234,801	1,092,552	868,828
Treasury stock	-	-	3,839	-	-	-	3,839	3,053
Loss on valuation of available-for-sale securities	-	-	-	(416,299)	-	-	(416,299)	(331,053)
Gain on valuation of investment equity securities	-	-	-	115,760	-	-	115,760	92,056
Gain on overseas operation translation	-	-	-	832,213	-	-	832,213	661,800
Loss on transaction of derivatives	-	-	-	(240,090)	-	-	(240,090)	(190,926)
Others	-	79	-	-	19,744	153,640	173,463	137,942
December 31, 2008	<u>₩ 1,488,993</u>	<u>₩ 5,839,874</u>	<u>₩ (719,235)</u>	<u>₩ 618,309</u>	<u>₩ 11,841,859</u>	<u>₩ 6,282,097</u>	<u>₩ 25,351,897</u>	<u>\$ 20,160,554</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Cash flows from operating activities:				
Net income	₩ 1,092,552	₩ 1,956,087	\$ 868,828	\$ 1,555,536
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	2,587,849	2,088,960	2,057,932	1,661,201
Amortization of intangibles	849,811	692,205	675,794	550,461
Bad debt expenses	269,684	127,020	214,460	101,010
Loss on foreign exchange translation, net	2,287,087	147,037	1,818,757	116,928
Gain on valuation of investment securities accounted for using the equity method, net	(356,972)	(281,603)	(283,874)	(223,939)
Gain on disposal of investment securities accounted for using the equity method	(2,025)	(4,484)	(1,611)	(3,566)
Loss (gain) on valuation of derivatives, net	(1,790,314)	25,295	(1,423,709)	20,115
Loss on disposal of trade notes and accounts receivable	253,905	245,164	201,913	194,961
Loss on disposal of property, plant and equipment, net	61,389	11,706	48,818	9,309
Gain on disposal of short-term investment securities, net	(1,215)	(30,621)	(966)	(24,351)
Gain on disposal of long-term investment securities, net	(38,452)	(35,959)	(30,578)	(28,596)
Dividends of investment securities accounted for using the equity method	63,242	78,067	50,292	62,081
Provision for severance benefits	966,356	674,011	768,474	535,993
Amortization of discount on debentures	820	2,841	652	2,259
Impairment loss on intangibles	2,747	1,114	2,184	886
Provision for accrued warranties	942,335	647,470	749,372	514,887
Loss on impairment of investment securities	5,481	1,964	4,359	1,562
Impairment loss on property, plant and equipment	33,966	79	27,011	63
Other	54,200	201,868	43,102	160,532

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Cash flows from operating activities:				
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable	₩ (1,127,805)	₩ (1,645,796)	\$ (896,863)	\$ (1,308,784)
Decrease (increase) in trade notes and accounts receivable-other	(871,880)	218,426	(693,344)	173,699
Increase in inventories	(5,633,952)	(1,562,826)	(4,480,280)	(1,242,804)
Increase in advances and other current assets	(563,646)	(514,360)	(448,227)	(409,034)
Decrease (increase) in deferred tax assets	(444,373)	64,716	(353,378)	51,464
Increase (decrease) in trade notes and accounts payable	1,174,661	(1,857,415)	934,124	(1,477,070)
Increase in accounts payable-other	481,718	1,376,475	383,076	1,094,612
Increase (decrease) in income tax payable	(54,897)	416,104	(43,656)	330,898
Increase in accrued expenses	273,380	76,557	217,400	60,880
Increase (decrease) in deferred tax liabilities	(406,605)	322,842	(323,344)	256,733
Increase in withholding and other current liabilities	532,571	345,176	423,516	274,494
Decrease in accrued warranties	(628,380)	(632,476)	(499,706)	(502,963)
Payment of severance benefits	(787,393)	(805,708)	(626,157)	(640,722)
Increase in individual severance insurance deposits	(68,407)	(403)	(54,399)	(320)
Other	15,254	133,739	12,129	106,354
	<u>(827,308)</u>	<u>2,483,272</u>	<u>(657,899)</u>	<u>1,974,769</u>
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from withdrawal of short-term financial instruments	3,725,846	5,162,383	2,962,899	4,105,275
Proceeds from disposal of short-term investment securities	120,774	438,027	96,043	348,332
Proceeds from disposal of long-term investment securities	325,851	135,580	259,126	107,817
Proceeds from disposal of investment securities accounted for using the equity method	7,707	70,080	6,129	55,730
Proceeds from disposal of property, plant and equipment	214,493	406,783	170,571	323,485
Reduction in other current assets	47,377	30,182	37,676	24,001
Increase in other financial business liabilities	632,139	37,217	502,695	29,596
Reduction in other assets	65,565	368,154	52,139	292,767
	<u>5,139,752</u>	<u>6,648,406</u>	<u>4,087,278</u>	<u>5,287,003</u>

(Continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Cash flows from investing activities:				
Cash outflows from investing activities:				
Purchase of short-term financial instruments	₩ (3,750,711)	₩ (5,361,824)	\$ (2,982,673)	\$ (4,263,876)
Acquisition of short-term investment securities	(1,041,087)	(74,791)	(827,902)	(59,476)
Acquisition of long-term investment securities	(288,353)	(240,367)	(229,307)	(191,147)
Acquisition of investment securities using the equity method	(91,027)	(200,311)	(72,387)	(159,293)
Acquisition of property, plant and equipment	(4,966,879)	(4,381,097)	(3,949,804)	(3,483,974)
Expenditures for development costs	(1,170,791)	(983,694)	(931,047)	(782,262)
Additions to other current assets	(69,291)	(44,091)	(55,102)	(35,062)
Increase in other financial business assets	(2,664,427)	(5,475,113)	(2,118,829)	(4,353,967)
Additions to other assets	(525,502)	(564,148)	(417,894)	(448,626)
	<u>(14,568,068)</u>	<u>(17,325,436)</u>	<u>(11,584,945)</u>	<u>(13,777,683)</u>
	<u>(9,428,316)</u>	<u>(10,677,030)</u>	<u>(7,497,667)</u>	<u>(8,490,680)</u>
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	20,987,053	24,645,526	16,689,505	19,598,828
Proceeds from long-term borrowings	4,694,960	3,820,629	3,733,567	3,038,274
Issuance of debentures	10,726,065	7,913,917	8,529,674	6,293,373
Proceeds from disposal of treasury stock	-	4,843	-	3,851
Paid in capital increase	35,598	137,152	28,309	109,067
Others	416,099	363,348	330,893	288,945
	<u>36,859,775</u>	<u>36,885,415</u>	<u>29,311,948</u>	<u>29,332,338</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	(16,504,347)	(19,857,777)	(13,124,729)	(15,791,473)
Repayment of debentures	(3,396,641)	(2,859,202)	(2,701,106)	(2,273,719)
Payment of cash dividends	(403,643)	(349,782)	(320,988)	(278,157)
Purchase of treasury stock	-	(11,683)	-	(9,291)
Repayment of current maturities of long-term debt	(4,676,815)	(4,965,827)	(3,719,137)	(3,948,968)
Others	(159,930)	(108,796)	(127,182)	(86,517)
	<u>(25,141,376)</u>	<u>(28,153,067)</u>	<u>(19,993,142)</u>	<u>(22,388,125)</u>
	<u>11,718,399</u>	<u>8,732,348</u>	<u>9,318,806</u>	<u>6,944,213</u>
Effect of exchange rate on cash and cash equivalents, beginning of year	<u>350,938</u>	<u>88,385</u>	<u>279,076</u>	<u>70,286</u>
Effect of change in consolidated subsidiaries	<u>10,813</u>	<u>36,710</u>	<u>8,599</u>	<u>29,193</u>
Net increase in cash and cash equivalents	1,824,526	663,685	1,450,915	527,781
Cash and cash equivalents, beginning of year	<u>4,393,692</u>	<u>3,730,007</u>	<u>3,493,990</u>	<u>2,966,209</u>
Cash and cash equivalents, end of year	<u>₩ 6,218,218</u>	<u>₩ 4,393,692</u>	<u>\$ 4,944,905</u>	<u>\$ 3,493,990</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. GENERAL INFORMATION:

The Company

Hyundai Motor Company (the “Company”) was incorporated in 1967, under the laws of the Republic of Korea, to manufacture and distribute motor vehicles and parts.

The Company owns and operates three principal automobile production bases in Korea: the Ulsan factory, the Asan factory and the Jeonju factory. In addition, the Company has invested in five overseas manufacturing plants including Hyundai Motor Manufacturing Alabama, LLC (HMMA) as well as fifteen overseas sales and R&D subsidiaries including Hyundai Motor America (HMA).

The shares of the Company have been listed on the Korea Exchange (formerly, Korea Stock Exchange) since 1974 and the Global Depository Receipts issued by the Company have been listed on the London Stock Exchange and Luxemburg Stock Exchange.

As of December 31, 2008, the major shareholders of the Company are Hyundai MOBIS (14.95%), Hyundai Steel (5.84%) and Chung, Mong Koo (5.17%).

Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and its consolidated domestic and foreign subsidiaries over which the Company has substantial control and whose individual beginning balance of total assets or paid-in capital at the date of its establishment is more than ₩7,000 million (US\$5,567 thousand). The consolidated subsidiaries as of December 31, 2008 are as follows:

Subsidiaries	Nature of business	Shareholders' equity as of December 31, 2008		Shares (*2)	Percentage ownership (*2)	Indirect ownership (*2)
		Korean Won (*1) (In millions)	U.S. Dollars (Note 2) (In thousands)			
DOMESTIC SUBSIDIARIES:						
Kia Motors Corporation (KIA)	Manufacturing	₩ 4,738,890	\$ 3,768,501	134,285,491	38.67%	
Hyundai Capital Service Inc.	Financing	1,650,316	1,312,379	56,083,743	56.47%	
Hyundai Card Co., Ltd.	Credit card	1,234,062	981,361	68,994,329	43.02%	KIA : 11.49%
Hyundai HYSKO	Manufacturing	1,039,344	826,516	32,108,868	40.04%	KIA : 13.91%
WIA Corporation (WIA)	~	598,541	475,977	17,120,611	78.79%	KIA : 39.33%
Hyundai Rotem (Rotem)	~	507,090	403,252	36,852,432	57.64%	
Hyundai Powertech	~	421,689	335,339	53,945,300	75.15%	KIA : 37.58%
Hyundai Autonet Co., Ltd. (Autonet)	~	420,757	334,598	59,522,178	25.68%	KIA : 8.91%
Dymos Inc. (DYMOS)	~	280,308	222,909	29,335,805	97.76%	KIA : 45.37% & WIA : 5.12%
HMC Investment Securities Co., Ltd.	Securities brokerage	272,414	216,631	4,951,594	31.27%	KIA : 3.84%
KEFICO Corporation	Manufacturing	250,495	199,201	1,670,000	50.00%	
Autoever Systems Corp.	Information technology	80,761	64,223	499,000	49.90%	KIA : 20.00%
Hyundai Commercial Co., Ltd.	Financing	73,825	58,708	10,000,000	50.00%	
Green Air Co., Ltd.	Manufacturing	44,780	35,610	4,590,000	51.00%	Rotem : 51%
Partecs Co.	~	40,765	32,417	6,960,000	87.00%	KIA : 31.00%
METIA Co., Ltd.	~	35,813	28,480	2,983,880	99.47%	WIA : 50.94% & DYMOS : 48.53%
M & Soft Co., Ltd.	Software consultancy and supply	31,844	25,323	2,383,529	57.50%	Autonet : 25.67%
Mseat Co., Ltd.	Manufacturing	31,697	25,206	998,140	99.81%	DYMOS 99.81%

Subsidiaries	Nature of business	Shareholders' equity as of December 31, 2008		Shares (*2)	Percentage ownership (*2)	Indirect ownership (*2)
		Korean Won	U.S. Dollars			
		(*) (In millions)	(Note 2) (In thousands)			
HMC win win fund	Investment association	₩ 30,065	\$ 23,909	4,800,000	80.00%	KIA : 20.00%
Automobile Industrial Ace Corporation	Manufacturing	188	150	3,116,662	100.00%	WIA : 100%
Haevichi Resort	Hotel operation	(17,704)	(14,079)	2,015,000	65.00%	KIA : 40.00% & WIA : 25.00%
Haevichi Country Club Co., Ltd.	Golf course operation	(32,898)	(26,161)	1,350,000	45.00%	KIA : 15%
FOREIGN SUBSIDIARIES:						
Hyundai Motor America (HMA)	Sales	1,595,165	1,268,521	1,150	100.00%	
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	916,287	728,658	-	100.00%	HMA : 100%
Hyundai Motor Finance Company (HMFC)	Financing	707,222	562,403	750	100.00%	HMA : 89.82% & KMA : 10.18%
Hyundai Auto Canada Corp. (HACC)	Sales	168,945	134,350	10,000,000	100.00%	HMA : 100%
Stampeted Metal America Research Technology Inc. (SMARTI)	Managing subsidiaries	(14,814)	(11,781)	18,542,284	72.45%	HMA : 72.45%
Stampeted Metal America Research Technology LLC	Manufacturing	(14,814)	(11,781)	-	100.00%	SMARTI : 100%
Hyundai Translead (HT)	Sales	141,429	112,468	1,160,000	100.00%	
Hyundai de Mexico, S.A. de C.V. (HYMEX)	Manufacturing	14,001	11,134	9,996	99.96%	HT : 99.96%
Hyundai America Technical Center Inc. (HATCI)	R & D	32,914	26,174	1,000	100.00%	
World Marketing Group LLC (WMG)	Marketing	9,301	7,396	-	100.00%	HMA : 50% & KMA : 50%
Hyundai Information Service North America (HISNA)	Information technology	11,329	9,009	-	100.00%	HMA : 50% & KMA : 50%
Hyundai Auto Canada Captive Insurance Incorporation (HACCII)	Insurance	5,316	4,227	100	100.00%	HACC : 100%
Hyundai Motor India (HMI)	Manufacturing	807,491	642,140	8,125,411	100.00%	
Hyundai Motor India Engineering Private Ltd. (HMIE)	R & D	29,329	23,323	-	100.00%	HMI : 100%
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (HAOSVT)	"	(49,010)	(38,974)	144,354,180,656	70.00%	
Hyundai Motor Japan Co. (HMJ)	Sales	(11,160)	(8,875)	80,000	100.00%	
Hyundai Motor Europe GmbH (HME)	"	37,157	29,548	-	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R & D	75,393	59,955	-	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	Sales	38,560	30,664	172,862	100.00%	
Hyundai Motor Norway (HMN)	"	5,958	4,738	-	100.00%	
Hyundai Motor (UK) Ltd. (HMUK)	"	520	414	20,000,000	100.00%	
Hyundai Motor Manufacturing Czech,s.r.o. (HMMC)	Manufacturing	625,338	497,287	-	100.00%	
Hyundai Motor Company Australia (HMCA)	Sales	50,651	40,279	14,309,000	100.00%	
HMCIS B.V	Managing subsidiaries	(54,437)	(43,290)	104,000,000	80.00%	
Hyundai Motor Commonwealth of Independent States (HMCIS)	Sales	(54,437)	(43,290)	-	100.00%	HMCIS B.V : 100%
Hyundai Auto Czech s.r.o. (HMCZ)	"	39,827	31,672	-	100.00%	
Hyundai Motor Manufacturing Rus LLC (HMMR)	Manufacturing	154,462	122,833	-	100.00%	
Hyundai Motor Company Italy (HMCI)	Sales	29,830	23,722	-	100.00%	
Hyundai Motor Group (China) Ltd. (HMGC)	Investment	90,107	71,656	-	80.00%	KIA : 30%
China Millennium Corporations (CMEs)	Real estate development	52,539	41,781	-	89.90%	KIA : 30.3%

Subsidiaries	Nature of business	Shareholders' equity as of December 31, 2008		Shares (*2)	Percentage ownership (*2)	Indirect ownership (*2)
		Korean Won	U.S. Dollars			
		(*) (In millions)	(Note 2) (In thousands)			
Beijing Hines Millennium Real Estate Development	Real estate development	₩ 52,539	\$ 41,781	-	99.00%	CMEs : 99.00%
Hyundai Jingxian Motor Safeguard Service Co. Ltd. (HJMSS)	Sales	7,988	6,352	-	100.00%	
Beijing Mobis Transmission Co., Ltd. (BMT)	Manufacturing	185,040	147,149	-	68.04%	KIA : 24.08% & HMGC : 19.88%
Kia Motors Slovakia S.r.o. (KMS)	"	789,401	627,754	100	100.00%	KIA : 100%
Dong Feng Yueda Kia Motor Co., Ltd.	"	522,066	415,162	-	50.00%	KIA : 50%
Kia Motors Manufacturing Georgia, Inc. (KMMG)	"	366,102	291,135	-	80.00%	KIA : 50% & HMA 30%
Kia Motors Europe GmbH (KME)	Managing subsidiaries	679,862	540,646	-	100.00%	KIA : 100%
Kia Motors America Inc. (KMA)	Sales	136,244	108,345	1,000,000	100.00%	KIA : 100%
Kia Japan Co., Ltd. (KJC)	"	32,148	25,565	267,800	100.00%	KIA : 100%
Kia Motors (UK) Ltd. (KMUK)	"	62,005	49,308	17,000,000	100.00%	KME : 100%
Kia Motors Sales Slovensko s.r.o. (KMSS)	"	17,868	14,209	-	100.00%	KME : 100%
Kia Motors Czech s.r.o. (KMCZ)	"	15,813	12,575	106,870,000	100.00%	KME : 100%
Kia Motors Sweden AB (KMSW)	"	(413)	(328)	4,000,000	100.00%	KME : 100%
Kia Motors Austria GmbH (KMAS)	"	(6,480)	(5,153)	2,107,512	100.00%	KME : 100%
Kia Motors Hungary Kft (KMH)	"	914	727	30,000,000	100.00%	KMAS : 100%
Kia Motors Iberia (KMIB)	"	(50,483)	(40,146)	31,600,000	100.00%	KME : 100%
Kia Motors Belgium (KMB)	"	(53,326)	(42,406)	1,000,000	100.00%	KME : 100%
Kia Automobiles France (KMF)	"	(125,724)	(99,979)	5,000,000	100.00%	KME : 100%
Kia Motors Australia Pty. Ltd. (KMAU)	"	(54,556)	(43,384)	-	100.00%	KIA : 100%
Kia Motors New Zealand Ltd. (KMNZ)	"	(9,138)	(7,267)	-	100.00%	KMAU : 100%
Kia Motors Deutschland GmbH (KMD)	"	29,162	23,190	-	100.00%	KIA : 100%
Kia Motors Polska Sp.z.o.o. (KMP)	"	(2,491)	(1,981)	15,637	99.60%	KMD : 99.6%
Kia Canada, Inc. (KCI)	"	(103,224)	(82,087)	6,298	100.00%	KIA : 82.5% & KMA : 17.5%
Wia Automotive Engine (Shandong) Company	Manufacturing	194,205	154,437	-	70.00%	KIA : 18.00% & WIA : 30.00%
Wia Automotive Parts (WAP)	"	60,128	47,816	-	100.00%	WIA : 100%
Hyundai-Kia Machine Europe GmbH (HKME)	"	18,790	14,942	-	100.00%	WIA : 100%
Hyundai-Kia Machine America Corp. (HKMA)	"	3,373	2,682	1,000	100.00%	WIA : 100%
Beijing Hyundai Hysco Steel Process Co., Ltd. (BHYSCO)	"	47,863	38,062	-	100.00%	HYSCO : 100%
Jiangsu Hysco Steel Process. Co. Ltd	"	18,951	15,070	-	90.00%	HYSCO : 90%
Hysco Slovakia, s.r.o.	"	19,946	15,862	-	100.00%	HYSCO : 100%
Hyundai Hysco USA, Inc.	"	13,535	10,763	250,000	100.00%	HYSCO : 100%
Hysco America Co. Inc.	"	9,451	7,516	1,000	100.00%	HYSCO : 100%
Hysco Steel India, Ltd.	"	2,495	1,984	270,271	100.00%	HYSCO : 100%
Hyundai-Hitech Electronics	"	20,418	16,237	-	100.00%	Autonet : 100%
Rotem USA Corporation	"	9,570	7,610	700,000	100.00%	Rotem : 100%
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S.	"	3,444	2,739	-	50.50%	Rotem : 50.50%
Dymos Lear Automotive India (DLAI)	"	24,709	19,649	5,674,032	65.00%	DYMOS : 65%
Autoever Systems Europe GmbH (ASE)	Information technology	3,333	2,650	-	100.00%	Autoever : 100%
Hyundai Powertech Manufacturing America (PTA)	Manufacturing	43,242	34,387	-	80.00%	KIA : 10%, Powertech 40%, & HMA 30%

(*1) Local currency in foreign subsidiaries is translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. at December 31, 2008.

(*2) Shares and ownership are calculated by combining the shares and ownership, which the Company and its subsidiaries hold as of December 31, 2008. Indirect ownership represents subsidiaries' holding ownership.

In 2008, the Company added three domestic companies: HMC Investment Securities Co., Ltd., Green Air Co., Ltd. and HMC win win fund and eleven overseas companies: Dymos Lear Automotive India(DLAI), Autoever Systems Europe GmbH (ASE), Hyundai Motor Commonwealth of Independent States (HMCIS), HMCIS B.V, Hyundai Auto Czech s.r.o. (HMCZ), Hyundai Motor Manufacturing Rus LLC (HMMR), Hyundai Motor Company Italy (HMCI), Kia Motors Manufacturing Georgia Inc. (KMMG), Hyundai Powertech Manufacturing America (PTA), Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S. and Hyundai Motor India Engineering Private Ltd. (HMIE), to its consolidated subsidiaries due to acquisition of ownership enabling the Company and its subsidiaries to exercise substantial control or the increase in individual assets at the end of the preceding year exceeding the required level of ₩7,000 million (US\$5,567 thousand) for consolidation with substantial control. In addition, Seoul Metro 9th line, Chasan Co., Ltd. (Chasan) and Rotem Equipments (Beijing) Co., Ltd. were excluded from consolidated subsidiaries. The ownership percentage of the Company to Seoul Metro 9th line decreased as the Company did not participate in the issue of new shares to be purchased. Chasan Co., Ltd. was merged to Haevichi Resort in 2008 and the total assets of Rotem Equipments (Beijing) Co., Ltd. did not exceed the required level of ₩7,000 million (US\$5,567 thousand) for consolidation with substantial control at the end of the preceding year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidated Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company and its subsidiaries' financial position, results of operations, changes in shareholders' equity or cash flows, is not presented in the accompanying financial statements.

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. Dollar amounts is included solely for the convenience of readers outside of the Republic of Korea and has been made at the rate of ₩1,257.50 to US\$1.00 at December 31, 2008, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. Dollars at that or any other rate.

The Company prepared its consolidated financial statements as of December 31, 2008 in accordance with accounting principles generally accepted in the Republic of Korea. The significant accounting policies followed by the Company in the preparation of its consolidated financial statements as of December 31, 2008 are identical to those as of December 31, 2007.

The significant accounting policies followed by the Company in the preparation of its consolidated financial statements are summarized below.

Principles of Consolidation

The accompanying financial statements include the accounts of the Company and its subsidiaries. Under financial accounting standards for consolidated financial statements in the Republic of Korea, a company is regarded as a subsidiary of another company if more than 50% of its issued share capital is held by the other company, or more than 30% of its issued share capital is held by the other company and that company is the largest shareholder, or substantially controlled by the other company. Investments of 20% to 50% in affiliated companies or investments in affiliated companies over which the Company exerts a significant influence are accounted for using the equity method. Under the equity method, the original investment is recorded at cost and adjusted by the Company's share on the undistributed earnings or losses of these companies.

The fiscal year of the consolidated subsidiaries is the same as that of the Company. Differences in accounting policy between the Company and consolidated subsidiaries are adjusted in the consolidation.

Investments and equity accounts of subsidiaries were eliminated at the dates the Company obtained control of the subsidiaries. The difference between the cost of acquisition and the book value of the subsidiary is amortized using the straight-line method within twenty years (five years for goodwill recognized before 1998) from the year the acquisition occurred or reversed over the remaining weighted average useful life of the identifiable acquired depreciable assets for negative goodwill using the straight-line method.

When the Company acquires additional interests in a subsidiary after obtaining control over the subsidiary, the difference between incremental price paid by the Company and the amount of incremental interest in the shareholders' equity of the subsidiary is reflected in the consolidated capital surplus. In case a subsidiary still belongs to a consolidated economic entity after the Company disposes a portion of the stocks of subsidiaries to non-subsidiary parties, gain or loss on disposal of the subsidiary's stock is accounted for as consolidated capital surplus or capital adjustments.

Intragroup balances and transactions, including income, expenses and dividends are eliminated in full. Profits or losses resulting from intragroup transactions that are recognised in assets are eliminated in full. Unrealized gains and losses arising from sales by a controlling company to its subsidiary (downstream sales) are eliminated entirely and charged (credited) to controlling interest, and unrealized gains and losses arising from sales by a subsidiary to its controlling company or from transactions among subsidiaries (upstream sales) are eliminated entirely and allocated to controlling interest and minority interest.

Minority interest is the part of net operation results and net assets of a subsidiary other than controlling interest. When net loss attributable to minority shareholders exceeds the minority interest, the excess and any further losses attributable to the minority interest is allocated to the minority interest and presented as negative in equity. Where, under an arrangement, the allocation of interest to the parent and the minority resulting from the losses is not based on their ownership interest, losses attributable to minority interest are determined according to such arrangement.

When the Company acquires new subsidiaries during the year, the results of operations are reflected in the income statement on an annual basis. However, total net income (loss) of the consolidated subsidiaries until the acquisition date is deducted from net income after income tax and accounted for as net income (loss) of newly consolidated subsidiaries before acquisition. In addition, when the Company disposes shares of subsidiaries during the year and the subsidiaries do not belong to the consolidation entity, the Company applies SKAS No. 11 – “Discontinuing Operation” which requires the Company not to present the income (loss) of the subsidiaries until the disposal date item-by-item but to present the total net income (loss) of the subsidiaries as a line item in the consolidated income statement.

When translating the financial statements of the affiliates operating overseas, the Company applies the foreign exchange rate as of the investor's balance sheet date to the associate's assets and liabilities, the foreign exchange rate as of the date on which the investor acquired its equity interest in the associate to the investor's share of the associate's equity interest, the foreign exchange rate as of each transaction date to the remaining equity interest in the associate after excluding any increase in retained earnings after the investor's acquisition of its equity interest in the associate, and the foreign exchange rate as of the average rate for the pertinent period to the associate's income statement items.

Revenue Recognition

Sales of goods is recognized at the time of shipment only if it meets the conditions that significant risks and rewards of ownership of the goods have been transferred to the customer, and neither continuing managerial involvement nor effective control over the goods sold is retained. Revenue arising from rendering of services is generally recognized by the percentage-of-completion method at the balance sheet date. In addition, revenue arising from interest, dividends or royalties is recognized when it is probable that future economic benefits will flow into the Company and those benefits can be measured reliably.

In the case of subsidiaries in financial business, interest revenues earned on financial assets are recognized as time passes using the level yield method, and fees and commissions in return for services rendered are recognized as services are provided.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibility of receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined by the moving average method, except for materials in transit for which cost is determined using the specific identification method. Valuation loss incurred when the market value of an inventory falls below its carrying amount is added to the cost of goods sold.

Investments in Securities Other Than Those Accounted for Using the Equity Method

Classification of Securities

At acquisition, the Company classifies securities into one of the three categories; trading, held-to-maturity or available-for-sale. Trading securities are those that were acquired principally to generate profits from short-term fluctuations in prices. Held-to-maturity securities are those with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Available-for-sale securities are those not classified as either held-to-maturity or trading securities. Trading securities are classified as short-term investment securities, whereas available-for-sale and held-to-maturity securities are classified as long-term investment securities, except for those whose maturity dates or whose likelihood of being disposed of are within one year from balance sheet date, which are classified as short-term investment securities.

Valuation of Securities

Investments in securities are initially measured at cost, which consists of the market price of the consideration given to acquire them and incidental expenses. If the market price of the consideration given is not available, the market prices of the securities purchased are used as the basis for measurement. If neither the market price of the consideration given nor those of the acquired securities are available, the acquisition cost is measured at the best estimates of its fair value. After initial recognition, held-to-maturity securities are valued at amortized cost. The difference between their acquisition costs and face values is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sales securities are also valued at fair value, with unrealized holding gains or losses recognized in accumulated other comprehensive income (loss), until the securities are sold or if the securities are determined to be impaired and the lump-sum accumulated amount of accumulated other comprehensive income (loss) is reflected in current operations. However, available-for-sales securities that are not traded in an active market and whose fair value cannot be reliably measured are valued at cost.

If the estimated recoverable amount of securities is less than the acquisition cost of equity securities or amortized cost of debt securities and any objective evidence for such impairment loss exists, impairment loss is recognized in current operations in the period when it arises.

The lower of the fair value of treasury stock included in treasury stock fund and the fair value of investments in treasury stock funds is accounted for as treasury stock in capital adjustment.

Investment Securities Accounted for Using the Equity Method

Investment securities held for investment in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. The Company's share in the net income or net loss of investees is reflected in current operations. The changes in the retained earnings, capital surplus or other capital accounts of investees are accounted for as an adjustment to retained earnings, to capital surplus or to accumulated other comprehensive income (loss).

The difference between the cost of the investment and the investor's share of the net fair value of the investee's identifiable assets and liabilities at the date of acquisition is amortized over 20 years for goodwill or reversed over the remaining weighted average useful life of the identifiable acquired depreciable assets for negative goodwill, which does not exceed the fair value of non-monetary assets acquired, using the straight-line method. Negative goodwill that exceeds the fair value of non-monetary assets acquired is credited to operations in the year of purchase.

The Company's portion of profits and losses resulting from inter-company transactions that are recognized in assets, such as inventories and fixed assets, are eliminated and charged to equity securities accounted for using the equity method.

If an investor's share of losses of an investee equals or exceeds its interest in the investee, the investor discontinues recognizing its share of further losses. If the investee subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized. Also, if the recoverable amount of investments in investee becomes less than its carrying amount, the Company recognizes impairment loss.

Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are stated at cost, except for assets revalued upward in accordance with the Asset Revaluation Law of Korea. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the increase of future economic benefits such as the enhancement of the value or extension of the useful lives of the facilities involved are treated as additions to property, plant and equipment.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Useful lives (years)</u>
Buildings and structures	2 – 60
Machinery and equipment	2 – 21
Vehicles	3 – 15
Dies, molds and tools	2 – 14
Other equipment	3 – 15

The Company charges all financing cost to current operations in accordance with SKAS No. 7 – “Capitalization of Financing Costs.” In addition, the Company assesses any possible recognition of impairment loss when there is an indication that expected future economic benefits of a tangible asset is considerably less than its carrying amount, as a result of technological obsolescence, rapid declines in market value or other causes of impairment. When it is determined that an asset may have been impaired and that its estimated total future cash flows from continued use or disposal is less than its carrying amount, the carrying amount of a tangible asset is reduced to its recoverable amount and the difference is recognized as an impairment loss. If the recoverable amount of the impaired asset exceeds its carrying amount in subsequent reporting period, the amount equal to the excess is treated as the reversal of the impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

Intangibles

Intangible assets are stated at cost, net of accumulated amortization. Subsequent expenditures on intangible assets after their purchases or completions, which will probably enable the assets to generate future economic benefits and can be measured and attributed to the assets reliably, are treated as additions to intangible assets.

Amortization is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Useful lives (years)</u>
Goodwill (negative goodwill)	5 – 20
Industrial property rights	2 – 40
Development costs	3 – 10
Other	2 – 50

If the recoverable amount of an intangible asset becomes less than its carrying amount as a result of obsolescence, sharp decline in market value or other causes of impairment, the carrying amount of an intangible asset is adjusted to its recoverable amount and the reduced amount is recognized as impairment loss. If the recoverable amount of a previously impaired intangible asset exceeds its carrying amount in subsequent periods, an amount equal to the excess is recorded as reversal of impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.

Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions are stated at present value, if the difference between nominal value and present value is material. The present value discount is amortized using the effective interest rate method, and the amortization is included in interest expense or interest income. Interest rates of 8.75 and 8.25 percent are used in valuing the receivables and payables at present value as of December 31, 2008 and 2007, respectively.

Accounting for Lease Contracts

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The situations that individually or in combination normally lead to a lease being classified as a finance lease are: (1) the lease transfers ownership of the asset to the lessee by the end of the lease term; (2) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised; (3) the lease term is for the major part of the economic life of the asset even if title is not transferred; (4) at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and (5) the leased assets are of such a specialized nature that only the lessee can use them without major modifications; otherwise, it is classified as an operating lease.

At the commencement of the lease term, finance leases are recognized as assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Accrued Severance Benefits

Employees and directors of the Company and its domestic subsidiaries with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with each company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees were to resign amount to ₩3,067,643 million (US\$2,439,478 thousand) and ₩2,888,680 million (US\$2,297,161 thousand) as of December 31, 2008 and 2007, respectively.

In accordance with the National Pension Act, certain portions of the accrued severance benefits are deposited with the National Pension Fund and deducted from accrued severance benefits.

Actual payments of severance benefits by the Company and its domestic subsidiaries amounted to ₩787,393 million (US\$626,157 thousand) and ₩805,708 million (US\$640,722 thousand) in 2008 and 2007, respectively.

Also, overseas subsidiaries' accrued severance benefits are in accordance with each subsidiary' policies and their countries' regulations.

Accrued Warranties and Product Liabilities

The Company and its subsidiaries generally provide a warranty to the ultimate consumer for each product sold and accrues warranty expense at the time of sale based on actual claims history. Also, the Company accrues potential expenses, which may occur due to product liability suit, voluntary recall campaign and other obligations as of the balance sheet date.

If the difference between nominal value and present value is material, the provision is valued at present value of the expenditures estimated to settle the obligation.

Share-based Payment

Equity-settled share-based payments to employees are measured at fair value of the equity instrument or the goods and services received and the fair value is expensed on a straight-line basis over the vesting period. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognized at the current fair value determined at each balance sheet date.

Derivative Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations.

The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecast transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as accumulated other comprehensive income (loss) and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as accumulated other comprehensive income (loss) is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in accumulated other comprehensive income (loss) is added to or deducted from the asset or the liability.

Accounting for Foreign Currency Transactions and Translation

The Company and its domestic subsidiaries maintain their accounts in Korean Won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction dates. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Base Rate announced by Seoul Money Brokerage Services, Ltd., which was ₩1,257.50 and ₩938.20 to US\$1.00 at December 31, 2008 and 2007, respectively, and translation gains or losses are reflected in current operations.

Income Tax Expense

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets or liabilities. In addition, current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets or liabilities for financial reporting and according to the expected reversal date of the specific temporary difference if they are not related to an asset or liability for financial reporting, including deferred tax assets related to carry forwards. Deferred tax assets and liabilities in the same current or non-current classification are offset if these relate to income tax levied by the same tax jurisdictions.

Reclassification of the Subsidiaries' Financial Statements

The Company reclassified some accounts in the subsidiaries' financial statements according to the Company's financial statements. This reclassification does not affect the amount of net income or net assets in the subsidiaries' financial statements. The assets and liabilities of the subsidiaries in financial industry are classified into specific current or non-current assets and liabilities; however, if it is not possible, it is classified into other financial assets and liabilities.

Reclassification of Accounts in Prior Financial Statements

The Company reclassified some accounts in the prior financial statements according to the Company's current financial statements for comparability purposes. This reclassification does not affect the reported net income or net assets in the prior financial statements.

Earnings per Common Share

Basic earnings per common share are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing diluted net income, which is adjusted by adding back the after-tax amount of expenses related to diluted securities, by weighted average number of common shares and diluted securities outstanding during the period.

Basic earnings per common share in 2008 and 2007 is computed as follows:

	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(In millions except per share amounts)		(In thousands except per share amounts)	
Net income attributable to equity holders of the parent	₩ 857,751	₩ 1,600,480	\$ 682,108	\$ 1,272,748
Expected dividends on preferred stock	<u>(335,799)</u>	<u>(390,199)</u>	<u>(267,037)</u>	<u>(310,298)</u>
Net income available to common share	521,952	1,210,281	415,071	962,450
Weighted average number of common shares outstanding (*)	<u>208,838,563</u>	<u>208,194,947</u>	<u>208,838,563</u>	<u>208,194,947</u>
Basic earnings per common share	<u>₩ 2,499</u>	<u>₩ 5,813</u>	<u>\$ 1.99</u>	<u>\$ 4.62</u>

(*) Weighted average number of common shares outstanding includes transactions pertaining to disposal of treasury shares and exercise of stock option.

Diluted earnings per common share in 2008 and 2007 is computed as follows:

	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(In millions except per share amounts)		(In thousands except per share amounts)	
Net income available to common share	₩ 521,952	₩ 1,210,281	\$ 415,071	\$ 962,450
Expenses related to diluted securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income available to diluted common share	521,952	1,210,281	415,071	962,450
Weighted average number of common shares and diluted securities outstanding	<u>209,068,481</u>	<u>208,675,471</u>	<u>209,068,481</u>	<u>208,675,471</u>
Diluted earnings per common share	<u>₩ 2,497</u>	<u>₩ 5,800</u>	<u>\$ 1.99</u>	<u>\$ 4.61</u>

3. RESTRICTED FINANCIAL INSTRUMENTS:

Deposits with withdrawal restrictions as of December 31, 2008 and 2007 consist of the following:

	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Short-term financial instruments	₩ 411,746	₩ 190,384	\$ 327,432	\$ 151,399
Long-term financial instruments	<u>5,430</u>	<u>2,152</u>	<u>4,318</u>	<u>1,711</u>
	<u>₩ 417,176</u>	<u>₩ 192,536</u>	<u>\$ 331,750</u>	<u>\$ 153,110</u>

4. INVENTORIES:

Inventories as of December 31, 2008 and 2007 consist of the following:

<u>Accounts</u>	<u>Korean Won</u>		<u>Translation into U. S. Dollars (Note 2)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Finished goods and merchandise	₩ 10,629,934	₩ 6,902,708	\$ 8,453,228	\$ 5,489,231
Semi finished goods and work in process	1,531,094	1,243,396	1,217,570	988,784
Raw materials and supplies	2,443,046	1,600,896	1,942,780	1,273,078
Materials in transit	682,798	708,698	542,980	563,578
Other	<u>1,569,126</u>	<u>809,385</u>	<u>1,247,814</u>	<u>643,646</u>
	<u>₩ 16,855,998</u>	<u>₩ 11,265,083</u>	<u>\$ 13,404,372</u>	<u>\$ 8,958,317</u>

5. SHORT-TERM INVESTMENT SECURITIES:

(1) Short-term investment securities as of December 31, 2008 consist of the following:

<u>Description</u>	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>
	<u>Acquisition cost</u>	<u>Book value</u>	<u>Book value</u>
	<u>(In millions)</u>		<u>(In thousands)</u>
Trading securities:			
Government bonds	₩ 554,159	₩ 558,089	\$ 443,808
Beneficiary certificates	127,195	124,807	99,250
Corporate bonds	139,681	139,705	111,097
Equity securities	5,460	5,330	4,239
Stock warrants	280	280	223
Available-for-sale securities:			
Government bonds	215	215	171
Corporate bond	13,861	13,863	11,024
Beneficiary certificates	220,200	220,363	175,239
Equity securities	1,524	119	95
Held-to-maturity securities:			
Government bonds	<u>2,658</u>	<u>2,658</u>	<u>2,114</u>
	<u>₩ 1,065,233</u>	<u>₩ 1,065,429</u>	<u>\$ 847,260</u>

- (2) Short-term investment securities as of December 31, 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Acquisition		Book value	
	cost	Book value	Book value	
	(In millions)		(In thousands)	
Trading securities:				
Beneficiary certificates	₩ 75,000	₩ 75,007	\$	59,648
Available-for-sale securities:				
Government bonds	103	115		91
Beneficiary certificates	60,624	62,223		49,482
Equity securities	1,525	209		166
Held-to-maturity securities:				
Government bonds	5,260	5,260		4,183
	<u>₩ 142,512</u>	<u>₩ 142,814</u>	<u>\$</u>	<u>113,570</u>

6. LONG-TERM INVESTMENT SECURITIES:

- (1) Long-term investment securities as of December 31, 2008 and 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Available-for-sale securities:				
Equity securities	₩ 888,846	₩ 1,448,366	\$ 706,836	\$ 1,151,782
Debt securities	171,176	26,770	136,124	21,288
	<u>1,060,022</u>	<u>1,475,136</u>	<u>842,960</u>	<u>1,173,070</u>
Held-to-maturity securities:				
Debt securities	15,232	17,263	12,113	13,728
	<u>₩ 1,075,254</u>	<u>₩ 1,492,399</u>	<u>\$ 855,073</u>	<u>\$ 1,186,798</u>

- (2) Equity securities included in long-term investment securities as of December 31, 2008 consist of the following:

Companies	Korean Won		Translation into U.S. Dollars (Note 2)		Ownership percentage (*2) (%)
	Acquisition		Book value		
	cost	Book value	Book value		
	(In millions)		(In thousands)		
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 436,905	\$	347,439	2.88
Hyundai Oil Refinery Co., Ltd.	53,314	106,383		84,599	4.35
Korea Exchange	2,597	55,378		44,038	2.87
Daewoo International Corporation	9,822	53,799		42,783	2.50
Seoul Metro 9th line (*3)	41,779	41,779		33,224	25.00
Hyundai Merchant Marine Co., Ltd.	9,731	27,997		22,264	0.49
Doosan Capital Co., Ltd.	10,500	25,685		20,425	10.49
Hyundai Development Company	9,025	14,602		11,612	0.60
Hyundai H&S	15,005	12,692		10,093	4.07
KT Freetel	10,800	10,482		8,336	0.18
Hyundai Finance Corporation	9,888	9,409		7,482	9.29
Hyundai Asan Corporation	22,500	7,053		5,609	4.61
Treasury Stock Fund (*1)		5,443		4,328	-
Hanil Dream MOA	5,375	5,436		4,323	17.92
West End Restructuring Association	5,000	5,000		3,976	17.24

Companies	Korean Won		Translation into U.S. Dollars (Note 2)	Ownership percentage (*2)
	Acquisition cost	Book value	Book value	
Hyundai Technology Investment Co., Ltd.	₩ 4,490	₩ 4,490	\$ 3,571	14.97
Industry Otomotif Komersial	4,439	4,439	3,530	15.00
Korea Investment Mutual Savings & Finance Co., Ltd.	3,000	3,000	2,386	0.41
Kihyup Finance	3,700	3,700	2,942	12.75
Korea Information Service, Inc.	5,252	2,974	2,365	4.41
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	1,988	13.66
Bond Market Income Fund	2,000	2,003	1,593	-
NESSCAP Inc.	1,997	1,997	1,588	12.05
Muan Environment System Corporation (*3)	1,848	1,848	1,470	29.90
Korea Securities Finance Corporation	1,096	1,679	1,335	0.32
Machinery Financial Cooperative (*3)	11,201	11,201	8,907	22.20
Hyundai Research Institute	1,359	1,271	1,011	14.90
Korea Defense Industry Association	1,250	1,250	994	2.66
The Sign Corporation	1,200	1,200	954	11.28
Heesung PM Tech Corporation	1,194	1,194	950	19.90
Dongbu NTS Co., Ltd. (Formerly, Baksan ITS Co., Ltd.)	1,134	1,134	902	19.90
Korea Credit Bureau Co., Ltd.	1,000	1,000	795	2.00
Veloxsoft Inc.	1,000	1,000	795	7.14
NGVTEK.com (*2)	821	821	653	78.05
Micro Infinity	607	607	483	9.02
Wia Trade Corporation (*2)	590	590	469	100
Hyundai RB Co., Ltd.	550	550	437	18.64
Clean Air Technology Inc.	500	500	398	16.13
International Convention Center Jeju Co., Ltd.	500	500	398	0.30
Korea Credit Card Electronic Settlement Service Co., Ltd.	484	484	385	7.50
Hankyoreh Plus Inc.	4,800	284	226	5.43
SG Asset Co., Ltd. (Formerly, Koryo Co., Ltd.)	6,625	261	208	1.02
Carnes Co., Ltd. (*2)	250	250	199	49.99
SeAh Besteel Corporation	102	146	116	0.02
KOENTEC	50	108	86	0.20
ENOVA System	4,074	134	107	1.29
Korea Smart Card Co., Ltd.	1,628	22	17	3.77
ROTIS Inc.	1,000	8	6	0.19
Hyundai Unicorns Co., Ltd.	5,795	-	-	14.90
GM Daewoo Auto and Technology Co., Ltd.	2,187	-	-	0.02
Equity investments	6,571	6,571	5,225	-
Other	11,612	11,087	8,816	-
		<u>₩ 888,846</u>	<u>\$ 706,836</u>	

(*1) The acquisition cost of Treasury Stock Fund is ₩7,213 million (US\$5,736 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩1,200 million (US\$954 thousand) is recorded as treasury stock in capital adjustments.

(*2) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$5,567 thousand), are not material.

(*3) This investment security was excluded from using the equity method despite its ownership percentage exceeding twenty percentages, since there is no significant influence on the investee.

Equity securities included in long-term investment securities as of December 31, 2007 consist of the following:

Companies	Korean Won		Translation into U.S. Dollars	Ownership percentage (*2)
	Acquisition	Book value	Book value	
	cost	(In millions)	(In thousands)	
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 969,075	\$ 770,636	2.88
Hyundai Oil Refinery Co., Ltd.	53,314	123,907	98,534	4.35
Daewoo International Corporation	9,822	93,852	74,634	2.50
Hyundai Merchant Marine Co., Ltd.	9,731	32,449	25,804	0.49
Doosan Capital Co., Ltd.	10,500	27,453	21,831	10.49
Hyundai Development Company	9,025	41,175	32,744	0.60
Hyundai H&S	15,005	21,462	17,067	4.08
KTFreetel	10,800	10,131	8,056	0.17
Hyundai Finance Corporation	9,888	11,454	9,109	9.29
Hyundai Asan Corporation	22,500	7,053	5,609	4.61
Treasury Stock Fund (*1)		11,840	9,416	
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,571	14.97
Industry Otomotif Komersial	4,439	4,439	3,530	15.00
Korea Investment Mutual Savings & Finance Co., Ltd.	3,000	3,000	2,386	0.41
Kihyup Finance	3,700	3,700	2,942	12.75
Korea Information Service, Inc.	5,252	3,741	2,975	4.41
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	1,988	13.66
NESSCAP Inc.	1,997	1,997	1,588	12.05
Muan Environment System Corporation (*3)	1,746	1,746	1,388	29.90
Machinery Financial Cooperative (*3)	11,201	11,201	8,907	22.20
Hyundai Research Institute	1,359	1,271	1,011	14.90
The Sign Corporation	1,800	1,800	1,431	17.39
Heesung PM Tech Corporation	1,194	1,194	950	19.90
Dongbu NTS Co., Ltd. (Formerly, Baksan ITS Co., Ltd.)	1,134	1,134	902	19.90
Korea Credit Bureau Co., Ltd.	4,800	4,800	3,817	9.00
Veloxsoft Inc.	1,000	1,000	795	7.69
NGVTEK.com (*2)	821	821	653	78.05
Micro Infinity	607	607	483	9.76
Wia Trade Corporation (*2)	590	590	469	100.00
Hyundai RB Co., Ltd.	550	550	437	18.64
Clean Air Technology Inc.	500	500	398	16.13
International Convention Center Jeju Co., Ltd.	500	500	398	0.30
Korea Credit Card Electronic Settlement Service Co., Ltd.	484	484	385	11.25
Hankyoreh Plus Inc.	4,800	284	226	5.43
SG Asset Co., Ltd. (Formerly, Koryo Co., Ltd.)	6,625	728	579	1.02
Carnes Co., Ltd. (*2)	250	250	199	49.99
SeAh Besteel Corporation	102	137	109	0.02
KOENTEC	50	125	99	0.20
ENOVA System	4,074	1,201	955	1.80
Korea Smart Card Co., Ltd.	1,628	22	17	5.31
ROTIS Inc.	1,000	8	6	0.22
Hyundai Unicorns Co., Ltd.	5,795	137	109	14.90
GM Daewoo Autoand Technology Co., Ltd.	2,187	-	-	0.02
Visa Inc.	29,495	29,495	23,455	-
SK Networks Co., Ltd.	363	1,147	912	-
Daejoo Heavy Industry Co. Ltd.	650	650	517	9.29
Equity investments	7,828	7,828	6,226	-
Other	4,856	4,438	3,529	-
		<u>₩ 1,448,366</u>	<u>\$ 1,151,782</u>	

- (*1) The acquisition cost of Treasury Stock Fund is ₩12,213 million (US\$9,712 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩5,040 million (US\$4,008 thousand) is recorded as treasury stock in capital adjustments.
- (*2) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$5,567 thousand), are not material.
- (*3) This investment security was excluded from using the equity method despite its ownership percentage exceeding twenty percentages, since there is no significant influence on the investee.
- (3) Debt securities, classified into available-for-sale securities, included in long-term investment securities as of December 31, 2008 consist of the following:

Description	Korean Won		Translation into
	Acquisition		U.S. Dollars
	cost	Book value	(Note 2)
	(In millions)		(In thousands)
Government bonds	₩ 9,718	₩ 9,055	\$ 7,201
Corporate bonds	6,500	6,500	5,169
Other	151,328	155,621	123,754
	<u>₩ 167,546</u>	<u>₩ 171,176</u>	<u>\$ 136,124</u>

Debt securities, classified into available-for-sale securities, included in long-term investment securities as of December 31, 2007 consist of the following:

Description	Korean Won		Translation into
	Acquisition		U.S. Dollars
	cost	Book value	(Note 2)
	(In millions)		(In thousands)
Government bonds	₩ 4,132	₩ 4,144	\$ 3,295
Corporate bonds	19,694	19,678	15,649
Other	3,089	2,948	2,344
	<u>₩ 26,915</u>	<u>₩ 26,770</u>	<u>\$ 21,288</u>

- (4) Held-to-maturity of long-term investment securities as of December 31, 2008 consist of the following:

Description	Korean Won		Translation into
	Acquisition		U.S. Dollars
	cost	Book value	(Note 2)
	(In millions)		(In thousands)
Government bonds	₩ 14,232	₩ 14,232	\$ 11,318
Corporate bonds	1,000	1,000	795
	<u>₩ 15,232</u>	<u>₩ 15,232</u>	<u>\$ 12,113</u>

Held-to-maturity of long-term investment securities as of December 31, 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Acquisition		Book value	
	cost	Book value	Book value	
	(In millions)		(In thousands)	
Government bonds	₩ 11,770	₩ 11,770	\$ 9,360	
Corporate bonds	4,943	4,943	3,931	
Other	550	550	437	
	<u>₩ 17,263</u>	<u>₩ 17,263</u>	<u>\$ 13,728</u>	

(5) Maturities of debt securities as of December 31, 2008 and 2007 consist of the following:

Maturity	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	Book value	Book value	Book value	Book value
	(In millions)		(In thousands)	
1 year~5 years	₩ 174,070	₩ 40,330	\$ 138,425	\$ 32,072
6 years~10 years	12,338	3,195	9,812	2,541
Over 10 years	-	508	-	403
	<u>₩ 186,408</u>	<u>₩ 44,033</u>	<u>\$ 148,237</u>	<u>\$ 35,016</u>

7. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Investment securities accounted for using the equity method as of December 31, 2008 consist of the following:

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Ownership percentage (*2) (%)
	Acquisition	Net equity	Book value	Acquisition	Net equity	Book value	
	cost	value		cost	value		
	(In millions)			(In thousands)			
Hyundai Steel Company	₩ 245,153	₩ 1,061,240	₩ 791,420	\$ 194,953	\$ 843,928	\$ 629,360	21.39
Korea Space & Aircraft Co., Ltd.	159,800	93,646	93,452	127,078	74,470	74,316	20.54
Hyundai MOBIS	118,993	597,065	594,126	94,627	474,803	472,466	17.79
Eukor Car Carriers, Inc.	48,912	113,839	100,623	38,896	90,528	80,018	20.00
HK Mutual Savings Bank	37,114	17,071	26,391	29,514	13,575	20,987	15.49
Korea Economy Daily	34,141	29,428	32,133	27,150	23,402	25,553	24.90
Kia Tigers Co., Ltd. (*1)	20,300	31	31	16,143	25	25	100.00
Donghui Auto Co., Ltd.	10,530	9,607	9,607	8,374	7,640	7,640	35.10
Asset Management Co., Ltd.	10,067	74,236	73,161	8,006	59,035	58,180	19.99
TRW Steering Co., Ltd.	8,952	6,369	6,369	7,119	5,065	5,065	29.00
Korea Credit Bureau Co., Ltd.	3,800	2,108	3,205	3,022	1,676	2,549	7.00
Wisco Co., Ltd.	1,736	24,781	23,360	1,381	19,707	18,577	38.63
Iljin Bearing Co., Ltd	826	16,843	16,843	657	13,394	13,394	20.00
Daesung Automotive Co., Ltd.	400	11,323	11,323	318	9,004	9,004	20.00
Seoul Sung Bo Chiup LLC	-	4,475	4,237	-	3,559	3,369	23.30
Morningstar Korea Co., Ltd.	-	1,541	2,673	-	1,225	2,126	39.90
Beijing-Hyundai Motor Company	379,758	840,705	825,829	301,994	668,553	656,723	50.00
WIA Motor Dies Company (*1)	14,681	14,681	14,681	11,675	11,675	11,675	100.00
Hysco Czech S.R.O (*1)	13,162	14,227	14,329	10,467	11,314	11,395	100.00
Hyundai Motor Deutschland GmbH	6,761	23,178	22,715	5,377	18,432	18,064	30.00
Hyundai Motor Hungary (*3)	5,415	2,192	2,283	4,306	1,743	1,816	100.00
Hyundai Autonet India Private Ltd. (HAIL) (*1)	4,308	4,802	4,308	3,426	3,819	3,426	100.00
HECT (*1)	3,972	5,277	5,277	3,159	4,196	4,196	100.00
Dymos India Automotive Private Limited (*1)	3,722	4,873	4,873	2,960	3,875	3,875	100.00

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Ownership percentage (*2) (%)
	Acquisition cost	Net equity value	Book value	Acquisition cost	Net equity value	Book value	
	(In millions)			(In thousands)			
Beijing Lear Dymos Automotive Systems Co., Ltd.	₩ 2,662	₩ 7,138	₩ 7,195	\$ 2,117	\$ 5,676	\$ 5,721	40.00
Dymos Czech Republic s.r.o (*1)	2,553	(1,760)	-	2,030	(1,400)	-	100.00
Yan Ji Kia Motors A/S (*1)	1,792	1,792	1,792	1,425	1,425	1,425	100.00
Hyundai Motor Japan R&D Center Inc. (*1)	1,510	3,296	3,296	1,201	2,621	2,621	100.00
Hyundai Autonet Europe (HAE)(*1)	1,005	1,237	1,005	799	984	799	100.00
Hyundai Autonet India Engineering (HAIE)(*1)	925	1,132	925	736	900	736	100.00
Kefico Automotive Systems(Beijing) Co. Ltd. (*1)	725	595	595	577	473	473	100.00
Autoever Systems China Co., Ltd. (*1)	538	1,026	1,026	428	816	816	90.00
Autoever Systems India Pvt. Ltd. (*1)	520	1,089	1,089	414	866	866	100.00
Hyundai Autonet America (HAA) (*1)	450	374	450	357	297	357	100.00
MAINTRANCE (*1)	400	573	573	317	456	456	80.00
South Link9	200	712	712	158	566	566	20.00
Rotem Equipments (Beijing) Co., Ltd. (*1)	190	338	338	150	270	268	100.00
Eukor Car Carriers Singapore Pte. (*2)	5	5	5	4	4	4	8.00
Hyundai Rotem Automotive (*1)	3	86	86	2	68	68	100.00
	<u>₩1,145,981</u>	<u>₩ 2,991,171</u>	<u>₩ 2,702,336</u>	<u>\$ 911,317</u>	<u>\$ 2,378,665</u>	<u>\$ 2,148,975</u>	

(*1) These companies are excluded in the consolidation since individual beginning balance of total assets is less than ₩7,000 million (US\$5,567 thousand).

(*2) Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.

(*3) As the company was under the liquidation procedure, it was excluded from consolidated subsidiaries.

Investment securities accounted for using the equity method as of December 31, 2007 consist of the following:

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Ownership percentage (*2) (%)
	Acquisition cost	Net equity value	Book value	Acquisition cost	Net equity value	Book value	
	(In millions)			(In thousands)			
Hyundai Steel Company	₩ 245,153	₩ 873,814	₩ 577,540	\$ 194,953	\$ 694,882	\$ 459,276	21.39
Korea Space & Aircraft Co., Ltd.	159,800	89,514	89,321	127,078	71,184	71,031	20.54
Hyundai MOBIS	118,993	450,956	450,841	94,627	358,613	358,522	17.79
Eukor Car Carriers, Inc.	48,912	118,315	104,164	38,896	94,087	82,834	20.00
HK Mutual Savings Bank	45,717	37,605	29,504	36,355	29,905	23,462	18.64
Korea Economy Daily	34,141	28,867	31,854	27,150	22,956	25,331	24.90
Kia Tigers Co., Ltd. (*1)	20,300	(437)	-	16,143	(348)	-	100.00
Donghui Auto Co., Ltd.	10,530	8,572	9,303	8,374	6,817	7,398	35.10
Asset Management Co., Ltd.	10,067	59,262	57,111	8,006	47,127	45,416	19.99
TRW Steering Co., Ltd.	8,952	4,797	4,797	7,119	3,815	3,815	29.00
Wisco Co., Ltd.	1,736	8,285	6,782	1,381	6,588	5,393	38.63
Iljin Bearing Co., Ltd	826	16,109	16,109	657	12,810	12,810	20.00
Daesung Automotive Co., Ltd.	400	10,714	10,714	318	8,520	8,520	20.00
Beijing-Hyundai Motor Company	339,395	522,667	516,196	269,897	415,640	410,494	50.00
Kia Motors Manufacturing Georgia Inc. (*1)	75,056	73,964	74,425	59,687	58,818	59,185	80.00
Hyundai Motor Deutschland GmbH	6,761	18,402	17,908	5,377	14,634	14,241	30.00
Hyundai Motor Hungary (*3)	5,415	2,192	2,283	4,306	1,743	1,816	100.00
Hyundai Motor Commonwealth of Independent States (*1)	3,959	18,989	18,333	3,148	15,101	14,579	80.00
Dymos India Automotive Private Limited (*1)	3,722	3,722	3,722	2,960	2,960	2,960	100.00
Beijing Lear Dymos Automotive Systems Co., Ltd.	2,662	3,694	3,809	2,117	2,938	3,029	40.00
Dymos Czech Republic s.r.o (*1)	2,553	898	898	2,030	714	714	100.00

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Ownership percentage (*2) (%)
	Acquisition cost	Net equity value	Book value	Acquisition cost	Net equity value	Book value	
	(In millions)			(In thousands)			
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S. (*1)	₩ 1,892	₩ 1,538	₩ 1,538	\$ 1,505	\$ 1,223	\$ 1,223	50.50
Yan Ji Kia Motors A/S (*1)	1,792	1,792	1,792	1,425	1,425	1,425	100.00
Autoever Systems Europe GmbH (*1)	1,534	1,745	1,745	1,220	1,388	1,388	100.00
Hyundai Motor Japan R&D Center Inc. (*1)	1,510	1,939	1,939	1,200	1,542	1,542	100.00
Hysco Czech S.R.O (*1)	745	745	745	592	592	592	100.00
Autoever Systems China Co., Ltd. (*1)	538	614	614	427	488	488	90.00
Autoever Systems India Pvt. Ltd. (*1)	520	1,086	1,086	413	864	864	100.00
Eukor Car Carriers Singapore Pte. (*2)	5	5	5	4	4	4	8.00
	<u>₩1,153,586</u>	<u>₩2,360,365</u>	<u>₩2,035,078</u>	<u>\$ 917,365</u>	<u>\$ 1,877,030</u>	<u>\$ 1,618,352</u>	

(*1) These companies are excluded in the consolidation since individual beginning balance of total assets is less than ₩7,000 million (US\$5,567 thousand).

(*2) Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.

(*3) As the company was under the liquidation procedure, it was excluded from consolidated subsidiaries.

(2) The changes in investment securities accounted for using the equity method in 2008 are as follows:

Affiliated company	Korean Won				Translation into U.S. Dollars (Note 2)	
	Beginning of year	Acquisition (disposal)	Gain (loss) on valuation	Other changes (*)	End of year	End of year
	(In millions)				(In thousands)	
Hyundai Steel Company	₩ 577,540	₩ -	₩ 189,754	₩ 24,126	₩ 791,420	\$ 629,360
Korea Space & Aircraft Co., Ltd.	89,321	-	4,131	-	93,452	74,316
Hyundai MOBIS	450,841	-	67,991	75,294	594,126	472,466
Eukor Car Carriers, Inc.	104,164	-	7,243	(10,784)	100,623	80,018
HK Mutual Savings Bank	29,504	(5,552)	3,159	(720)	26,391	20,987
Korea Economy Daily	31,854	-	279	-	32,133	25,553
Kia Tigers Co., Ltd.	-	-	-	31	31	25
Donghui Auto Co., Ltd.	9,303	-	304	-	9,607	7,640
Asset Management Co., Ltd.	57,111	-	14,061	1,989	73,161	58,180
TRW Steering Co., Ltd.	4,797	-	(200)	1,772	6,369	5,065
Korea Credit Bureau Co., Ltd.	-	-	(161)	3,366	3,205	2,549
Wisco Co., Ltd.	6,782	-	1,634	14,944	23,360	18,577
Iljin Bearing Co., Ltd.	16,109	-	960	(226)	16,843	13,393
Daesung Automotive Co., Ltd.	10,714	-	757	(148)	11,323	9,004
Seoul Sung Bo Chiup LLC	-	4,237	-	-	4,237	3,369
Morningstar Korea Co., Ltd.	-	(130)	-	2,803	2,673	2,126
Beijing-Hyundai Motor Company	516,196	58,363	63,355	187,915	825,829	656,723
WIA Motor Dies Company	-	14,681	-	-	14,681	11,675
Kia Motors Manufacturing Georgia Inc.	74,425	-	-	(74,425)	-	-
Hysco Czech S.R.O	745	12,418	(108)	1,274	14,329	11,395
Hyundai Motor Deutschland GmbH	17,908	-	(408)	5,215	22,715	18,064
Hyundai Motor Hungary	2,283	-	-	-	2,283	1,816
Hyundai Autonet India Private Ltd.	-	-	-	4,308	4,308	3,426
HECT	-	-	(41)	5,318	5,277	4,196
Hyundai Motor Commonwealth of Independent States	18,333	-	-	(18,333)	-	-
Dymos India Automotive Private Limited	3,722	-	721	430	4,873	3,875
Beijing Lear Dymos Automotive Systems Co., Ltd.	3,809	-	3,888	(502)	7,195	5,722
Dymos Czech Republic s.r.o	898	-	(1,018)	120	-	(1)
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S.	1,538	-	-	(1,538)	-	-
Yan Ji Kia Motors A/S	1,792	-	-	-	1,792	1,425

Affiliated company	Korean Won					Translation into U.S. Dollars (Note 2)	
	Beginning of year	Acquisition (disposal)	Gain (loss) on valuation	Other changes (*)	End of year	End of year	
	(In millions)					(In thousands)	
Hyundai Motor Japan R&D Center Inc.	₩ 1,939	₩ -	₩ 40	₩ 1,317	₩ 3,296	\$ 2,621	
HAE	-	-	-	1,005	1,005	799	
HAIE	-	-	-	925	925	736	
Kefico Automotive Systems(Beijing) Co. Ltd. (*1)	-	725	(37)	(93)	595	473	
Autoever Systems Europe GmbH	1,745	-	-	(1,745)	-	-	
Autoever Systems China Co., Ltd.	614	-	126	286	1,026	815	
Autoever Systems India Pvt. Ltd.	1,086	-	(100)	103	1,089	866	
HAA	-	-	-	450	450	358	
MAINTRANCE	-	400	173	-	573	456	
South Link9	-	200	512	-	712	566	
Rotem Equipments (Beijing) Co., Ltd.	-	-	(123)	461	338	269	
Eukor Car Carriers Singapore Pte.	5	-	-	-	5	4	
Hyundai Rotem Automotive	-	3	80	3	86	68	
	<u>₩ 2,035,078</u>	<u>₩ 85,345</u>	<u>₩ 356,972</u>	<u>₩ 224,941</u>	<u>₩ 2,702,336</u>	<u>\$ 2,148,975</u>	

(*) Other changes consist of the decrease by ₩63,242 million (US\$50,292 thousand) due to receipt of dividends, decrease of retained earnings by ₩417 million (US\$332 thousand), increase of accumulated other comprehensive income by ₩367,732 million (US\$292,431 thousand) and decrease of ₩79,132 million (US\$62,928 thousand) due to changes of consolidated subsidiaries.

The changes in investment securities accounted for using the equity method in 2007 are as follows:

Affiliated company	Korean Won					Translation into U.S. Dollars (Note 2)	
	Beginning of year	Acquisition (disposal)	Gain (loss) on valuation	Other changes (*)	End of year	End of year	
	(In millions)					(In thousands)	
Hyundai Steel Company	₩ 429,513	₩ -	₩ 141,357	₩ 6,670	₩ 577,540	\$ 459,276	
Korea Space & Aircraft Co., Ltd.	79,503	956	-	8,862	89,321	71,031	
Hyundai MOBIS	408,764	(65,596)	70,546	37,127	450,841	358,522	
Eukor Car Carriers, Inc.	111,692	-	(6,535)	(993)	104,164	82,834	
HK Mutual Savings Bank	29,549	6,889	(5,832)	(1,102)	29,504	23,462	
Korea Economy Daily	26,052	-	2,422	3,380	31,854	25,331	
Donghui Auto Co., Ltd.	8,592	-	711	-	9,303	7,398	
Asset Management Co., Ltd.	41,194	-	15,439	478	57,111	45,416	
TRW Steering Co., Ltd.	6,327	-	(186)	(1,344)	4,797	3,815	
Wisco Co., Ltd.	4,986	-	1,796	-	6,782	5,393	
Iljin Bearing Co., Ltd.	14,853	-	1,511	(255)	16,109	12,810	
Daesung Automotive Co., Ltd.	10,295	-	692	(273)	10,714	8,520	
Beijing-Hyundai Motor Company	371,464	106,985	50,916	(13,169)	516,196	410,494	
Kia Motors Manufacturing Georgia Inc.	-	75,056	(631)	-	74,425	59,185	
Hyundai Motor Deutschland GmbH	18,589	-	(3,571)	2,890	17,908	14,241	
Hyundai Motor Hungary	-	-	-	2,283	2,283	1,816	
Hyundai Motor Commonwealth of Independent States	-	-	14,374	3,959	18,333	14,579	
Dymos India Automotive Private Limited	-	3,722	-	-	3,722	2,960	
Beijing Lear Dymos Automotive Systems Co., Ltd.	3,891	-	621	(703)	3,809	3,029	
Dymos Czech Republic s.r.o	-	2,553	(1,749)	94	898	714	
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S.	355	1,413	(816)	586	1,538	1,223	
Yan Ji Kia Motors A/S	1,792	-	-	-	1,792	1,425	
Autoever Systems Europe GmbH	-	1,534	17	194	1,745	1,388	
Hyundai Motor Japan R&D Center Inc.	1,749	-	22	168	1,939	\$ 1,542	

Affiliated company	Korean Won					Translation into U.S. Dollars (Note 2)	
	Beginning of year	Acquisition (disposal)	Gain (loss) on valuation	Other changes (*)	End of year	End of year	
	(In millions)					(In thousands)	
Hysco Czech S.R.O	₩ -	₩ 745	₩ -	₩ -	₩ 745	\$ 592	
Autoever Systems China Co., Ltd.	42	458	85	29	614	488	
Autoever Systems India Pvt. Ltd.	572	-	414	100	1,086	864	
Eukor Car Carriers Singapore Pte.	5	-	-	-	5	4	
Hyundai Electronics (Tianjin) Co., Ltd.	3,452	-	-	(3,452)	-	-	
Hysco steel India, Ltd.	2,517	-	-	(2,517)	-	-	
Rotem USA Corporation	2,500	-	-	(2,500)	-	-	
Rotem Equipments (Beijing) Co., Ltd.	153	-	-	(153)	-	-	
	<u>₩ 1,578,401</u>	<u>₩ 134,715</u>	<u>₩ 281,603</u>	<u>₩ 40,359</u>	<u>₩ 2,035,078</u>	<u>\$ 1,618,352</u>	

(*) Other changes consist of the decrease by ₩78,067 million (US\$62,081 thousand) due to receipt of dividends, increase of retained earnings by ₩58,190 million (US\$46,274 thousand), increase of accumulated other comprehensive income by ₩63,123 million (US\$50,197 thousand) and decrease of ₩2,887 million (US\$2,296 thousand) due to changes of consolidated subsidiaries.

(3) Condensed financial information of the affiliates as of and for the year ended December 31, 2008 is as follows:

Affiliated company	Korean Won				Translation into U.S. Dollars (Note 2)			
	Assets	Liabilities	Sales	Net income (loss)	Assets	Liabilities	Sales	Net income (loss)
	(In millions)				(In thousands)			
Hyundai Steel Company	₩ 11,856,770	₩ 6,895,342	₩ 10,502,957	₩ 763,451	\$ 9,428,843	\$ 5,483,373	\$ 8,352,252	\$ 607,118
Korea Space & Aircraft Co., Ltd.	1,054,964	600,354	910,126	19,059	838,938	477,419	723,758	15,156
Hyundai MOBIS	7,716,346	2,423,793	9,373,390	1,013,393	6,136,259	1,927,470	7,453,988	805,879
Eukor Car Carriers, Inc.	2,230,127	1,686,182	2,282,955	21,513	1,773,461	1,340,900	1,815,471	17,108
HK Mutual Savings Bank	2,637,065	2,526,860	169,798	13,298	2,097,070	2,009,431	135,028	10,575
Korea Economy Daily	190,642	72,307	123,963	2,958	151,604	57,501	98,579	2,352
Kia Tigers Co., Ltd.	2,966	3,536	18,798	(134)	2,359	2,812	14,949	(107)
Donghui Auto Co., Ltd.	107,857	80,486	91,186	32	85,771	64,005	72,514	25
Asset Management Co., Ltd.	866,056	498,100	1,478,981	62,728	688,713	396,103	1,176,128	49,883
TRW Steering Co., Ltd.	81,915	68,691	164,864	(2,405)	65,141	54,625	131,105	(1,913)
Korea Credit Bureau Co., Ltd.	35,316	5,204	24,815	(1,230)	28,084	4,138	19,734	(978)
Wisco Co., Ltd.	228,041	163,887	335,008	4,015	181,345	130,328	266,408	3,193
Iljin Bearing Co., Ltd.	122,462	37,814	167,431	4,378	97,385	30,071	133,146	3,482
Daesung Automotive Co., Ltd.	70,042	17,924	67,317	2,373	55,699	14,254	53,532	1,887
Seoul Sung Bo Chiup LLC	19,295	88	-	-	15,344	70	-	-
Morningstar Korea Co., Ltd.	4,093	230	1,591	54	3,255	183	1,265	43
Beijing-Hyundai Motor Company	2,907,112	1,207,786	4,196,281	146,364	2,311,819	960,466	3,337,003	116,393
WIA Motor Dies Company	14,681	-	-	-	11,675	-	-	-
Hysco Czech S.R.O	54,853	40,626	24,593	(209)	43,621	32,307	19,557	(166)
Hyundai Motor Deutschland GmbH	357,299	280,038	835,646	(13,527)	284,134	222,694	664,530	(10,757)
Hyundai Motor Hungary	3,866	1,674	-	-	3,074	1,331	-	-
HECT	5,357	80	5,277	(41)	4,260	64	4,196	(33)
Dymos India Automotive Private Limited	36,803	31,930	11,193	721	29,267	25,392	8,901	573
Beijing Lear Dymos Automotive Systems Co., Ltd.	39,676	21,832	74,565	9,863	31,551	17,361	59,296	7,843
Dymos Czech Republic s.r.o	59,502	61,262	9,564	(2,778)	47,318	48,717	7,606	(2,209)
Yan Ji Kia Motors A/S	90,626	41,312	59,005	(939)	72,068	32,852	46,922	(747)
Hyundai Motor Japan R&D Center Inc.	9,348	6,052	14,693	106	7,434	4,813	11,684	84
Kefico Automotive Systems(Beijing) Co. Ltd.	647	19	-	-	515	15	-	-

10. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipments as of December 31, 2008 and 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Buildings and structures	₩ 10,574,880	₩ 8,869,028	\$ 8,409,447	\$ 7,052,905
Machinery and equipment	18,035,439	15,482,215	14,342,297	12,311,901
Vehicles	274,745	237,741	218,486	189,058
Tools, dies and molds	6,014,935	5,260,327	4,783,249	4,183,163
Other equipment	<u>2,062,835</u>	<u>1,766,788</u>	<u>1,640,425</u>	<u>1,405,000</u>
	36,962,834	31,616,099	29,393,904	25,142,027
Less: accumulated depreciation	<u>15,541,430</u>	<u>13,277,036</u>	<u>12,358,990</u>	<u>10,558,279</u>
	21,421,404	18,339,063	17,034,914	14,583,748
Land	4,794,955	4,343,188	3,813,085	3,453,827
Construction in progress	<u>2,701,902</u>	<u>2,947,279</u>	<u>2,148,630</u>	<u>2,343,761</u>
	<u>₩ 28,918,261</u>	<u>₩ 25,629,530</u>	<u>\$ 22,996,629</u>	<u>\$ 20,381,336</u>

The changes in property, plant and equipment in 2008 are as follows:

	Korean Won						End of year	Translation into U. S. Dollars (Note 2) End of year
	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other (*)		
	(In millions)						(In thousands)	
Land	₩ 4,343,188	₩ 203,072	₩ 174,957	₩ (6,349)	₩ -	₩ 80,087	₩ 4,794,955	\$ 3,813,085
Buildings and structures	7,071,394	716,036	691,818	(9,305)	(326,665)	268,871	8,412,149	6,689,582
Machinery and equipment	9,094,571	822,958	1,608,518	(118,418)	(1,447,744)	380,897	10,340,782	8,223,286
Vehicles	126,140	20,189	48,232	(20,793)	(40,402)	12,608	145,974	116,083
Tools, dies and molds	1,514,600	225,896	510,873	(8,996)	(565,827)	41,806	1,718,352	1,366,483
Other equipment	532,358	134,456	126,634	(19,094)	(207,211)	237,004	804,147	639,480
Construction in progress	<u>2,947,279</u>	<u>2,844,272</u>	<u>(3,161,032)</u>	<u>(92,927)</u>	<u>-</u>	<u>164,310</u>	<u>2,701,902</u>	<u>2,148,630</u>
	<u>₩ 25,629,530</u>	<u>₩ 4,966,879</u>	<u>₩ -</u>	<u>₩ (275,882)</u>	<u>₩ (2,587,849)</u>	<u>₩ 1,185,583</u>	<u>₩ 28,918,261</u>	<u>\$ 22,996,629</u>

(*) Other includes foreign currency adjustment, changes in the scope of consolidation, impairment loss and transfer to other assets.

The changes in property, plant and equipment in 2007 are as follows:

	Korean Won						End of year	Translation into U. S. Dollars (Note 2) End of year
	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other (*)		
	(In millions)						(In thousands)	
Land	₩ 4,262,913	₩ 7,782	₩ 83,895	₩ (20,507)	₩ (2,696)	₩ 11,801	₩ 4,343,188	\$ 3,453,827
Buildings and structures	6,380,955	302,385	638,398	(42,896)	(263,790)	56,342	7,071,394	5,623,375
Machinery and equipment	8,196,382	811,701	1,407,914	(302,625)	(1,155,019)	136,218	9,094,571	7,232,263
Vehicles	122,038	30,823	33,487	(27,072)	(36,108)	2,972	126,140	100,310
Tools, dies and molds	1,369,674	49,276	539,150	(7,072)	(432,435)	(3,993)	1,514,600	1,204,453
Other equipment	653,234	120,437	106,689	(6,769)	(198,912)	(142,321)	532,358	423,346
Construction in progress	<u>2,506,397</u>	<u>3,058,693</u>	<u>(2,809,533)</u>	<u>(11,548)</u>	<u>-</u>	<u>203,270</u>	<u>2,947,279</u>	<u>2,343,762</u>
	<u>₩ 23,491,593</u>	<u>₩ 4,381,097</u>	<u>₩ -</u>	<u>₩ (418,489)</u>	<u>₩ (2,088,960)</u>	<u>₩ 264,289</u>	<u>₩ 25,629,530</u>	<u>\$ 20,381,336</u>

(*) Other includes foreign currency adjustment, changes in the scope of consolidation, impairment loss and transfer to other assets.

As of December 31, 2008 and 2007, the value of the land, which the Company and its subsidiaries own domestically, totals ₩5,727,078 million (US\$4,554,336 thousand) and ₩5,395,360 million (US\$4,290,545 thousand), respectively, in terms of land prices officially announced by the Korean government.

11. INTANGIBLES:

Intangibles as of December 31, 2008 and 2007 consist of the following:

Description	Korean Won					Translation into U. S. Dollars (Note 2)		
	2008					2007	2008	2007
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Government subsidy	Book value	Book value	Book value	Book value
	(In millions)					(In thousands)		
Goodwill	₩ 699,174	₩ (184,656)	₩ -	₩ -	₩ 514,518	₩ 510,731	\$ 409,159	\$ 406,148
Negative goodwill	(98,671)	30,504	-	-	(68,167)	(73,472)	(54,208)	(58,427)
Industrial property rights	86,255	(64,680)	(121)	-	21,454	27,599	17,061	21,948
Development costs	6,277,864	(3,392,260)	(36,829)	(49,237)	2,799,538	2,414,822	2,226,273	1,920,336
Other	331,716	(147,901)	(2,301)	-	181,514	118,204	144,345	93,999
	<u>₩ 7,296,338</u>	<u>₩ (3,758,993)</u>	<u>₩ (39,251)</u>	<u>₩ (49,237)</u>	<u>₩ 3,448,857</u>	<u>₩ 2,997,884</u>	<u>\$ 2,742,630</u>	<u>\$ 2,384,003</u>

The changes in intangibles in 2008 are as follows:

Description	Korean Won						Translation into U. S. Dollars (Note 2)
	Goodwill	Negative goodwill	Industrial property rights	Development costs	Other	Total	Total
	(In millions)						(In thousands)
Beginning of the year	₩ 510,731	₩ (73,472)	₩ 27,599	₩ 2,414,822	₩ 118,204	₩ 2,997,884	\$ 2,384,003
Addition:							
Expenditures	34,763	-	11,217	1,170,791	64,184	1,280,955	1,018,652
Deduction:							
Amortization	(30,870)	5,270	(9,682)	(776,680)	(37,849)	(849,811)	(675,794)
Impairment loss	-	-	-	(2,747)	-	(2,747)	(2,184)
Government subsidy	-	-	-	(26,633)	-	(26,633)	(21,179)
Other	(106)	35	(7,680)	19,985	36,975	49,209	39,132
End of the year	<u>₩ 514,518</u>	<u>₩ (68,167)</u>	<u>₩ 21,454</u>	<u>₩ 2,799,538</u>	<u>₩ 181,514</u>	<u>₩ 3,448,857</u>	<u>\$ 2,742,630</u>

The changes in intangibles in 2007 are as follows:

Description	Korean Won						Translation into U. S. Dollars (Note 2)
	Goodwill	Negative goodwill	Industrial property rights	Development costs	Other	Total	Total
	(In millions)						(In thousands)
Beginning of the year	₩ 519,894	₩ (87,981)	₩ 29,380	₩ 2,046,446	₩ 104,611	₩ 2,612,350	\$ 2,077,416
Addition:							
Expenditures	39,448	-	9,908	983,694	39,061	1,072,111	852,573
Deduction:							
Amortization	(48,547)	5,268	(10,531)	(608,565)	(29,830)	(692,205)	(550,461)
Impairment loss	-	-	(121)	(993)	-	(1,114)	(886)
Government subsidy	-	-	-	(10,538)	-	(10,538)	(8,380)
Other	(64)	9,241	(1,037)	4,778	4,362	17,280	13,742
End of the year	<u>₩ 510,731</u>	<u>₩ (73,472)</u>	<u>₩ 27,599</u>	<u>₩ 2,414,822</u>	<u>₩ 118,204</u>	<u>₩ 2,997,884</u>	<u>\$ 2,384,003</u>

Research and development expenditures in 2008 and 2007 are as follows:

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Development cost (capitalized)	₩ 1,170,791	₩ 983,694	\$ 931,047	\$ 782,262
Ordinary development (manufacturing cost)	323,330	286,835	257,121	228,099
Research costs (SG&A)	<u>696,355</u>	<u>608,631</u>	<u>553,761</u>	<u>484,001</u>
	<u>₩ 2,190,476</u>	<u>₩ 1,879,160</u>	<u>\$ 1,741,929</u>	<u>\$ 1,494,362</u>

12. OTHER ASSETS:

Other assets as of December 31, 2008 and 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Long-term notes and accounts receivable, net of allowance for doubtful accounts of ₩121 million in 2008 and ₩7 million in 2007, and unamortized present value discount of ₩9,753 million in 2008 and ₩3,379 million in 2007	₩ 31,620	₩ 13,415	\$ 25,145	\$ 10,668
Long-term notes and accounts receivable - other, net of allowance for doubtful accounts of ₩23,275 million in 2008 and ₩23,668 million in 2007, and unamortized present value discount of nil in 2008 and ₩15 million in 2007	158,379	148,314	125,948	117,944
Long-term loans	300,737	180,152	239,155	143,262
Long-term deposits	776,249	656,893	617,295	522,380
Other	<u>190,937</u>	<u>94,627</u>	<u>151,838</u>	<u>75,250</u>
	<u>₩ 1,457,922</u>	<u>₩ 1,093,401</u>	<u>\$ 1,159,381</u>	<u>\$ 869,504</u>

13. OTHER FINANCIAL BUSINESS ASSETS AND LIABILITIES:

Other financial business assets as of December 31, 2008 and 2007 consist of the following:

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Finance receivables	₩ 16,804,583	₩ 13,986,892	\$ 13,363,485	\$ 11,122,777
Lease receivables	2,803,304	2,671,802	2,229,268	2,124,693
Card receivables	3,278,478	3,868,853	2,607,140	3,076,623
Other	<u>1,312,014</u>	<u>1,006,405</u>	<u>1,043,351</u>	<u>800,322</u>
	<u>₩ 24,198,379</u>	<u>₩ 21,533,952</u>	<u>\$ 19,243,244</u>	<u>\$ 17,124,415</u>

Other financial business liabilities as of December 31, 2008 and 2007 consist of the following:

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Call money	₩ 100,000	₩ -	\$ 79,523	\$ -
Other operating accounts payable	79,233	131,679	63,008	104,715
Bonds sold under repurchase agreements	<u>584,585</u>	<u>-</u>	<u>464,879</u>	<u>-</u>
	<u>₩ 763,818</u>	<u>₩ 131,679</u>	<u>\$ 607,410</u>	<u>\$ 104,715</u>

The financial subsidiaries, which are included in the consolidated financial statements, are HMC Investment Securities Co., Ltd., Hyundai Capital Service Inc., Hyundai Card Co., Ltd., Hyundai Commercial Inc., Hyundai Motor Finance Company (HMFC) and Hyundai Auto Canada Captive Insurance Incorporation (HACCII) in 2008 and 2007.

14. SHORT-TERM BORROWINGS:

Short-term borrowings as of December 31, 2008 and 2007 consist of the following:

Description	Annual interest rate 2008 (%)	Korean Won		Translation into U. S. Dollars (Note 2)	
		2008	2007	2008	2007
		(In millions)		(In thousands)	
Overdrafts	5.80 ~ 9.63	₩ 25,355	₩ 57,440	\$ 20,163	\$ 45,678
General loans	2.47 ~ 10.44	8,441,611	6,210,577	6,713,011	4,938,829
Discount of trade bills	4.90 ~ 9.90	5,159,608	4,155,580	4,103,068	3,304,636
Privately placed bonds	1.45 ~ 9.37	45,886	-	36,490	-
Banker's Usance	1.10 ~ 9.79	880,751	736,732	700,398	585,870
Trade financing	5.92	<u>7,074,891</u>	<u>5,266,742</u>	<u>5,626,156</u>	<u>4,188,264</u>
		<u>₩ 21,628,102</u>	<u>₩ 16,427,071</u>	<u>\$ 17,199,286</u>	<u>\$ 13,063,277</u>

15. LONG-TERM DEBT AND DEBENTURES:

Long-term debt and debentures as of December 31, 2008 and 2007 consist of the following:

Description	Annual interest rate 2008 (%)	Korean Won		Translation into U. S. Dollars (Note 2)	
		2008	2007	2008	2007
		(In millions)		(In thousands)	
Debentures	3.73 ~ 9.90	<u>₩ 18,928,534</u>	<u>₩ 15,605,994</u>	<u>\$ 15,052,512</u>	<u>\$ 12,410,333</u>
Won currency loans:					
General loans	3.00 ~ 7.86	938,454	266,810	746,285	212,175
Facility loans	2.00 ~ 7.62	988,234	446,438	785,872	355,020
Reorganization claims	-	-	23,112	-	18,379
Capital lease	4.87	248,152	248,059	197,338	197,264
Commercial paper	7.45 ~ 9.55	20,000	-	15,905	-
Other	1.00 ~ 8.30	<u>10,455</u>	<u>20,804</u>	<u>8,314</u>	<u>16,544</u>
		<u>2,205,295</u>	<u>1,005,223</u>	<u>1,753,714</u>	<u>799,382</u>
Foreign currency loans:					
General loans	2.50 ~ 7.05	6,602,598	4,192,379	5,250,575	3,333,900
Reorganization claims	-	-	11,270	-	8,962
Facility loans	3.50 ~ 7.64	887,039	422,249	705,399	335,784
Other	4.66 ~ 5.93	<u>32,811</u>	<u>53,805</u>	<u>26,0921</u>	<u>42,788</u>
		<u>7,522,448</u>	<u>4,679,703</u>	<u>5,982,065</u>	<u>3,721,434</u>
		<u>28,656,277</u>	<u>21,290,920</u>	<u>22,788,291</u>	<u>16,931,149</u>
Less: current maturities		<u>6,418,366</u>	<u>4,428,143</u>	<u>5,104,068</u>	<u>3,521,386</u>
		<u>₩ 22,237,911</u>	<u>₩ 16,862,777</u>	<u>\$ 17,684,223</u>	<u>\$ 13,409,763</u>

Debentures as of December 31, 2008 and 2007 consist of the following:

Description	Maturity	Annual interest rate 2008 (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
			2008	2007	2008	2007
			(In millions)		(In thousands)	
Domestic debentures:						
Guaranteed debentures	Jan. 26, 2009 ~ Nov. 21, 2011	5.41 ~ 9.90	₩ 330,000	₩ 373,000	\$ 262,425	\$ 296,620
Non-guaranteed debentures	Jan. 10, 2009 ~ Mar. 18, 2018	3.73 ~ 8.98	18,271,684	14,446,512	14,530,166	11,488,280
Convertible bonds (*1)	Jan. 31, 2009	4.00	92,369	94,153	73,455	74,873
Bonds with warrants (*2)	Oct. 31, 2010	7.99	200,000	200,000	159,046	159,046
Overseas debentures	Oct. 10, 2009	5.50	<u>31,438</u>	<u>499,100</u>	<u>25,000</u>	<u>396,899</u>
			18,925,491	15,612,765	15,050,092	12,415,718
Less: discount on debentures			<u>3,043</u>	<u>6,771</u>	<u>2,420</u>	<u>5,385</u>
			<u>₩18,928,534</u>	<u>₩15,605,994</u>	<u>\$ 15,052,512</u>	<u>\$ 12,410,333</u>

(*1) 11th subordinated bonds issued by Hyundai Card Co., Ltd., Face value: ₩300,000 million(\$238,569 thousand), Conversion period: Oct. 31, 2003~Dec. 31, 2008, Conversion price: ₩8,831(\$7.02) per share, Face value of ₩1,785 million(\$1,419 thousand) and ₩40,892 million(\$32,518 thousand) converted into 202,044 shares and 4,629,829 shares in 2008 and 2007, respectively.

(*2) Unsecured detachable bonds issued by Hyundai Card Co., Ltd., Face value: ₩200,000 million(\$159,046 thousand), Exercise period: Nov. 14, 2005~Apr. 30, 2009, 1,561,883 shares are issued as a result of exercise of warrants and unexercised warrants are equivalent to 19,077,381 shares as of December 31, 2008.

The maturity of long-term debt and debentures as of December 31, 2008 is as follows:

Description	Debentures	Korean Won		Total	Translation into U.S. Dollars (Note 2)	
		Local currency loans	Foreign currency loans		Total	Total
			(In millions)		(In thousands)	
2010	₩ 6,943,122	₩ 687,591	₩ 2,182,638	₩ 9,813,351	\$	7,803,858
2011	5,627,976	745,954	1,355,619	7,729,549		6,146,759
2012	700,000	152,415	784,595	1,637,010		1,301,797
Thereafter	<u>30,000</u>	<u>467,067</u>	<u>2,588,040</u>	<u>3,085,107</u>		<u>2,453,365</u>
	13,301,098	2,053,027	6,910,892	22,265,017		17,705,779
Less discount on debentures	<u>27,106</u>	<u>-</u>	<u>-</u>	<u>27,106</u>		<u>21,556</u>
	<u>₩13,273,992</u>	<u>₩ 2,053,027</u>	<u>₩ 6,910,892</u>	<u>₩22,237,911</u>	<u>\$</u>	<u>17,684,223</u>

16. PLEDGED ASSETS, CHECKS AND NOTES:

As of December 31, 2008, the following assets, checks and notes are pledged as collateral:

- (1) The Company's and its domestic subsidiaries' property, plant and equipment are pledged as collateral for various loans to a maximum of ₩6,788,058 million (US\$5,398,058 thousand).
- (2) The Company's and its domestic subsidiaries' certain bank deposits and investment securities, including 29,713,466 shares of Kia Motors Corporation, and some government bonds are pledged as collateral to financial institutions and others.

- (3) Certain overseas subsidiaries' receivables and other financial business assets are pledged as collateral for their borrowings.
- (4) 42 blank checks, 1 check amounting to ₩2,624 million (US\$ 2,087 thousand), 216 blank promissory notes and 3 promissory notes amounting to ₩12,917 million (US\$ 10,272 thousand) are pledged as collateral for short-term borrowings, long-term debt and other payables.

17. ACCRUED WARRANTIES:

The changes in accrued warranties in current and long-term liabilities in 2008 and 2007 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Beginning of year	₩ 4,180,848	₩ 4,165,854	\$ 3,324,730	\$ 3,312,806
Accrual	942,335	647,470	749,372	514,887
Use	(628,380)	(632,476)	(499,706)	(502,963)
End of year	<u>₩ 4,494,803</u>	<u>₩ 4,180,848</u>	<u>\$ 3,574,396</u>	<u>\$ 3,324,730</u>

18. CAPITAL STOCK:

Capital stock as of December 31, 2008 consists of the following:

	Authorized	Issued	Par value	Korean Won	Translation into U.S. Dollars (Note 2)
				(In millions)	(In thousands)
Common stock	450,000,000 shares	220,276,479 shares	₩ 5,000	₩ 1,157,982	\$ 920,861
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	263,229
				<u>₩ 1,488,993</u>	<u>\$ 1,184,090</u>

Capital stock as of December 31, 2007 consists of the following:

	Authorized	Issued	Par value	Korean Won	Translation into U.S. Dollars (Note 2)
				(In millions)	(In thousands)
Common stock	450,000,000 shares	219,873,808 shares	₩ 5,000	₩ 1,155,969	\$ 919,260
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	263,229
				<u>₩ 1,486,980</u>	<u>\$ 1,182,489</u>

In 2008, part of the stock options granted to the directors were exercised at an exercise price of ₩26,800 (US\$21.31) and new common stock of 402,671 shares were issued. This issue of new common stock resulted in the increase in paid-in capital in excess of par value by ₩13,391 million (US\$10,649 thousand).

The Company completed stock retirement of 1,320,000 common shares of treasury stock on May 4, 2004, which had been acquired for the purpose of such retirement based on the decision of the Board of Directors on March 12, 2004. Also, the Company acquired treasury stock after cancellation of Trust Cash Fund on March 2, 2001, and in accordance with the decision of the Board of Directors, on March 5, 2001, the Company retired 10,000,000 common shares in treasury and 1,000,000 second preferred shares in treasury, which had additional dividend rate of 2 percent to the rate of common stock, using the retained earnings. Due to these stock retirements, the total face value of outstanding stock differs from the capital stock amount.

The preferred shares are non-cumulative, participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as of December 31, 2008, a total of 27,588,281 preferred shares (First and Third preferred shares) are eligible to receive cash dividends, if declared, equal to that declared for common shares plus an additional 1 percent minimum increase while the dividend rate for the remaining 37,613,865 preferred shares (Second preferred shares) is 2 percent higher than that declared for common shares.

19. CAPITAL ADJUSTMENTS:

Capital adjustments as of December 31, 2008 and 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Treasury stock	₩ (719,685)	₩ (723,524)	\$ (572,314)	\$ (575,367)
Stock option cost	450	5,119	358	4,071
	<u>₩ (719,235)</u>	<u>₩ (718,405)</u>	<u>\$ (571,956)</u>	<u>\$ (571,296)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 11,031,741 common shares and 2,950,960 preferred shares with a carrying value of ₩719,685 million (US\$ 572,314 thousand) as of December 31, 2008, 11,071,741 common shares and 2,950,960 preferred shares with a carrying value of ₩723,524 million (US\$ 575,367 thousand) as of December 31, 2007, which were acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund.

(2) Stock option cost

The Company granted directors stock options at an exercise price of ₩26,800 (grant date: February 14, 2003, beginning date for exercise: February 14, 2006, expiry date for exercise: February 13, 2011). These stock options all require at least two-year continued service starting from the grant date. There is no valid stock option as of December 31, 2008, as 5,000 stock options were cancelled as of January 24, 2008, and 402,671 stock options were exercised as of December 2, 2008.

In addition, Kia Motors Corporation calculates the total compensation expense using an option-pricing model, in which the risk-free rate of 4.74%, an expected exercise period of 5.5 years and an expected variation rate of stock price of 95.04 percent are used. Total compensation expenses amounting to ₩450 million (US\$358 thousand) have been accounted for as a charge to current operations and a credit to stock option cost in capital adjustments over the required period of service (two years) from the grant date using the straight-line method.

20. ACCUMULATED OTHER COMPREHENSIVE INCOME:

Accumulated other comprehensive income as of December 31, 2008 and 2007 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Gain on valuation of available-for-sale securities, net	₩ 355,295	₩ 771,594	\$ 282,541	\$ 613,594
Gain (loss) on valuation of investment securities accounted for using the equity method, net	13,369	(102,391)	10,631	(81,424)
Loss on valuation of derivatives, net	(296,916)	(56,826)	(236,116)	(45,190)
Gain (loss) on overseas operation translation	546,561	(285,652)	434,641	(227,160)
	<u>₩ 618,309</u>	<u>₩ 326,725</u>	<u>\$ 491,697</u>	<u>\$ 259,820</u>

21. STATEMENTS OF COMPREHENSIVE INCOME:

Statements of comprehensive income in 2008 and 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Net income	₩ 1,092,552	₩ 1,956,087	\$ 868,828	\$ 1,555,536
Other comprehensive income (loss):				
Gain (loss) on valuation of available-for-sale securities, net of deferred tax effect ₩167,930 million and ₩(216,896) million in 2008 and 2007, respectively.	(416,299)	571,817	(331,053)	454,725
Gain (loss) on valuation of investment securities accounted for using the equity method, net of deferred tax effect ₩(63,152) million and ₩14,267 million in 2008 and 2007, respectively.	115,760	(63,121)	92,056	(50,196)
Loss on valuation of derivatives, net of deferred tax effect ₩73,239 million and ₩20,301 million in 2008 and 2007, respectively.	(240,090)	(53,521)	(190,925)	(42,561)
Gain on overseas operation translation, net of deferred tax effect ₩(262,509) million and ₩(64,138) million in 2008 and 2007, respectively.	832,213	169,091	661,799	134,467
Comprehensive income	<u>₩ 1,384,136</u>	<u>₩ 2,580,353</u>	<u>\$ 1,100,705</u>	<u>\$ 2,051,971</u>
Equity holders of the parent	<u>₩ 1,149,335</u>	<u>₩ 2,224,746</u>	<u>\$ 913,985</u>	<u>\$ 1,769,183</u>
Minority interests	<u>₩ 234,801</u>	<u>₩ 355,607</u>	<u>\$ 186,720</u>	<u>\$ 282,788</u>

22. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS (LIABILITIES):

Income tax expense in 2008 and 2007 consists of the following:

Description	Korean Won		Translation into U.S. Dollars(Note2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Income tax currently payable	₩ 707,153	₩ 848,494	\$ 562,348	\$ 674,747
Changes in deferred taxes due to:				
Temporary differences	(615,668)	98,953	(489,597)	78,690
Carry forward of unused tax credits	43,111	(27,206)	34,283	(21,635)
Change in consolidated subsidiaries	(14,539)	-	(11,562)	-
Items directly charged to equity	289,862	(267,508)	230,507	(212,730)
Income tax expense	<u>₩ 409,919</u>	<u>₩ 652,733</u>	<u>\$ 325,979</u>	<u>\$ 519,072</u>

Effective tax rates in 2008 and 2007 are as follows:

Description	Korean Won		Translation into U.S. Dollars(Note2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Income tax expense	₩ 409,919	₩ 652,733	\$ 325,979	\$ 519,072
Income before income tax expenses	<u>1,496,984</u>	<u>2,608,820</u>	<u>1,190,444</u>	<u>2,074,608</u>
Effective tax rates	<u>27.38%</u>	<u>25.02%</u>	<u>27.38%</u>	<u>25.02%</u>

The components of accumulated temporary differences and deferred tax assets (liabilities) as of December 31, 2008 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Accumulated temporary differences	Deferred tax assets (liabilities)	Accumulated temporary differences	Deferred tax assets (liabilities)
	(In millions)		(In thousands)	
Accrued warranties	₩ 4,470,609	₩ 1,161,845	\$ 3,555,156	\$ 923,932
Long-term investment securities	(56,647)	(92,111)	(45,047)	(73,249)
Allowance for doubtful accounts	660,558	168,274	525,295	133,816
Other non-current assets	(2,362,253)	(498,287)	(1,878,531)	(396,252)
Reserve for research and manpower development	(383,122)	(82,890)	(304,670)	(65,917)
Derivative liabilities	(1,297,230)	(275,969)	(1,031,594)	(219,458)
Development cost	(17,542)	(6,178)	(13,950)	(4,913)
Depreciation	(1,440,540)	(446,552)	(1,145,559)	(355,111)
Accrued income	(136,897)	(33,105)	(108,864)	(26,326)
Advanced depreciation provisions	(509,768)	(2,377)	(405,382)	(1,890)
Gain on foreign exchange translation	2,019,944	482,396	1,606,317	383,615
Provision for other liabilities	397,532	88,572	316,129	70,435
Other	1,678,008	534,022	1,334,399	424,670
Accumulated temporary differences	3,022,652	997,640	2,403,699	793,352
Carry over tax deduction	403,260	400,825	320,684	318,747
	<u>₩ 3,425,912</u>	<u>₩ 1,398,465</u>	<u>\$ 2,724,383</u>	<u>\$ 1,112,099</u>

The components of accumulated temporary differences and deferred tax assets (liabilities) as of December 31, 2007 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Accumulated temporary differences	Deferred tax assets (liabilities)	Accumulated temporary differences	Deferred tax assets (liabilities)
	(In millions)		(In thousands)	
Accrued warranties	₩ 4,063,389	₩ 1,138,700	\$ 3,231,323	\$ 905,527
Long-term investment securities	(825,616)	(323,560)	(656,553)	(257,304)
Allowance for doubtful accounts	503,244	139,618	400,194	111,028
Other non-current assets	(2,932,463)	(1,017,114)	(2,331,979)	(808,838)
Reserve for research and manpower development	(376,993)	(96,250)	(299,796)	(76,541)
Derivative assets	443,868	123,142	352,977	97,926
Development cost	38	9	30	7
Depreciation	(368,282)	(103,848)	(292,868)	(82,583)
Accrued income	(85,128)	(23,394)	(67,696)	(18,604)
Dividends	7,745	2,130	6,159	1,694
Advanced depreciation provisions	(509,692)	(2,972)	(405,322)	(2,363)
Other	1,847,688	545,511	1,469,334	433,806
Accumulated temporary differences	1,767,798	381,972	1,405,804	303,755
Carry over tax deduction	439,542	443,936	349,536	353,031
	<u>₩ 2,207,340</u>	<u>₩ 825,908</u>	<u>\$ 1,755,340</u>	<u>\$ 656,786</u>

The temporary differences of ₩263,723 million (US\$209,720 thousand) and ₩218,889 million (US\$174,067 thousand) as of December 31, 2008 and 2007, respectively, were not recognized since it is not probable that the temporary difference will be reversed in the foreseeable future.

The Company believes average taxable income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. The tax rate used in calculating deferred tax assets or liabilities arising from temporary differences is 24.2% (tax rate used in calculating deferred tax assets or liabilities which are realized after 2010 is 22%) including resident tax.

23. DIVIDENDS:

The computation of the proposed dividends for 2008 is as follows:

	Number of shares	Dividend rate	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common shares, net of treasury shares	209,244,738	17%	₩ 177,859	\$ 141,439
Preferred shares, net of treasury shares:				
First and Third preferred shares	25,637,321	18%	23,073	18,348
Second preferred shares	36,613,865	19%	34,783	27,660
			<u>₩ 235,715</u>	<u>\$ 187,447</u>

The computation of the proposed dividends for 2007 is as follows:

	Number of shares	Dividend rate	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common shares, net of treasury shares	208,802,067	20%	₩ 208,802	\$ 166,045
Preferred shares, net of treasury shares:				
First and Third preferred shares	25,637,321	21%	26,919	21,407
Second preferred shares	36,613,865	22%	40,275	32,028
			<u>₩ 275,996</u>	<u>\$ 219,480</u>

The payout ratios (dividends declared/net income) are 27.5% and 17.2% for the years ended December 31, 2008 and 2007, respectively.

24. ELIMINATION OF UNREALIZED PROFITS AND LOSSES:

Unrealized profits and losses resulting from sales among consolidated subsidiaries are calculated based on the average gross margin rate of selling companies and are eliminated in the consolidated financial statements.

Unrealized profits and losses related to sales of inventories and property, plant and equipment in 2008 are as follows:

	Korean Won			Translation into U.S. Dollars (Note 2)		
	Inventories	Property, plant and equipment (In millions)	Others	Inventories	Property, plant and equipment (In thousands)	Others
Upstream sales	₩ 5,641	₩ -	₩ -	\$ 4,486	\$ -	\$ -
Downstream sales	760,538	177,669	(231,248)	604,802	141,287	(183,895)
Sales between consolidated subsidiaries	350,594	10,100	(71,909)	278,802	8,032	(57,184)

Unrealized profits and losses related to sales of inventories and property, plant and equipment in 2007 are as follows:

	Korean Won			Translation into U.S. Dollars (Note 2)		
	Inventories	Property, plant and equipment	Others	Inventories	Property, plant and equipment	Others
	(In millions)			(In thousands)		
Upstream sales	₩ 3,999	₩ -	₩ -	\$ 3,180	\$ -	\$ -
Downstream sales	145,202	129,366	(41,074)	115,469	102,876	(32,663)
Sales between consolidated subsidiaries	198,826	7,678	(38,044)	158,112	21,397	(30,254)

25. INTER-COMPANY TRANSACTIONS:

Significant transactions in 2008 and 2007 between the Company and consolidated subsidiaries are as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)			
	2008		2007		2008		2007	
	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses
	(In millions)				(In thousands)			
Kia Motors Corporation	₩ 819,709	₩ 200,651	₩ 870,101	₩ 423,335	\$ 651,856	\$ 159,563	\$ 691,929	\$ 336,648
Hyundai Capital Service Inc.	687,693	40,285	518,536	41,708	546,873	32,036	412,355	33,167
WIA Corporation	154,000	334,713	207,880	264,036	122,465	266,173	165,312	209,969
Dymos Inc.	620	444,376	1,020	512,921	493	353,381	811	407,889
Hyundai HYSCO	2,277	228,899	4,020	240,511	1,811	182,027	3,197	191,261
Hyundai Powertech	29,999	232,979	26,841	207,611	23,856	185,272	21,345	165,098
KEFICO Corporation	10,289	373,398	921	323,267	8,182	296,937	732	257,071
Hyundai Rotem	4,070	8,306	4,890	63,280	3,237	6,605	3,889	50,322
METIA Co., Ltd.	2,162	47,788	2,045	48,448	1,719	38,002	1,626	38,527
Hyundai Card Co., Ltd.	2,112	74,546	1,847	71,401	1,680	59,281	1,469	56,780
Hyundai Autonet Co., Ltd.	1,452	112,340	839	101,251	1,155	89,336	667	80,518
Automobile Industrial Ace Corporation	829	1,905	660	2,144	659	1,515	525	1,705
Autoever Systems Corp.	524	175,608	502	165,231	417	139,649	399	131,396
Haevichi Resort	109	8,510	373	6,007	87	6,767	297	4,777
M & Soft Co., Ltd	94	741	842	1,738	75	589	670	1,382
Mseat Co., Ltd.	67	-	58	-	53	-	46	-
Partecs Co.	61	16,339	-	11,001	49	12,993	-	8,748
HMC Investment Securities	497	-	-	-	395	-	-	-
Haevichi Country Club Co., Ltd.	51	627	-	-	41	499	-	-
Hyundai Motor America	3,146,443	196	2,723,242	164	2,502,142	156	2,165,600	130
Hyundai Motor Europe GmbH	1,263,229	-	2,629,892	-	1,004,556	-	2,091,365	-
Hyundai Motor Poland Sp.Zo. O	1,124,293	733	795,821	-	894,070	583	632,860	-
Hyundai Motor India	915,551	325	616,646	284	728,072	258	490,375	226
Hyundai Auto Canada Corp.	735,327	-	579,281	-	584,753	-	460,661	-
Hyundai Motor Commonwealth of Independent States	733,097	-	-	-	582,980	-	-	-
Hyundai Motor Group (China) Ltd.	613,455	761	426,258	2,159	487,837	605	338,973	1,717
Hyundai Motor Company Australia	559,571	-	486,677	-	444,987	-	387,019	-
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	488,919	-	613,033	-	388,802	-	487,501	-
Hyundai Motor Manufacturing Alabama, LLC	254,872	479	306,621	708	202,682	381	243,834	563
Hyundai Motor Manufacturing Czech, s.r.o	57,420	409	32,345	11	45,662	325	25,722	9
Hyundai Motor Norway	44,499	-	63,516	-	35,387	-	50,510	-

	Korean Won				Translation into U.S. Dollars (Note 2)			
	2008		2007		2008		2007	
	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses
	(In millions)				(In thousands)			
Hyundai Motor Company Italy	₩ 29,487	₩ -	₩ -	₩ -	\$ 23,449	\$ -	\$ -	\$ -
Hyundai Motor Japan Co.	6,762	-	6,330	-	5,377	-	5,034	-
Hyundai America Technical Center Inc.	2,482	73,192	732	47,057	1,974	58,204	582	37,421
Hyundai Motor Finance Company	1,086	-	1,709	-	864	-	1,359	-
Hyundai Motor Europe Technical Center GmbH	163	53,222	172	12,580	130	42,324	137	10,004

As of December 31, 2008 and 2007, significant balances related to the transactions between the Company and consolidated subsidiaries are as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)			
	2008		2007		2008		2007	
	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable
	(In millions)				(In thousands)			
Kia Motors Corporation	₩ 307,047	₩ 108,885	₩ 182,715	₩ 149,666	\$ 244,173	\$ 86,588	\$ 145,300	\$ 119,019
Hyundai Capital Service Inc.	71,283	3,471	27,697	8,065	56,686	2,760	22,025	6,414
WIA Corporation	35,592	56,139	33,588	58,873	28,304	44,643	26,710	46,817
Dymos Inc.	3,252	112,956	5,869	123,931	2,586	89,826	4,667	98,553
Hyundai HYSKO	3,196	38,933	3,549	41,576	2,542	30,961	2,822	33,062
Hyundai Powertech	12,893	86,364	19,579	66,668	10,253	68,679	15,570	53,016
KEFICO Corporation	775	55,010	849	62,653	616	43,746	675	49,823
Hyundai Rotem	155	23,898	237	74,043	123	19,004	188	58,881
METIA Co., Ltd.	356	12,034	113	11,488	283	9,570	90	9,136
Hyundai Card	26,916	35,138	32,487	34,602	21,404	27,943	25,835	27,517
Hyundai Autonet Co., Ltd	98	31,494	132	26,295	78	25,045	105	20,911
Autoever Systems Corp.	19	69,277	8	72,639	15	55,091	6	57,765
Haevichi Resort	30,063	1,109	14,453	1,475	23,907	882	11,493	1,173
M & Soft Co., Ltd.	-	288	-	-	-	229	-	-
Partecs Co.	-	3,874	-	-	-	3,081	-	-
HMC Investment Securities	36	-	-	-	29	-	-	-
Hyundai Motor America	1,323,393	17,741	600,619	22,711	1,052,400	14,108	477,629	18,060
Hyundai Motor Europe GmbH	200,508	-	252,921	2,497	159,450	-	201,130	1,986
Hyundai Motor Poland Sp. Zo. O	168,845	499	327,607	137	134,270	397	260,522	109
Hyundai Motor India	229,426	13	9,127	470	182,446	10	7,258	374
Hyundai Auto Canada Corp.	122,352	2,189	-	-	97,298	1,741	-	-
Hyundai Motor Commonwealth of Independent States	660,310	-	-	-	525,097	-	-	-
Hyundai Motor Group (China) Ltd	154,950	-	40,692	116	123,221	-	32,359	92
Hyundai Motor Company Australia	172,797	3,275	125,383	255	137,413	2,604	99,708	203
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	265,479	356	192,433	1,130	211,117	283	153,028	899
Hyundai Motor Manufacturing Alabama, LLC	34,752	2,643	15,395	5,080	27,636	2,102	12,243	4,040
Hyundai Motor Manufacturing Czech, s.r.o	61,729	70	32,111	-	49,089	56	25,536	-
Hyundai Motor Norway	21,190	382	24,587	116	16,851	304	19,552	92
Hyundai Motor Company Italy	13,086	-	-	-	10,406	-	-	-
Hyundai Motor Japan Co.	11,713	105	18,388	5,626	9,315	83	14,623	4,474
Hyundai America Technical Center Inc.	16	8,352	39	2,929	13	6,642	31	2,329
Hyundai Motor Finance Company	1,086	-	-	-	864	-	-	-
Hyundai Motor Europe Technical Center GmbH	20	6,742	186	6,326	16	5,361	148	5,031

	Korean Won				Translation into U.S. Dollars (Note 2)			
	2008		2007		2008		2007	
	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable
	(In millions)				(In thousands)			
Hyundai Motor UK Limited	₩ 2,245	₩ 6,580	₩ -	₩ -	\$ 1,785	\$ 5,233	\$ -	\$ -
Kia Motors Australia Pty. Ltd	-	252	-	-	-	200	-	-

Significant transactions in 2008 and 2007 between the consolidated subsidiaries are as follows:

Subsidiaries	Counterpart subsidiaries	Korean Won		Translation into U.S. Dollars (Note 2)	
		2008	2007	2008	2007
		Subsidiary's income	Subsidiary's income	Subsidiary's income	Subsidiary's income
		(In millions)		(In thousands)	
Kia Motors Corporation	Kia Motors America Inc.	₩ 4,427,801	₩ 4,165,067	\$ 3,521,114	\$ 3,312,181
	Kia Canada, Inc.	601,520	508,307	478,346	404,220
	WIA Corporation	292,905	300,093	232,926	238,643
	Kia Motors Europe GmbH.	1,101,707	1,781,438	876,109	1,416,650
	Hyundai Motor Group (China) Ltd.	267,322	157,826	212,582	125,508
	Kia Motors Australia Pty. Ltd.	229,483	334,622	182,491	266,101
	Hyundai Capital Service Inc.	156,818	90,639	124,706	72,079
	Hyundai Motor America	68,122	193,388	54,173	153,788
	Kia Motors Polska Sp.z.o.o.	44,585	89,492	35,455	71,167
	Kia Motors Sales Slovensko s.r.o.	30,677	189,510	24,395	150,704
	Dymos Inc.	29,683	33,340	23,605	26,513
	Hyundai Auto Canada Corp.	24,906	33,593	19,806	26,714
	Hyundai Powertech	13,899	22,689	11,053	18,043
	Hyundai HYSCO	12,637	8,281	10,049	6,585
	Autoever Systems Corp.	10,085	7,805	8,020	6,207
	METIA Co., Ltd.	8,161	7,514	6,490	5,975
	KEFICO Corporation	2,425	2,939	1,928	2,337
	Hyundai Rotem	459	387	365	308
	Hyundai Card	304	309	242	246
	Mseat Co., Ltd.	35	7	28	6
	Dong Feng Yueda Kia Motor Co., Ltd.	192,427	256,047	153,023	203,616
Autoever Systems Corp.	Kia Motors Corporation	57,095	57,742	45,404	45,918
	Hyundai Card	47,127	33,335	37,477	26,509
	Hyundai Capital Service Inc.	23,247	24,633	18,487	19,589
	Hyundai Rotem	13,551	10,245	10,776	8,147
	Hyundai Autonet Co., Ltd.	12,444	11,733	9,896	9,330
	Hyundai HYSCO	7,628	9,615	6,066	7,646
	WIA Corporation	6,465	6,643	5,141	5,283
	Hyundai Powertech	4,553	4,157	3,621	3,306
	Dymos Inc.	3,375	2,877	2,684	2,288
	KEFICO Corporation	2,670	2,410	2,123	1,917
	Hyundai Information Service North America	2,112	3,081	1,680	2,450
	Kia Motors Slovakia. s.r.o	1,827	2,731	1,453	2,172
	Dong Feng Yueda Kia Motor Co., Ltd.	653	3,503	519	2,786
	Hyundai Motor India	476	1,382	379	1,099
Hyundai Capital Service Inc.	Kia Motors Corporation	26,674	20,834	21,212	16,568
	Hyundai Card	36,964	20,373	29,395	16,201
	Autoever Systems Corp.	96	43	76	34
Hyundai Card	Kia Motors Corporation	40,855	23,818	32,489	18,941
	Hyundai Capital Service Inc.	13,942	8,581	11,087	6,824
	Autoever Systems Corp.	5,447	3,990	4,332	3,173

Subsidiaries	Counterpart subsidiaries	Korean Won		Translation into U.S. Dollars (Note 2)	
		2008	2007	2008	2007
		Subsidiary's income	Subsidiary's income	Subsidiary's income	Subsidiary's income
		(In millions)		(In thousands)	
	Hyundai HYSCO	₩ 96	₩ -	\$ 76	\$ -
	WIA Corporation	11	-	9	-
KEFICO Corporation	Kia Motors Corporation	80,723	91,950	64,193	73,121
	Hyundai Powertech	44,269	40,825	35,204	32,465
Dymos Inc.	Kia Motors Corporation	143,179	144,992	113,860	115,302
	Hyundai Rotem	44,769	56,706	35,602	45,094
	Mseat Co., Ltd.	35,369	14,043	28,126	11,167
	Hyundai Powertech	31,922	30,127	25,385	23,958
	WIA Corporation	24,057	27,963	19,131	22,237
WIA Corporation	Kia Motors Corporation	1,683,242	2,076,133	1,338,562	1,651,000
	Hyundai-Kia Machine America Corp	80,856	89,763	64,299	71,382
	Hyundai-Kia Machine Europe Gmbh	49,411	70,683	39,293	56,209
	Wia Automotive Parts	24,652	28,939	19,604	23,013
	Dymos Inc.	16,660	19,968	13,249	15,879
	Hyundai Rotem	3,221	3,000	2,561	2,386
	METIA Co., Ltd.	2,982	6,573	2,371	5,227
	Hyundai HYSCO	1,725	7,308	1,372	5,812
	Hyundai Powertech	885	4,172	704	3,318
	Partecs Co.	16	63	13	50
	Hyundai Motor India	-	1,475	-	1,173
Hyundai Powertech	Kia Motors Corporation	252,733	327,743	200,981	260,631
Hyundai Rotem	Kia Motors Corporation	1,280	26,310	1,018	20,922
	Partecs Co.	580	32,814	461	26,095
	Autoever Systems Corp	7	253	6	201
Hyundai HYSCO	Hyundai Hysco USA, Inc.	323,051	153,462	256,899	122,037
	Bejing Hyundai Hysco Steel Process Co., Ltd.	207,444	79,703	164,965	63,382
	Kia Motors Corporation	67,821	41,443	53,933	32,957
	Hysco America Company. Inc.	65,525	53,317	52,107	42,399
	Hysco Slovakia, s.r.o.	33,778	28,878	26,861	22,965
	WIA Corporation	4,303	5,571	3,422	4,430
	Hyundai Motor India	3,704	2,530	2,946	2,012
	Dong Feng Yueda Kia Motor Co., Ltd.	-	3,403	-	2,706
METIA Co., Ltd.	WIA Corporation	39,453	54,329	31,374	43,204
	Kia Motors Corporation	16,880	15,929	13,423	12,667
	Dymos Inc.	3,442	2,792	2,737	2,220
Automobile Industrial Ace Corporation	Kia Motors Corporation	78,580	109,961	62,489	87,444
	WIA Corporation	6,932	8,795	5,513	6,994
	Dymos Inc.	96	128	76	102
Mseat Co., Ltd.	Dymos Inc.	262,515	195,944	208,759	155,820
	Kia Motors Corporation	-	109,961	-	87,444
Hyundai Autonet Co., Ltd.	Hyundai-Hitech Electronics	282,786	73,492	224,880	58,443
	Kia Motors Corporation	31,599	26,057	25,128	20,721
Haevichi Resort	Kia Motors Corporation	3,302	2,670	2,626	2,123
	Hyundai Card	371	453	295	360
	Hyundai HYSCO	190	212	151	169
M & Soft Co., Ltd	Kia Motors Corporation	40	44	32	35
	Autoever Systems Corp	-	2	-	2
Hyundai America Technical Center Inc.	Kia Motors Corporation	39,466	26,466	31,384	21,047
Hyundai Motor America	Hyundai Motor Manufacturing Alabama, LLC	59,931	9,191	47,659	7,309
	Hyundai America	34,536	28,346	27,464	22,542

Subsidiaries	Counterpart subsidiaries	Translation into			
		Korean Won		U.S. Dollars (Note 2)	
		2008	2007	2008	2007
		Subsidiary's	Subsidiary's	Subsidiary's	Subsidiary's
		income	income	income	income
		(In millions)		(In thousands)	
	Technical Center Inc.				
	Kia Motors America Inc.	₩ 6,567	₩ 2,442	\$ 5,222	\$ 1,942
	Hyundai Motor Finance Company	3,220	1,930	2,561	1,535
	World Marketing Group LLC	2,942	3,527	2,340	2,805
World Marketing Group LLC	Hyundai Motor America	54,965	9,723	43,710	7,732
	Kia Motors America Inc.	17,911	9,191	14,243	7,309
Hyundai Motor Europe	Kia Motors Corporation	45,579	11,841	36,246	9,416
Technical Center GMBH					
Hyundai-Kia Machine America Corp	WIA Corporation	1,347	636	1,071	506
Kia Motors America Inc.	Kia Motors Corporation	427,355	327,223	339,845	260,217
	Hyundai Motor America	3,788	3,086	3,012	2,454
Hyundai Motor Europe GmbH	Hyundai Motor (UK) Ltd.	404,259	308,735	321,478	245,515
	Hyundai Motor Europe Technical Center GmbH	1,406	616	1,118	490
	Kia Motors Europe GmbH	-	846	-	673
Hyundai Motor Finance Company	Hyundai Motor America	6,614	-	5,260	-
Hyundai Translead, Inc.	Hyundai Motor America	9,347	9,661	7,433	7,683
	Kia Motors America Inc.	4,829	6,319	3,840	5,025
	Hyundai Motor Finance Company	371	180	295	143
Hyundai Motor India	Hyundai Motor (UK) Ltd.	288,339	29,244	229,295	23,256
	Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	29,480	14,783	23,443	11,756
	WIA Corporation	-	16,072	-	12,781
Kia Motors Europe GmbH	Kia Motors (UK) Ltd.	553,734	448,649	440,345	356,779
	Kia Motors Deutschland GmbH	450,772	602,986	358,467	479,512
	Kia Motors Corporation	439,040	30,333	349,137	24,122
	Kia Automobiles France	291,596	214,374	231,885	170,476
	Kia Motors Iberia	256,347	694,412	203,854	552,216
	Kia Motors Polska Sp.z.o.o.	234,165	112,300	186,215	89,304
	Kia Motors Belgium	182,380	167,360	145,034	133,089
	Kia Motors Sweden AB	138,268	113,334	109,955	90,126
	Kia Motors Austria GmbH	137,266	85,414	109,158	67,924
	Kia Motors Czech s.r.o.	136,578	100,976	108,611	80,299
	Kia Motors Hungary Kft	61,868	50,039	49,199	39,792
	Kia Motors Sales Slovensko S.r.o.	34,727	27,080	27,616	21,535
Kia Canada, Inc.	Kia Motors Corporation	22,343	19,339	17,768	15,379
Kia Motors Slovensko S.r.o.	Kia Motors Europe GmbH	2,211,472	1,716,085	1,758,626	1,364,680
	Kia Motors Sales Slovensko S.r.o.	75,277	42,866	59,862	34,088
Hyundai Motor Manufacturing Alabama, LLC	Hyundai Motor America	3,743,930	3,392,893	2,977,280	2,698,126
	Hyundai Auto Canada Corp.	543,522	459,250	432,224	365,209
	Hyundai Motor Finance Company	6,985	9,303	5,555	7,398

As of December 31, 2008 and 2007, significant balances related to the transactions between the consolidated subsidiaries are as follows:

Subsidiaries	Counterpart subsidiaries	Translation into				
		Korean Won		U.S. Dollars (Note 2)		
		2008	2007	2008	2007	
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	
		(In millions)		(In thousands)		
Kia Motors Corporation	Kia Motors America Inc.	₩ 97,234	₩ 125,806	\$ 77,323	\$ 100,045	
	Kia Canada, Inc.	9,189	15,382	7,307	12,232	
	WIA Corporation	19,024	29,756	15,128	23,663	
	Kia Motors Europe GmbH.	267,919	191,516	213,057	152,299	
	Hyundai Motor Group (China) Ltd.	6,190	3,543	4,922	2,817	
	Kia Motors Australia Pty. Ltd.	43,208	29,615	34,360	23,551	
	Hyundai Capital Service Inc.	6,376	11,902	5,070	9,465	
	Hyundai Motor America	-	27,233	-	21,656	
	Kia Motors Sales Slovensko s.r.o.	-	105,277	-	83,719	
	Dymos Inc.	1,516	264	1,206	210	
	Hyundai Auto Canada Corp.	-	2,043	-	1,625	
	Hyundai Powertech	-	15,100	-	12,008	
	Hyundai HYSKO	1,107	1,924	880	1,530	
	Autoever Systems Corp.	375	355	298	282	
	METIA Co., Ltd.	7,349	1,873	5,844	1,489	
	Hyundai Rotem	14	21	11	17	
	Hyundai Card	7,159	6,846	5,693	5,444	
	Dong Feng Yueda Kia Motor Co., Ltd.	88,890	61,950	70,688	49,264	
	Autoever Systems Corp.	Kia Motors Corporation	8,821	11,312	7,015	8,996
		Hyundai Card	8,960	6,187	7,125	4,920
Hyundai Capital Service Inc.		2,353	524	1,871	417	
Hyundai Rotem		7,398	4,855	5,883	3,861	
Hyundai Autonet Co., Ltd.		3,608	3,479	2,869	2,767	
Hyundai HYSKO		1,892	3,581	1,505	2,848	
WIA Corporation		1,469	891	1,168	709	
Hyundai Powertech		3,286	1,866	2,613	1,484	
Dymos Inc.		1,358	1,388	1,080	1,104	
KEFICO Corporation		433	565	344	449	
Hyundai Information Service North America		537	365	427	290	
Kia Motors Slovakia. s.r.o		993	194	790	154	
Dong Feng Yueda Kia Motor Co., Ltd.		663	1,746	527	1,388	
Hyundai Motor India		17	339	14	270	
Hyundai Capital Service Inc.	Kia Motors Corporation	2,814	2,951	2,238	2,347	
	Hyundai Card	1,638	1,120	1,303	891	
	Autoever Systems Corp.	9	-	7	-	
Hyundai Card	Kia Motors Corporation	20,179	28,926	16,047	23,003	
	Hyundai Capital Service Inc.	63,085	65,413	50,167	52,018	
	Autoever Systems Corp.	14,451	7,173	11,492	5,704	
	Hyundai HYSKO	224	260	178	207	
	WIA Corporation	5	2,341	4	1,862	
KEFICO Corporation	Kia Motors Corporation	15,902	15,679	12,646	12,468	
	Hyundai Powertech	6,620	5,816	5,264	4,625	
Dymos Inc.	Kia Motors Corporation	20,009	19,512	15,912	15,517	
	Hyundai Rotem	11,230	22,475	8,930	17,873	
	Mseat Co., Ltd.	1,323	-	1,052	-	
	Hyundai Powertech	6,771	6,633	5,384	5,275	
	WIA Corporation	7,673	627	6,102	499	
WIA Corporation	Kia Motors Corporation	296,333	283,889	235,652	225,757	

Subsidiaries	Counterpart subsidiaries	Translation into			
		Korean Won		U.S. Dollars (Note 2)	
		2008	2007	2008	2007
		Subsidiary's	Subsidiary's	Subsidiary's	Subsidiary's
		receivable	receivable	receivable	receivable
		(In millions)		(In thousands)	
	Hyundai-Kia Machine America Corp	₩ 6,701	₩ 46,633	\$ 5,329	37,084
	Hyundai-Kia Machine Europe Gmbh	5,216	6,080	4,148	4,835
	Wia Automotive Parts	7,280	12,949	5,789	10,297
	Dymos Inc.	5,680	871	4,517	693
	Hyundai Rotem	5,848	527	4,650	419
	METIA Co., Ltd.	13,384	6,453	10,643	5,132
	Hyundai HYSCO	1,168	5,113	929	4,066
	Hyundai Powertech	906	2,196	720	1,746
	Hyundai Motor India	1,187	858	944	682
	Partecs Co.	-	134	-	107
Hyundai Powertech	Kia Motors Corporation	33,096	58,890	26,319	46,831
Hyundai Rotem	Kia Motors Corporation	121	2,520	96	2,004
	Partecs Co.	3,834	47,867	3,049	38,065
	Autoever Systems Corp	-	1	-	1
	Dymos Inc.	23,058	25,375	18,336	20,179
Hyundai HYSCO	Hyundai Hysco USA, Inc.	90,608	15,510	72,054	12,334
	Bejing Hyundai Hysco Steel Process Co., Ltd.	25,008	80	19,887	64
	Kia Motors Corporation	8,486	3,374	6,748	2,683
	Hysco America Company. Inc.	25,338	5,281	20,150	4,200
	Hysco Slovakia, s.r.o.	10,353	41	8,233	33
	WIA Corporation	1,491	2,551	1,186	2,029
	Hyundai Motor India	369	-	293	-
	Hyundai Card	2,525	3,604	2,008	2,866
METIA Co., Ltd.	WIA Corporation	17,272	19,680	13,735	15,650
	Kia Motors Corporation	7,594	3,630	6,039	2,887
	Dymos Inc.	1,432	1,037	1,139	825
Automobile Industrial Ace Corporation	Kia Motors Corporation	11,305	16,057	8,990	12,769
	WIA Corporation	1,257	1,707	1,000	1,357
	Dymos Inc.	25	18	20	14
Mseat Co., Ltd.	Dymos Inc.	43,766	59,732	34,804	47,501
	Kia Motors Corporation	2	16,057	2	12,769
Hyundai Autonet Co., Ltd.	Hyundai-Hitech Electronics	6,476	14,570	5,150	11,586
	Kia Motors Corporation	8,995	9,056	7,153	7,202
Haevichi Resort	Kia Motors Corporation	418	3,178	332	2,527
	Hyundai Card	430	116	342	92
	Hyundai HYSCO	44	55	35	44
M & Soft Co., Ltd	Kia Motors Corporation	2	23	2	18
Hyundai America Technical Center Inc.	Kia Motors Corporation	3,917	2,844	3,115	2,262
Hyundai Motor America	Hyundai Motor Manufacturing Alabama, LLC	10,243	5,598	8,146	4,452
	Hyundai America Technical Center Inc.	2,145	1,653	1,706	1,315
	Kia Motors America Inc.	301	265	239	211
	Hyundai Motor Finance Company	546	856	434	681
	World Marketing Group LLC	5	3	4	2
World Marketing Group LLC	Hyundai Motor America	89,622	39,851	71,270	31,691
	Kia Motors America Inc.	90,432	-	71,914	-
Hyundai Motor Europe Technical Center GMBH	Kia Motors Corporation	6,480	6,061	5,153	4,820
Hyundai-Kia Machine America Corp	WIA Corporation	595	527	473	419

Subsidiaries	Counterpart subsidiaries	Korean Won		Translation into U.S. Dollars (Note 2)	
		2008	2007	2008	2007
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable
		(In millions)		(In thousands)	
Kia Motors America Inc.	Kia Motors Corporation	₩ 15,715	₩ 8,930	\$ 12,497	\$ 7,101
	Hyundai Motor America	1,107	479	880	381
Hyundai Motor Europe GmbH	Hyundai Motor (UK) Ltd.	221,903	292,016	176,464	232,219
	Kia Motors Europe GmbH	-	37	-	29
Hyundai Motor Finance Company	Hyundai Motor America	416,209	343,284	330,981	272,989
Hyundai Translead, Inc.	Hyundai Motor America	2,170	1,260	1,726	1,002
	Kia Motors America Inc.	-	969	-	771
	Hyundai Motor Finance Company	-	74	-	59
Hyundai Motor India	Hyundai Motor (UK) Ltd.	98,822	16,152	78,586	12,845
	Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	-	694	-	552
	WIA Corporation	16,929	166	13,462	132
Kia Motors Europe GmbH	Kia Motors (UK) Ltd.	240,578	439,917	191,315	349,835
	Kia Motors Deutschland GmbH	398,275	436,321	316,720	346,975
	Kia Motors Corporation	8,934	9,801	7,105	7,794
	Kia Automobiles France	349,937	274,516	278,280	218,303
	Kia Motors Iberia	579,169	572,381	460,572	455,174
	Kia Motors Polska Sp.z.o.o.	94,391	57,932	75,062	46,069
	Kia Motors Belgium	141,183	148,108	112,273	117,780
	Kia Motors Sweden AB	78,775	58,749	62,644	46,719
	Kia Motors Austria GmbH	103,871	83,071	82,601	66,060
	Kia Motors Czech s.r.o.	38,150	29,056	30,338	23,106
	Kia Motors Hungary Kft	39,721	29,499	31,587	23,458
	Kia Motors Sales Slovensko S.r.o.	23,878	14,608	18,988	11,617
Kia Canada, Inc.	Kia Motors Corporation	3,725	2,482	2,962	1,974
Kia Motors Slovensko S.r.o.	Kia Motors Europe GmbH	332,677	219,511	264,554	174,561
	Kia Motors Sales Slovensko S.r.o.	26,955	36,671	21,435	29,162
Hyundai Motor Manufacturing Alabama, LLC	Hyundai Motor America	208,910	244,056	166,131	194,080
	Hyundai Auto Canada Corp.	59,733	45,078	47,501	35,847
	Hyundai Motor Finance Company	-	1,495	-	1,189

26. RELATED PARTY TRANSACTIONS:

(1) In 2008, significant transactions with related parties other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean Won		Translation into U.S. Dollars (Note 2)	
		Sales/revenues	Purchases/expenses	Sales/revenues	Purchases/expenses
		(In millions)		(In thousands)	
Hyundai Motor Company	Hyundai Mobis	₩ 373,301	₩ 3,262,899	\$ 296,860	\$ 2,594,751
	Asset Management Co., Ltd.	2,007	161,145	1,596	128,147
	Glovis Co., Ltd.	32,290	445,772	25,678	354,491
	Beijing-Hyundai Motor Company	325,178	13,343	258,591	10,611
	Hyundai Steel Company	3,034	1,945	2,413	1,547
	Iljin Bearing Co., Ltd.	-	28,101	-	22,347
	Eukor Car Carriers Inc.	556	765,147	442	608,467
Kia Motors Corporation	Hyundai Mobis	66,487	1,567,349	52,872	1,246,401
	Asset Management Co., Ltd.	723	34,176	575	27,178
	Glovis Co., Ltd.	15,671	488,620	12,462	388,565
	Donghui Auto Co., Ltd.	-	91,188	-	72,515
	Eukor Car Carriers Inc.	499	474,385	397	377,245

(2) In 2007, significant transactions with related parties other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean Won		Translation into U.S. Dollars (Note 2)	
		Sales/revenues	Purchases/expenses	Sales/revenues	Purchases/expenses
		(In millions)		(In thousands)	
Hyundai Motor Company	Hyundai Mobis	₩ 389,543	₩ 3,144,665	\$ 309,706	\$ 2,500,728
	Asset Management Co., Ltd.	2,005	229,432	1,594	182,451
	Glovis Co., Ltd.	89,077	429,515	70,837	341,563
	Beijing-Hyundai Motor Company	418,959	41,806	333,168	33,245
	Hyundai Steel Company	3,268	1,822	2,599	1,449
	Iljin Bearing Co., Ltd.	1	33,597	1	26,717
	Eukor Car Carriers Inc.	879	534,026	699	424,673
Kia Motors Corporation	Hyundai Mobis	50,271	1,516,019	39,977	1,205,582
	Asset Management Co., Ltd.	788	76,821	627	61,090
	Glovis Co., Ltd.	84,073	221,446	66,857	176,100
	Donghui Auto Co., Ltd.	-	88,695	-	70,533
	Eukor Car Carriers Inc.	250	370,521	199	294,649

(3) As of December 31, 2008, significant balances related to the transactions other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean Won		Translation into U.S. Dollars (Note 2)	
		Receivables	Payables	Receivables	Payables
		(In millions)		(In thousands)	
Hyundai Motor Company	Hyundai Mobis	₩ 75,275	₩ 650,614	\$ 59,861	\$ 517,387
	Asset Management Co., Ltd.	329	61,267	262	48,721
	Glovis Co., Ltd.	502	43,426	399	34,534
	Hyundai Steel Company	857	21,887	682	17,405
	Beijing-Hyundai Motor Company	41,733	887	33,187	705
	Eukor Car Carriers Inc.	25	103,329	20	82,170
	Kia Motors Corporation	Hyundai Mobis	21,368	461,246	16,992
	Asset Management Co., Ltd.	3	10,285	2	8,179
	Glovis Co., Ltd.	725	61,805	577	49,149
	Eukor Car Carriers Inc.	-	116,666	-	92,776

As of December 31, 2007, significant balances related to the transactions other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean Won		Translation into U.S. Dollars (Note 2)	
		Receivables	Payables	Receivables	Payables
		(In millions)		(In thousands)	
Hyundai Motor Company	Hyundai Mobis	₩ 126,432	₩ 548,361	\$ 100,542	\$ 436,072
	AMCO Co., Ltd.	320	66,040	254	52,517
	Glovis Co., Ltd.	2,494	51,675	1,983	41,093
	Hyundai Steel Company	482	22,399	383	17,812
	Beijing-Hyundai Motor Company	17,070	274	13,575	218
	Eukor Car Carriers Inc.	9	40,482	7	32,192
Kia Motors Corporation	Hyundai Mobis	16,528	313,125	13,144	249,006
	Asset Management Co., Ltd.	-	36,586	-	29,094
	Glovis Co., Ltd.	1,420	36,640	1,129	29,137
	Eukor Car Carriers Inc.	-	29,943	-	23,812

27. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses in 2008 and 2007 are as follows:

	Korean Won		Translation into U.S. Dollars (Note 2)		
	2008	2007	2008	2007	
		(In millions)		(In thousands)	
Salaries	₩ 2,899,468	₩ 2,545,845	\$ 2,305,740	\$ 2,024,529	
Export related expenses	1,767,268	1,284,054	1,405,382	1,021,117	
Sales promotion	4,084,588	2,392,644	3,248,181	1,902,699	
Sales commission	686,285	787,898	545,753	626,559	
Sales warranties	1,300,303	975,825	1,034,038	776,004	
Taxes and dues	174,854	139,313	139,049	110,786	
Communications	67,998	66,567	54,074	52,936	
Utilities	66,840	51,541	53,153	40,987	
Freight and warehousing	465,550	424,278	370,219	337,398	
Rent	128,327	115,233	102,049	91,637	
Travel	178,324	152,031	141,808	120,899	
Service charges	966,616	553,751	768,681	440,359	
Maintenance	68,184	57,261	54,222	45,536	
Supplies	49,441	56,676	39,317	45,070	
Research	696,355	608,631	553,761	484,001	
Depreciation	556,193	420,053	442,301	334,038	
Amortization	112,629	86,993	89,566	69,179	
Provision for other liabilities	262,356	315,819	208,633	251,148	
Other	303,180	251,605	241,098	200,083	
	<u>₩ 14,834,759</u>	<u>₩ 11,286,018</u>	<u>\$ 11,797,025</u>	<u>\$ 8,974,965</u>	

28. COMMITMENTS AND CONTINGENCIES:

- (1) The Company and its consolidated subsidiaries are contingently liable for guarantees of indebtedness of related parties including subsidiaries as of December 31, 2008 as follows:

<u>Company providing guarantee of indebtedness</u>	<u>Beneficiary companies</u>	<u>Korean Won</u> (In millions)	<u>Translation into U.S. Dollars (Note 2)</u> (In thousands)	
Hyundai Motor Company	Hyundai Capital Co., Ltd	₩ 426,103	\$ 338,849	
	Hyundai Merchant Marine	228,756	181,913	
	Hyundai Rotem	293,895	233,714	
	Hyundai Motor America	377,250	300,000	
	Hyundai Motor Manufacturing Alabama LLC	646,355	514,000	
	Hyundai Auto Canada Corp.	17,423	13,855	
	Hyundai Motor Finance Company	824,920	656,000	
	HMI	314,375	250,000	
	Hyundai Motor Europe GmbH	33,748	26,837	
	Hyundai Motor Europe Technical Center GmbH	88,811	70,625	
	Hyundai Motor (UK) Ltd.	36,353	28,909	
	Hyundai Motor Japan Co.	13,939	11,085	
	HMJ R&D Center Inc.	7,666	6,096	
	Hyundai Translead	99,343	79,000	
	Smart Alabama LLC	150,900	120,000	
	Hyundai Motor Manufacturing Czech, s.r.o	657,201	522,625	
	Hyundai America Technical Center Inc.	25,150	20,000	
	Hyundai Motor Poland SP.ZO.O	8,881	7,062	
	HJMSC	2,515	2,000	
	Beijing Hines Millennium Real Estate Development Co., Ltd.	19,606	15,591	
	UTS	301,800	240,000	
	Hyundai HYSCO	Hysco Steel India. Ltd	35,839	28,500
		Hyundai Hysco USA, Inc.	44,013	35,000
Hysco America Company, Inc		44,012	35,000	
Hysco Slovakia S.R.O		22,203	17,656	
Jiangsu Hyundai Hysco Steel Process Co., Ltd.		25,799	20,516	
Beijing Hyundai Hysco Steel Process Co., Ltd.		37,725	30,000	
Hysco Czech S.R.O		44,405	35,312	
Beijing Hyundai Hysco Steel Process Co., Ltd	Jiangsu Hyundai Hysco Steel Process Co., Ltd	12,693	10,094	
Dymos Inc.	Dymos Lear Dymos Automotive Systems Co.	28,420	22,600	
	Dymos India Automotive Private Limited	24,521	19,500	
WIA Corp.	WIA Automotive Parts	69,126	54,971	
	Hyundai-Kia Machine America Corp.	64,761	51,500	
	Hyundai-Kia Machine Europe GmbH	35,524	28,250	
	Wia Automotive Engine (Shandong) Company	25,150	20,000	
Kia Motors Corporation	Kia Motors Slovakia	640,009	508,953	
	Kia Motors (UK) Ltd.	7,746	6,160	
	Kia Motors Europe GmbH	35,524	28,250	
	Kia Motors Polska Sp.zo.o	26,643	21,188	
	Kia Motors Manufacturing Georgia, Inc.	361,912	287,804	
	Dongfeng Yueda Kia Motors Co., Ltd.	161,933	128,775	
Hyundai Autonet Co., Ltd.	Hyundai Hi-Tech Electronics (Tianjin) Co. Ltd.	30,180	24,000	
	Hyundai Autonet Europe	1,258	1,000	
	Hyundai Autonet India Private Ltd.	2,515	2,000	
Total		<u>₩ 6,356,901</u>	<u>\$ 5,055,190</u>	

- (2) As of December 31, 2008, the outstanding balance of accounts receivable discounted with recourse amounts to ₩503,329 million (US\$400,262 thousand), including discounted overseas accounts receivable translated using the foreign exchange rate at December 31, 2008.
- (3) The Company and its subsidiaries offered financial institutions 43 checks including one check amounting to ₩2,624 million (US\$2,087 thousand) and 219 promissory notes including 3 checks amounting to ₩12,917 million (US\$10,272 thousand) that were issued by the Company as collateral to guarantee the payment of borrowings.
- (4) The Company uses a customer financing system related to a long-term instalment sales system and has provided guarantees of ₩58,814 million (US\$46,771 thousand) to the banks concerned as of December 31, 2008. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.
- (5) The Company signed lease financial agreements with Hyundai Commercial and Hyundai Capital to promote sales of buses. According to the agreements, the Company has a joint responsibility to the guarantee limit of the lease user's liability stipulated in the agreement. As of December 31, 2008, the amount of guarantee is ₩65,845 million (US\$ 52,362 thousand). In addition, the Company is obliged to pay the lease fee and dispose of leased assets within certain period in case the lease users are bankrupt or long overdue.
- (6) Ongoing lawsuits
- 1) The Company accrues estimated product liabilities expenses and carries the products and completed operations liability insurance (see Note 9) in order to cover the potential loss, which may occur due to the lawsuits related to its operation such as product liabilities. The Company expects that the resolution of pending cases against the Company as of December 31, 2008 will not have any material effect on its financial position.
 - 2) Twenty significant lawsuits that Kia Motors Corporation, one of domestic subsidiaries, is facing are in progress and the potential payment for damages according to the result of the lawsuits is up to ₩15,368 million (US\$12,221 thousand). Although the outcomes of these lawsuits are not currently predictable, management believes that the resolution of these matters will not have material adverse effect on the operation or financial position of the company.
 - 3) There exist other ongoing lawsuits related to subsidiaries that were not presented above; however, the Company expects there would not be significant effects on its consolidated financial statements.
- (7) As of December 31, 2008, the Company's consolidated subsidiaries have been provided for payment guarantee by other companies as follows:

<u>Consolidated Subsidiaries</u>	<u>Company providing guarantee of indebtedness</u>	<u>Amounts of guarantee</u> (KRW in millions)	<u>Translation into U.S. Dollars (Note 2)</u> (In thousands)
Dymos Inc.	Seoul Guarantee Insurance Company	KRW 8,899	\$ 7,077
KEFICO Corporation	Korea Exchange Bank	USD 9,000	9
	Korea Exchange Bank	JPY 1,059,026,000	11,739
	Seoul Guarantee Insurance Company	KRW 107	85
	Hyundai Rotem	Machinery Insurance Cooperative and others	KRW 10,777,509
USD 8,507,441,588			8,507,442
EUR 420,082,977			593,368
CAD 8,032,593			6,632
HKD 45,138,196			5,824
SGD 11,409,023			7,944
CNY 42,192,000			6,177
	OMR 10,288,685	26,751	
	INR 6,599,686	138	
	TWD 8,804,312	269	
Hyundai Card Co., Ltd.	Seoul Guarantee Insurance Company	KRW 4,342	3,453
WIA Corp.	The Export-Import Bank of Korea	USD 38,458,893	38,459

<u>Consolidated Subsidiaries</u>	<u>Company providing guarantee of indebtedness</u>	<u>Amounts of guarantee</u>	<u>Translation into U.S. Dollars (Note 2)</u>
		EUR 1,384,543	\$ 1,956
		JPY 508,566,000	5,597
		OMR 616,000	1,602
	Shinhan Bank	USD 351,074	351
		KRW 266	212
	Kookmin Bank	USD 7,160,000	7,160
	Woori Bank	USD 462,502	463
	SC Jeil Bank	USD 100,000	100
	Machinery Insurance Cooperative and others	KRW 185,788,403	147,744,257
Hyundai Autonet Co., Ltd.	Financial Institutions	KRW 2,987	2,375
Autoever Systems Corp.	Shinhan Bank	USD 1,998,000	1,998
M & Soft Co., Ltd	Seoul Guarantee Insurance Company	KRW 268	213

- (8) The Company and Kia Motors Corporation made an agreement with its European sales subsidiaries and agents for them to be responsible for projected costs for dismantling and recycling vehicles sold in corresponding countries to comply with European Parliament directive regarding End-of-Life vehicles (ELV).
- (9) In 2006, the Company sold 10,658,367 shares of Hyundai Rotem to MSPE Metro Investment AB and entered into a shareholders' agreement. MSPE Metro Investment AB is entitled to put option to sell those shares back to the Company in certain events (as defined) in accordance with the agreement.
- (10) Hyundai Capital Co., Ltd., one of domestic subsidiaries of the Company, made a credit facility agreement on a US\$ 600 million renewable one-year revolving credit facility up to 3 years to be provided by General Electric Capital Corporation (the "GECC") to Hyundai Capital Co., Ltd. on January 13, 2006. Under the terms of such agreement, Hyundai Capital Co., Ltd. shall pay commitment fee of Libor+90bp for the usage of facility and 20bp for the remaining. Also, the maturity of individual draw-down is within 1 year from the time of withdrawal and in case of termination, the maturity for previous withdrawals can be extended to 1 year from the time of termination. In addition, Hyundai Capital Co., Ltd, GECC and the Company made a support agreement on credit facility agreement on the same date of the credit facility agreement. According to the support agreement, when Hyundai Capital Co., Ltd cannot redeem in a year after the withdrawal, GECC has the right of debt-to-equity swap for the relevant draw-down and has the put option that GECC can sell converted stocks to the Company within the ownership of the Company. In this case, the amount which the Company pays to GECC is the amount of withdrawal for debt-to-equity swap multiplied by the ownership of the Company. Also, the Company has the call option that it can buy converted stocks from GECC on the same condition of put option when the GECC does not exercise the put option. According to the support agreement, Hyundai Capital Co., Ltd is supposed to pay 15bp commission to the Company based on the amount on which the credit facility agreement was established multiplied by the ownership percentage of the company.
- (11) Hyundai Capital Co., Ltd made a Revolving Credit Facility Agreement with the following financial institutions for Credit Line:

<u>Financial institution</u>	<u>Credit Line</u>	<u>Commission</u>	<u>Contract term</u>
Mizuho Corporate Bank, Seoul Branch	KRW 65,000 million	- committed : 91dayCD+1.5% - uncommitted : 30bp	2008.12.18~2009.12.17
JP Morgan Seoul Branch	KRW 34,000 million	- committed : 91dayCD+1.5% - uncommitted : 30bp	2008.09.29~2009.02.28
ABN Amro, Seoul Branch	KRW 46,600 million	- committed : 91dayCD+1.5% - uncommitted : 30bp	2008.09.29~2009.09.28
Citibank, Seoul	KRW 47,000 million	- committed : 91dayCD+1.5% - uncommitted : 30bp	2008.09.29~2009.09.28
Standard Chartered, Seoul Branch	KRW 50,000 million	- committed : 91dayCD+2.5% - uncommitted : 30bp	2008.12.27~2009.12.26

- (12) Hyundai Card Co., Ltd., one of domestic subsidiaries of the Company, made an agreement regarding asset backed securitization. According to the agreement, in order for the credibility of the asset-backed securities, several required provisions are made as a trigger clauses to be used for early redemption calls, thereby limiting the risk that investors will have resulting from a change in quality of the assets in the future. In the event the asset-backed securitization of the Hyundai Card Co., Ltd. is in violation of the applicable trigger clause, Hyundai Card Co., Ltd. is obliged to make early redemption for asset-backed securities.
- (13) WIA Corp., one of domestic subsidiaries of the Company, made a general installment financing contract with Doosan Capital Co., Ltd. and Hyundai Commercial in order to promote the sales of its machine tools. According to the contract, if a user of the instalment financing service is in default, WIA Corp. has to accept responsibility for the default receivable. The amounts of principal that have not matured are ₩30,456 million (US\$24,219 thousand) and ₩109,559 million (US\$87,124 thousand) for Doosan Capital Co., Ltd. and Hyundai Commercial, respectively. The ceiling amounts are ₩150,000 million (US\$119,284 thousand) and ₩34,000 million (US\$27,038 thousand) for Doosan Capital Co., Ltd. and Hyundai Commercial, respectively, as of December 31, 2008.

29. DERIVATIVE INSTRUMENTS:

- (1) The Company entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of December 31, 2008 and 2007, the Company deferred the net loss of ₩226,514 million (US\$180,130 thousand) and ₩28,527 million (US\$22,685 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as accumulated other comprehensive income (loss). The longest period in which the forecasted transactions are expected to occur is within 35 months from December 31, 2008. Of the net loss on valuation recorded as accumulated other comprehensive income as of December 31, 2008, ₩58,381 million (US\$46,426 thousand) is expected to be realized and charged to current operations within one year from December 31, 2008.

For the years ended December 31, 2008 and 2007, the Company recognized the net loss of ₩130,929 million (US\$ 104,118 thousand) and ₩197,265 million (US\$156,871 thousand), respectively, on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations.

The Company recorded total gain on valuation of outstanding derivatives and to be paid of ₩22,536 million (US\$17,921 thousand) and ₩114,249 million (US\$90,854 thousand) in current and non-current derivative assets as of December 31, 2008 and 2007, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums to be received of ₩393,804 million (US\$313,164 thousand) and ₩161,850 million (US\$128,708 thousand) is recorded in current and non-current derivative liabilities as of December 31, 2008 and 2007, respectively.

- (2) The transactions of derivatives belonging to subsidiaries as of December 31, 2008 consist of the following:

Derivatives	Gains (losses)		Other comprehensive loss	
	Korean Won (In millions)	Translation into U.S. Dollars	Korean Won (In millions)	Translation into U.S. Dollars
		(Note 2)		(Note 2)
		(In thousands)		(In thousands)
Currency option	₩ (20,921)	\$ (16,637)	₩ (55,733)	\$ (44,320)
Currency forward	14,001	11,134	-	-
Forward exchange	328	260	-	-
Currency swap	1,935,704	1,539,327	(88,099)	(70,059)
Interest rate swap	(6,489)	(5,160)	(58,552)	(46,563)
Interest rate and index futures / options	(1,380)	(1,097)	-	-
Foreign currency borrowings for cash flow hedge	-	-	(74,237)	(59,035)
Foreign currency debentures for cash flow hedge	-	-	(42,550)	(33,837)
Total	₩ 1,921,243	\$ 1,527,827	₩ (319,171)	\$ (253,814)

30. SEGMENT INFORMATION:

(1) Consolidated financial statements by industry

The consolidated balance sheets as of December 31, 2008 and 2007, and consolidated statements of income for the years then ended, by industry under which the Company and its subsidiaries' business are classified, are as follows:

Consolidated Balance Sheets as of December 31, 2008

	<u>Korean Won</u>		<u>Translation into</u> <u>U.S. Dollars (Note 2)</u>	
	<u>Non-financial</u> <u>industry</u>	<u>Financial</u> <u>industry</u>	<u>Non-financial</u> <u>industry</u>	<u>Financial</u> <u>industry</u>
<u>ASSETS</u>	<u>(In millions)</u>		<u>(In thousands)</u>	
Current assets:	₩ 36,597,380	₩ 3,064,734	\$ 29,103,285	\$ 2,437,164
Non-current assets:				
Investments, net of unamortized present value discount	7,723,038	2,298,059	6,141,580	1,827,482
Property, plant and equipment, net of accumulated depreciation	28,537,628	380,632	22,693,939	302,690
Intangibles, net of amortization	3,340,385	57,032	2,656,370	45,353
Other financial business assets	-	24,664,484	-	19,613,904
Total non-current assets	<u>39,601,051</u>	<u>27,400,207</u>	<u>31,491,889</u>	<u>21,789,429</u>
Total assets	<u>₩ 76,198,431</u>	<u>₩ 30,464,941</u>	<u>\$ 60,595,174</u>	<u>\$ 24,226,593</u>
<u>LIABILITIES AND</u> <u>SHAREHOLDERS' EQUITY</u>				
Current liabilities	₩ 37,629,100	₩ 11,438,078	\$ 29,923,738	\$ 9,095,887
Non-current liabilities	14,905,860	14,300,673	11,853,566	11,372,305
Other financial business liabilities	-	783,035	-	622,691
Total liabilities	<u>52,534,960</u>	<u>26,521,786</u>	<u>41,777,304</u>	<u>21,090,883</u>
Shareholders' equity:				
Capital stock	1,488,993	2,107,945	1,184,090	1,676,298
Capital surplus	5,467,261	566,233	4,347,722	450,285
Retained earnings	11,885,854	1,277,969	9,451,971	1,016,278
Capital adjustments	(719,874)	20,735	(572,464)	16,489
Accumulated other comprehensive income (loss)	868,277	(29,727)	690,479	(23,640)
Minority interests	4,672,960	-	3,716,072	-
Total shareholders' equity	<u>23,663,471</u>	<u>3,943,155</u>	<u>18,817,870</u>	<u>3,135,710</u>
Total liabilities and shareholders' equity	<u>₩ 76,198,431</u>	<u>₩ 30,464,941</u>	<u>\$ 60,595,174</u>	<u>\$ 24,226,593</u>

Consolidated Balance Sheets as of December 31, 2007

	Korean Won		Translation into U.S. Dollars (Note 2)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
<u>ASSETS</u>	(In millions)		(In thousands)	
Current assets:	₩ 27,232,650	₩ 1,274,076	\$ 21,656,183	\$ 1,013,182
Non-current assets:				
Investments, net of unamortized present value discount	6,394,009	679,552	5,084,699	540,399
Property, plant and equipment, net of accumulated depreciation	25,426,586	202,944	20,219,949	161,387
Intangibles, net of amortization	2,918,940	77,929	2,321,225	61,971
Other financial business assets	-	21,903,980	-	17,418,672
Total non-current assets	<u>34,739,535</u>	<u>22,864,405</u>	<u>27,625,873</u>	<u>18,182,429</u>
Total assets	<u>₩ 61,972,185</u>	<u>₩ 24,138,481</u>	<u>\$ 49,282,056</u>	<u>\$ 19,195,611</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Current liabilities	₩ 27,016,873	₩ 10,037,976	\$ 21,484,591	\$ 7,982,486
Non-current liabilities	12,564,004	10,763,366	9,991,256	8,559,337
Other financial business liabilities	-	169,759	-	134,997
Total liabilities	<u>39,580,877</u>	<u>20,971,101</u>	<u>31,475,847</u>	<u>16,676,820</u>
Shareholders' equity:				
Capital stock	1,486,980	1,876,824	1,182,489	1,492,504
Capital surplus	5,385,017	400,813	4,282,320	318,738
Retained earnings	11,479,509	938,799	9,128,834	746,560
Capital adjustments	(718,855)	-	(571,654)	-
Accumulated other comprehensive income (loss)	364,160	(49,056)	289,590	(39,011)
Minority interests	4,394,497	-	3,494,630	-
Total shareholders' equity	<u>22,391,308</u>	<u>3,167,380</u>	<u>17,806,209</u>	<u>2,518,791</u>
Total liabilities and shareholders' equity	<u>₩ 61,972,185</u>	<u>₩ 24,138,481</u>	<u>\$ 49,282,056</u>	<u>\$ 19,195,611</u>

Consolidated Statements of Income for the year ended December 31, 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
	(In millions)		(In thousands)	
Sales	₩ 76,192,054	₩ 4,492,889	\$ 60,590,103	\$ 3,572,874
Cost of sales	60,179,804	2,597,430	47,856,703	2,065,551
Selling and administrative expenses	<u>13,584,731</u>	<u>1,314,976</u>	<u>10,802,967</u>	<u>1,045,707</u>
Operating income	2,427,519	580,483	1,930,433	461,617
Other income (expenses), net	<u>(1,360,568)</u>	<u>143,867</u>	<u>(1,081,963)</u>	<u>114,407</u>
Income before income tax	1,066,961	724,350	848,470	576,024
Income tax expense	<u>222,440</u>	<u>187,478</u>	<u>176,891</u>	<u>149,088</u>
Net income	<u>₩ 844,511</u>	<u>₩ 536,872</u>	<u>\$ 671,579</u>	<u>\$ 426,936</u>
Attributable to:				
Equity holders of the parent	₩ 879,699	₩ 536,872	\$ 699,562	\$ 426,936
Minority interests	<u>(35,188)</u>	<u>-</u>	<u>(27,983)</u>	<u>-</u>
	<u>₩ 844,511</u>	<u>₩ 536,872</u>	<u>\$ 671,579</u>	<u>\$ 426,936</u>

Consolidated Statements of Income for the year ended December 31, 2007

	Korean Won		Translation into U.S. Dollars (Note 2)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
	(In millions)		(In thousands)	
Sales	₩ 66,790,778	₩ 3,636,487	\$ 53,113,939	\$ 2,891,839
Cost of sales	54,124,293	2,168,931	43,041,187	1,724,796
Selling and administrative expenses	10,127,904	1,097,501	8,054,000	872,765
Operating income	2,538,581	370,055	2,018,752	294,278
Other income (expenses), net	(263,395)	205,139	(209,459)	163,133
Income before income tax	2,275,186	575,194	1,809,293	457,411
Income tax expense	652,546	207	518,923	165
Net income	₩ 1,622,640	₩ 574,987	\$ 1,290,370	\$ 457,246
Attributable to:				
Equity holders of the parent	₩ 1,547,817	₩ 574,987	\$ 1,230,868	\$ 457,246
Minority interests	74,823	-	59,502	-
	₩ 1,622,640	₩ 574,987	\$ 1,290,370	\$ 457,246

The above consolidated financial statements by industry type are prepared independently between non-financial industry and financial industry. Therefore, the total amounts, such as assets and net income for each industry, do not tally with the corresponding amounts in the consolidated balance sheets and statements of income.

(2) Regional Results of Operations and Total Assets

Results of operations and total assets, by region where the Company and its subsidiaries for the year ended and as of December 31, 2008 are located, are as follows:

	Korean Won				Consolidation adjustments	Consolidated amounts
	Domestic	North America	Asia	Europe		
	(In millions)					
Total sales	₩ 67,925,912	₩ 20,736,976	₩ 11,109,982	₩ 17,288,701	₩ (37,325,220)	₩ 79,736,351
Inter-company sales	(25,432,889)	(4,651,446)	(824,792)	(6,416,093)	37,325,220	-
Net sales	42,493,023	16,085,530	10,285,190	10,872,608	-	79,736,351
Operating income	3,474,314	(138,195)	278,054	(270,633)	(271,497)	3,072,043
Total assets	82,782,195	22,765,447	7,858,805	13,083,435	(23,196,949)	103,292,933

Results of operations and total assets, by region where the Company and its subsidiaries for the year ended and as of December 31, 2007 are located, are as follows:

	Korean Won				Consolidation adjustments	Consolidated amounts
	Domestic	North America	Asia	Europe		
	(In millions)					
Total sales	₩ 63,772,038	₩ 19,575,201	₩ 6,264,741	₩ 15,414,457	₩ (35,424,921)	₩ 69,601,516
Inter-company sales	(25,709,493)	(4,600,949)	(143,529)	(4,970,950)	35,424,921	-
Net sales	38,062,545	14,974,252	6,121,212	10,443,507	-	69,601,516
Operating income	2,531,080	143,893	57,482	(219,059)	334,626	2,848,022
Total assets	72,455,687	15,008,890	4,234,227	10,293,461	(18,285,927)	83,706,338

31. DISPOSAL OF RECEIVABLES IN FINANCIAL SUBSIDIARIES:

Hyundai Capital Service Inc. sold receivables to the SPCs for the purpose of raising its operating capital in accordance with the Act on Asset Backed Securities. The amounts of disposal for the years ended December 31, 2008 and 2007 are ₩1,881,851 million (US\$1,496,502 thousand) and ₩619,474 million (US\$ 492,623 thousand), respectively. The amounts of money receivable trust purchased at the disposal of receivables to the SPCs are ₩614,331 million (US\$488,534 thousand) and ₩248,754 million (US\$197,816 thousand) in 2008 and 2007, respectively. Also, Hyundai Card Co., Ltd. sold its card assets of ₩806,608 million (US\$ 641,438 thousand) for ₩806,608 million (US\$ 641,438 thousand) and ₩728,060 million (US\$ 578,974 thousand) for ₩724,868 million (US\$ 576,436 thousand) in 2008 and 2007, respectively, in accordance with the Act on Asset Backed Securities. The target loan principal of the related assets is ₩1,629,994 million (US\$ 1,296,218 thousand) as of December 31, 2008. The principle of the trust assets varies according to the amount used by the credit card members as they are comprehensive transferred assets of the member. It recognized assets in trust as net of asset-backed senior series beneficial trust certificates amounting to ₩727,700 million (US\$ 578,688 thousand) and ₩400,300 million (US\$ 318,330 thousand) as of December 31, 2008 and 2007, respectively.

In addition, Hyundai Card Co., Ltd. sold its accounts written-off and overdue card assets of ₩110,236 million (US\$87,663 thousand) and ₩135,890 million (US\$ 108,064 thousand) to Hyundai Capital Service Inc. in 2008 and 2007, respectively. It recognizes the difference between book value and sales value as bad debt provisions.