

HYUNDAI MOTOR COMPANY

NON-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 non-consolidated balance sheets of Hyundai Motor Company as of December 31, 2008 and 2007, and the related non-consolidated statements of income, appropriations of retained earnings, 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 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 principles 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, the financial statements referred to above present fairly, in all material respects, the financial position of Hyundai Motor Company as of December 31, 2008 and 2007, and the results of its operations, changes in its retained earnings and its shareholders' equity, and its 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 retained earnings and 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.

January 23, 2009

Notice to Readers

This report is effective as of January 23, 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

NON-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	₩ 1,756,546	₩ 1,446,065	\$ 1,396,856	\$ 1,149,952
Short-term financial instruments (Note 3)	3,036,232	2,939,227	2,414,499	2,337,357
Short-term investment securities (Note 5)	220,498	110,932	175,346	88,216
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩6,865 million in 2008 and ₩6,984 million in 2007 (Note 14)	2,513,461	2,196,795	1,998,776	1,746,954
Trade notes and accounts receivable - other	383,636	443,751	305,078	352,883
Inventories (Note 4)	1,809,030	1,448,974	1,438,592	1,152,266
Deferred tax assets (Note 23)	265,109	185,103	210,822	147,199
Derivative assets (Note 2)	22,536	13,508	17,921	10,742
Advances and other current assets	293,986	136,813	233,787	108,799
Total current assets	<u>10,301,034</u>	<u>8,921,168</u>	<u>8,191,677</u>	<u>7,094,368</u>
Non-current assets:				
Long-term investment securities (Notes 6 and 14)	824,115	1,267,717	655,360	1,008,125
Investments securities accounted for using the equity method (Notes 7 and 14)	9,249,146	7,805,738	7,355,186	6,207,346
Property, plant and equipment, net of accumulated depreciation of ₩7,032,969 million in 2008 and ₩6,338,929 million in 2007 (Notes 8, 9 and 14)	9,753,801	9,721,065	7,756,502	7,730,469
Intangibles (Note 10)	1,605,862	1,381,124	1,277,027	1,098,309
Derivative assets (Note 2)	-	100,741	-	80,113
Other assets (Notes 3 and 11)	433,771	389,376	344,947	309,643
Total non-current assets	<u>21,866,695</u>	<u>20,665,761</u>	<u>17,389,022</u>	<u>16,434,005</u>
Total assets	<u>₩ 32,167,729</u>	<u>₩ 29,586,929</u>	<u>\$ 25,580,699</u>	<u>\$ 23,528,373</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-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 (Notes 12 and 14)	₩ 1,386,893	₩ 431,209	\$ 1,102,897	\$ 342,910
Current maturities of long-term debt and debentures (Notes 13 and 14)	300,742	201,461	239,159	160,208
Trade notes and accounts payable	2,443,809	2,938,628	1,943,387	2,336,881
Accounts payable-other	1,496,372	1,306,774	1,189,958	1,039,184
Accrued warranties (Note 15)	943,270	870,749	750,115	692,445
Income tax payable	527,310	499,379	419,332	397,120
Accrued expenses	31,701	30,170	25,209	23,992
Derivative liabilities (Note 2)	225,671	86,935	179,460	69,133
Withholdings and other current liabilities	559,321	690,687	444,788	549,254
Total current liabilities	<u>7,915,089</u>	<u>7,055,992</u>	<u>6,294,305</u>	<u>5,611,127</u>
Non-current liabilities:				
Long-term debt and debentures, net of current maturities and discount on debentures issued of ₩3,117 million in 2008 and ₩2,455 million in 2007 (Notes 13 and 14)	1,263,188	1,212,886	1,004,523	964,522
Accrued severance benefits, net of National Pension payments for employees of ₩14,644 million in 2008 and ₩18,666 million in 2007, and individual severance insurance deposits of ₩1,009,175 million in 2008 and ₩935,914 million in 2007 (Note 2)	481,241	445,306	382,697	354,120
Long-term accrued warranties (Note 15)	2,489,154	2,184,670	1,979,447	1,737,312
Deferred tax liabilities (Note 23)	154,910	385,369	123,189	306,456
Derivative liabilities (Note 2)	168,133	74,915	133,704	59,575
Other non-current liabilities	43,723	25,160	34,770	20,008
Total non-current liabilities	<u>4,600,349</u>	<u>4,328,306</u>	<u>3,658,330</u>	<u>3,441,993</u>
Total liabilities	<u>12,515,438</u>	<u>11,384,298</u>	<u>9,952,635</u>	<u>9,053,120</u>
Commitments and contingencies (Note 14)				
Shareholders' equity:				
Capital stock (Note 16)	1,488,993	1,486,980	1,184,090	1,182,489
Capital surplus (Note 17)	5,851,776	5,752,060	4,653,500	4,574,203
Capital adjustments (Note 18)	(719,685)	(718,855)	(572,315)	(571,655)
Accumulated other comprehensive income (Notes 19 and 20)	612,153	198,012	486,802	157,465
Retained earnings (Note 21) (Net income of ₩1,447,904 million in 2008 and ₩1,682,419 million in 2007)	12,419,054	11,484,434	9,875,987	9,132,751
Total shareholders' equity	<u>19,652,291</u>	<u>18,202,631</u>	<u>15,628,064</u>	<u>14,475,253</u>
Total liabilities and shareholders' equity	<u>₩ 32,167,729</u>	<u>₩ 29,586,929</u>	<u>\$ 25,580,699</u>	<u>\$ 23,528,373</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-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 and 26):				
Domestic sales	₩ 12,292,161	₩ 12,933,386	\$ 9,775,078	\$ 10,284,999
Export sales	<u>19,897,625</u>	<u>17,686,285</u>	<u>15,823,161</u>	<u>14,064,640</u>
	<u>32,189,786</u>	<u>30,619,671</u>	<u>25,598,239</u>	<u>24,349,639</u>
Cost of sales (Notes 24)	<u>25,058,647</u>	<u>24,638,849</u>	<u>19,927,353</u>	<u>19,593,518</u>
Gross profit	7,131,139	5,980,822	5,670,886	4,756,121
Selling and administrative expenses (Notes 24 and 27)	<u>5,253,921</u>	<u>4,035,299</u>	<u>4,178,068</u>	<u>3,208,985</u>
Operating income	<u>1,877,218</u>	<u>1,945,523</u>	<u>1,492,818</u>	<u>1,547,136</u>
Other income (expenses), net:				
Interest income, net	202,690	140,773	161,185	111,947
Loss on foreign currency translation, net	(57,025)	(9,650)	(45,348)	(7,674)
Loss on foreign exchange transactions, net	(192,050)	(21,580)	(152,724)	(17,161)
Gain on valuation of investment securities accounted for using the equity method, net (Note 7)	21,217	445,301	16,872	354,116
Loss on valuation of derivatives, net (Note 2)	(130,929)	(197,265)	(104,118)	(156,871)
Rental and royalty income	173,349	83,982	137,852	66,785
Loss on disposal of trade notes and accounts receivable	(108,485)	(95,421)	(86,270)	(75,882)
Loss on disposal of property, plant and equipment, net	(36,030)	(56,148)	(28,652)	(44,650)
Gain on disposal of short-term investment securities, net	1,314	29,721	1,045	23,635
Gain (loss) on disposal of long-term investment securities, net	(46,636)	24,810	(37,086)	19,730
Other, net.	<u>90,379</u>	<u>(68,019)</u>	<u>71,871</u>	<u>(54,091)</u>
	<u>(82,206)</u>	<u>276,504</u>	<u>(65,373)</u>	<u>219,884</u>
Income before income tax	1,795,012	2,222,027	1,427,445	1,767,020
Income tax expense (Note 23)	<u>347,108</u>	<u>539,608</u>	<u>276,030</u>	<u>429,112</u>
Net income	<u>₩ 1,447,904</u>	<u>₩ 1,682,419</u>	<u>\$ 1,151,415</u>	<u>\$ 1,337,908</u>
Basic earnings per common share (Note 2)	<u>₩ 5.325</u>	<u>₩ 6.207</u>	<u>\$ 4.23</u>	<u>\$ 4.94</u>
Diluted earnings per common share (Note 2)	<u>₩ 5.319</u>	<u>₩ 6.192</u>	<u>\$ 4.23</u>	<u>\$ 4.92</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

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)	
Unappropriated retained earnings (Note 21):				
Beginning of year	₩ 43,220	₩ 2,475	\$ 34,370	\$ 1,968
Change in retained earnings using the equity method	(249,365)	(51,014)	(198,302)	(40,568)
Cumulative effect of changes in accounting policy (Note 2)	12,078	37,937	9,604	30,169
Net income	<u>1,447,904</u>	<u>1,682,419</u>	<u>1,151,415</u>	<u>1,337,908</u>
	<u>1,253,837</u>	<u>1,671,817</u>	<u>997,087</u>	<u>1,329,477</u>
Appropriations:				
Legal reserve	23,600	27,600	18,767	21,948
Reserve for technology development	990,000	1,325,000	787,277	1,053,678
Cash dividends (Note 22)	<u>235,715</u>	<u>275,997</u>	<u>187,447</u>	<u>219,481</u>
	<u>1,249,315</u>	<u>1,628,597</u>	<u>993,491</u>	<u>1,295,107</u>
Unappropriated retained earnings, end of year	₩ <u>4,522</u>	₩ <u>43,220</u>	\$ <u>3,596</u>	\$ <u>34,370</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Korean Won						Translation into
							U.S. Dollars
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Total amount	Total amount
	(In millions)						(In thousands)
January 1, 2007	₩ 1,484,942	₩ 5,409,005	₩ (706,979)	₩ (226,605)	₩ 10,090,465	₩ 16,050,828	\$ 12,764,078
Cumulative effect of changes in accounting policy (Note 2)	-	317,615	-	(350,082)	32,467	-	-
Beginning balance after correction	1,484,942	5,726,620	(706,979)	(576,687)	10,122,932	16,050,828	12,764,078
Payment of cash dividend	-	-	-	-	(275,373)	(275,373)	(218,984)
Gain on disposal of treasury stock	-	17,358	-	-	-	17,358	13,804
Gain on valuation of treasury stock fund	-	-	13,187	-	-	13,187	10,486
Acquisition of treasury stock	-	-	(20,395)	-	-	(20,395)	(16,219)
Exercise of stock options	2,038	13,552	(4,668)	-	-	10,922	8,685
Gain on valuation of available-for-sale securities, net	-	-	-	574,900	-	574,900	457,177
Loss on valuation of derivatives, net	-	-	-	(35,231)	-	(35,231)	(28,017)
Net income	-	-	-	-	1,682,419	1,682,419	1,337,908
Changes in retained earnings using the equity method	-	(5,470)	-	235,030	(45,544)	184,016	146,335
December 31, 2007	<u>₩ 1,486,980</u>	<u>₩ 5,752,060</u>	<u>₩ (718,855)</u>	<u>₩ 198,012</u>	<u>₩ 11,484,434</u>	<u>₩ 18,202,631</u>	<u>\$ 14,475,253</u>
January 1, 2008	₩ 1,486,980	₩ 5,439,915	₩ (718,855)	₩ 548,094	₩ 11,446,497	₩ 18,202,631	\$ 14,475,253
Cumulative effect of changes in accounting policy (Note 2)	-	312,145	-	(350,082)	37,937	-	-
Beginning balance after correction	1,486,980	5,752,060	(718,855)	198,012	11,484,434	18,202,631	14,475,253
Adjustments resulting from revision of the written opinion for applying Accounting Standards No. 06-2 (Note 2)	-	-	-	-	12,078	12,078	9,605
Payment of cash dividend	-	-	-	-	(275,997)	(275,997)	(219,481)
Loss on disposal of treasury stock	-	(3,420)	-	-	-	(3,420)	(2,720)
Cancellation of stock options	-	57	(57)	-	-	-	-
Gain on valuation of treasury stock fund	-	-	3,839	-	-	3,839	3,053
Exercise of stock options	2,013	13,391	(4,612)	-	-	10,792	8,582
Loss on valuation of available-for-sale securities, net	-	-	-	(404,545)	-	(404,545)	(321,706)
Loss on valuation of derivatives, net	-	-	-	(154,715)	-	(154,715)	(123,034)
Net income	-	-	-	-	1,447,904	1,447,904	1,151,415
Changes in retained earnings using the equity method	-	89,688	-	973,401	(249,365)	813,724	647,097
December 31, 2008	<u>₩ 1,488,993</u>	<u>₩ 5,851,776</u>	<u>₩ (719,685)</u>	<u>₩ 612,153</u>	<u>₩ 12,419,054</u>	<u>₩ 19,652,291</u>	<u>\$ 15,628,064</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-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	₩ 1,447,904	₩ 1,682,419	\$ 1,151,415	\$ 1,337,908
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	880,258	813,169	700,006	646,655
Amortization of intangibles	463,973	353,241	368,965	280,907
Loss on foreign currency translation, net	57,025	9,650	45,348	7,674
Gain on valuation of investment securities accounted for using the equity method, net	(21,217)	(445,301)	(16,872)	(354,116)
Loss on valuation of derivatives, net	130,929	197,265	104,118	156,871
Loss on disposal of trade notes and accounts receivable	108,485	95,421	86,270	75,882
Loss on disposal of property, plant and equipment, net	36,030	56,148	28,652	44,650
Gain on disposal of short-term investment securities, net	(1,314)	(29,721)	(1,045)	(23,635)
Loss (gain) on disposal of long-term investment securities, net	46,636	(24,810)	37,086	(19,730)
Dividends of investment securities accounted for using the equity method	175,167	125,500	139,298	99,801
Provision for severance benefits	374,925	338,020	298,151	268,803
Provision for warranties	782,464	320,322	622,238	254,730
Amortization of discount on debentures	815	759	648	604
Other	21,318	12,392	16,953	9,853
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable	(463,478)	(717,910)	(368,571)	(570,903)
Decrease in trade notes and accounts receivable-other	61,176	36,957	48,649	29,389
Increase in inventories	(511,832)	(388,745)	(407,023)	(309,141)
Decrease (increase) in advances and other current assets	(162,524)	14,829	(129,244)	11,792
Decrease in deferred tax assets	150,409	4,665	119,610	3,710
Decrease in derivative assets	4,460	36,876	3,546	29,326
Increase (decrease) in trade notes and accounts payable	(493,597)	819,386	(392,522)	651,599
Increase (decrease) in accounts payable-other	185,882	(649,506)	147,819	(516,506)
Increase in income tax payable	27,931	254,273	22,212	202,205
Decrease in accrued expenses	(382)	(6,943)	(304)	(5,521)
Increase (decrease) in deferred tax liabilities	(374,300)	2,697	(297,654)	2,145
Decrease in derivative liabilities	(116,709)	(148)	(92,810)	(118)
Increase (decrease) in withholdings and other current liabilities	(132,321)	73,954	(105,225)	58,810
Decrease in accrued warranties	(405,459)	(349,810)	(322,433)	(278,179)
Payment of severance benefits	(271,969)	(238,293)	(216,278)	(189,497)
Increase in individual severance insurance deposits	(73,261)	(98,983)	(58,259)	(78,714)
Other	12,378	8,611	9,842	6,849
	<u>1,939,802</u>	<u>2,306,384</u>	<u>1,542,586</u>	<u>1,834,103</u>

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HYUNDAI MOTOR COMPANY

NON-COLSOLIDATED 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 inflows from investing activities:				
Proceeds from withdrawal of short-term financial instruments	₩ 3,272,960	₩ 4,958,312	\$ 2,602,751	\$ 3,942,992
Proceeds from disposal of short-term investment securities	110,224	320,566	87,653	254,923
Proceeds from disposal of long-term investment securities	1,712	54,798	1,361	43,577
Proceeds from disposal of property, plant and equipment	9,274	5,730	7,375	4,557
Proceeds from disposal of investment securities accounted for using the equity method	96,248	-	76,539	-
Reduction in other current assets	5,760	14,760	4,581	11,738
Reduction in other assets	<u>234,064</u>	<u>163,064</u>	<u>186,135</u>	<u>129,672</u>
	<u>3,730,242</u>	<u>5,517,230</u>	<u>2,966,395</u>	<u>4,387,459</u>
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(3,369,965)	(5,142,158)	(2,679,893)	(4,089,191)
Acquisition of short-term investment securities	(220,000)	(51,459)	(174,949)	(40,922)
Acquisition of long-term investment securities	(254,520)	(16,176)	(202,402)	(12,864)
Acquisition of investment securities accounted for using the equity method	(664,216)	(655,847)	(528,204)	(521,548)
Acquisition of property, plant and equipment	(813,529)	(978,014)	(646,942)	(777,745)
Expenditures for development costs	(681,708)	(609,057)	(542,114)	(484,340)
Additions to other assets	<u>(156,672)</u>	<u>(173,367)</u>	<u>(124,589)</u>	<u>(137,866)</u>
	<u>(6,160,610)</u>	<u>(7,626,078)</u>	<u>(4,899,093)</u>	<u>(6,064,476)</u>
	<u>(2,430,368)</u>	<u>(2,108,848)</u>	<u>(1,932,698)</u>	<u>(1,677,017)</u>
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	1,946,311	2,318,877	1,547,762	1,844,037
Proceeds from long-term borrowings	1,705	2,912	1,356	2,316
Proceeds from issuance of debentures	348,522	299,107	277,155	237,858
Proceeds from disposal of treasury stock	-	3,892	-	3,095
Proceeds from exercise of stock options	<u>10,792</u>	<u>10,923</u>	<u>8,582</u>	<u>8,686</u>
	<u>2,307,330</u>	<u>2,635,711</u>	<u>1,834,855</u>	<u>2,095,992</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	(1,028,817)	(2,376,435)	(818,144)	(1,889,809)
Repayment of current maturities of long-term debt	(201,461)	(116,232)	(160,208)	(92,431)
Payment of cash dividends	(276,005)	(275,373)	(219,487)	(218,984)
Purchase of treasury stock	-	(1,820)	-	(1,447)
	<u>(1,506,283)</u>	<u>(2,769,860)</u>	<u>(1,197,839)</u>	<u>(2,202,671)</u>
	<u>801,047</u>	<u>(134,149)</u>	<u>637,016</u>	<u>(106,679)</u>

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HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<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>
	(In millions)		(In thousands)	
Net increase in cash and cash equivalents	₩ 310,481	₩ 63,387	\$ 246,904	\$ 50,407
Cash and cash equivalents, beginning of year	<u>1,446,065</u>	<u>1,382,678</u>	<u>1,149,952</u>	<u>1,099,545</u>
Cash and cash equivalents, end of year	<u>₩ 1,756,546</u>	<u>₩ 1,446,065</u>	<u>\$ 1,396,856</u>	<u>\$ 1,149,952</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. 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 six 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 Depositary 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%).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory non-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 accounting principles generally accepted 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 with certain expanded descriptions 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's 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 non-consolidated financial statements as of December 31, 2008 in accordance with the Korea Financial Accounting Standards and the Statements of Korea Accounting Standards (“SKAS”) No. 1 through No.23, except for No.14.

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements as of December 31, 2008 are identical to those as of December 31, 2007, except for the revision of SKAS No.15 - “Investments in Associates” and the written opinion for applying Accounting Standards No. 06-2 - “Recognition of deferred tax related to investments in subsidiaries, associates and interests in joint ventures”, which were effective from January 1, 2008.

The 2008 financial statements of the Company to be submitted to the shareholders' meeting were approved by the Board of Directors on January 22, 2009.

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

Revision of SKAS No.15 - "Investments in Associates"

In accordance with the revised SKAS No. 15 - "Investments in Associates," the parent company share of net income and net assets of investments in associates in the non-consolidated financial statements have to be identical with the parent's proportional share in the consolidated financial statements when applying equity method to subsidiaries, except if the carrying amount of an investment in an associate falls below zero as a result of reflecting the associate's losses when the equity method is applied and the investor discontinues recognizing further changes in its share of equity interest in the associate and the investment is accounted for at nil value. The accompanying 2007 financial statements, which are prepared for comparative purposes, were restated to conform to the revised SKAS No.15 - "Investments in Associates" for its first year of application.

Effects on major accounts due to revised standard mentioned above are as follows:

Accounts	Korean Won		Translation into U.S. Dollars (Note 2)	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	(In millions)		(In thousands)	
Capital surplus	₩ 401,833	₩ 312,145	\$ 319,549	\$ 248,227
Accumulated other comprehensive income	(439,770)	(350,082)	(349,718)	(278,395)
Retained earnings	37,937	37,937	30,169	30,169

Revision of the Opinion for Applying Accounting Standards No. 06-2 - "Recognition of Deferred Tax related to Investments in Subsidiaries, Associates and Interests in Joint Ventures"

According to the revised written opinion, the investor must recognize the tax effects of differences between the carrying amount of investments which are separated from unrealized profits eliminated from the investments and its tax base in the investor's financial statements, and the deferred tax for the difference arising from unrealized profits must be recognized. For the first year of application, the accompanying financial statements presented for comparative purposes do not have to be restated and the effect of the retroactive application is accounted in the current period's beginning balance. As a result, the Company did not restate accompanying 2007 financial statements for comparative purposes, and the effect of retroactive application of ₩12,078 million (US\$ 9,605 thousand) was accounted for in the beginning balance of retained earnings.

Reclassifications of Accounts

The royalty income, which had been classified as non-operating income until prior year, is reclassified as sales in current year. For comparative purposes, the Company restated the income statement for the year ended December 31, 2007. Such reclassification has no effect on the net assets and net income in 2008 and 2007, respectively.

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.

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 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 investment securities accounted for using the equity method. However, if the investee is a consolidated subsidiary, unrealized profits and losses resulting from sales of assets from the Company to investee are eliminated in full. Also, if the investee is a consolidated subsidiary, the differences between the cost of the investment and the investor's share of the net fair value of the investee's identifiable assets and liabilities, which occurred from additional purchases of investee's shares or changes in ratio of shareholding due to capital increase in investee, are reflected in capital surplus or capital adjustments. The differences between the sale amount and book value of the investment securities where the investee remains as a consolidated subsidiary after sales of some portion of investment securities in the consolidation subsidiary are reflected in capital surplus or capital adjustments.

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	15 – 50
Machinery and equipment	12 – 15
Vehicles	6, 15
Dies, molds and tools	6
Other equipment	6

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

Intangibles are stated at cost, net of amortization computed using the straight-line method over the estimated economic useful lives of related assets. Development costs are amortized over 3 years from the usable date of the related productions. Ordinary development and research expenses are charged to current operations. Industrial property rights and other intangibles are amortized over the period between 2 and 40 years.

If the recoverable amount of 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.

Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the 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 ₩1,505,060 million (US\$1,196,867 thousand) and ₩1,399,886 million (US\$1,113,229 thousand) as of December 31, 2008 and 2007, respectively.

Individual severance insurance deposits, in which the beneficiaries are respective employees, are presented as deduction from accrued severance benefits.

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 amounted to ₩271,969 million (US\$216,278 thousand) and ₩238,293 million (US\$189,497 thousand) in 2008 and 2007, respectively.

Accrued Warranties

The Company generally provides 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.

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 amounting to ₩58,381 million (US\$ 42,426 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.

Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korea Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing rates of exchange on the transaction date. 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 Service, 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.

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:

	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)	
Net income	₩ 1,447,904	₩ 1,682,419	\$ 1,151,415	\$ 1,337,908
Expected dividends on preferred stock	(335,799)	(390,199)	(267,037)	(310,298)
Net income available to common share	1,112,105	1,292,220	884,378	1,027,610
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>₩ 5.325</u>	<u>₩ 6.207</u>	<u>\$ 4.23</u>	<u>\$ 4.94</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:

	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)	
Net income available to common share	₩ 1,112,105	₩ 1,292,220	\$ 884,378	\$ 1,027,610
Expenses related to diluted securities	-	-	-	-
Net income available to diluted common share	1,112,105	1,292,220	884,378	1,027,610
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>₩ 5.319</u>	<u>₩ 6.192</u>	<u>\$ 4.23</u>	<u>\$ 4.92</u>

3. RESTRICTED FINANCIAL INSTRUMENTS:

Deposits with withdrawal restrictions 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)	
Short-term financial instruments:				
Ordinary deposit	₩ 160	₩ 142	\$ 128	\$ 113
Term deposit	<u>61,073</u>	<u>32,485</u>	<u>48,567</u>	<u>25,833</u>
	<u>61,233</u>	<u>32,627</u>	<u>48,695</u>	<u>25,946</u>
Long-term financial instruments (Note 11):				
Guarantee deposits for checking accounts	37	37	29	29
	<u>₩ 61,270</u>	<u>₩ 32,664</u>	<u>\$ 48,724</u>	<u>\$ 25,975</u>

4. INVENTORIES:

Inventories 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)	
Finished goods and merchandise	₩ 572,287	₩ 409,342	\$ 455,099	\$ 325,520
Semi finished goods and work in process	541,471	547,010	430,593	434,998
Raw materials and supplies	566,429	406,568	450,440	323,315
Materials in transit	128,843	86,054	102,460	68,433
	<u>₩ 1,809,030</u>	<u>₩ 1,448,974</u>	<u>\$ 1,438,592</u>	<u>\$ 1,152,266</u>

5. SHORT-TERM INVESTMENT SECURITIES:

(1) Short -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	₩ 220,498	₩ 62,432	\$ 175,346	\$ 49,648
Held-to-maturity securities	-	48,500	-	38,568
	<u>₩ 220,498</u>	<u>₩ 110,932</u>	<u>\$ 175,346</u>	<u>\$ 88,216</u>

(2) Available-for-sale securities of short-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)	
Beneficiary certificates	₩ 220,164	₩ 61,599	\$ 175,081	\$ 48,986
Equity securities	119	209	94	166
Government bonds	215	624	171	496
	<u>₩ 220,498</u>	<u>₩ 62,432</u>	<u>\$ 175,346</u>	<u>\$ 49,648</u>

6. LONG-TERM INVESTMENT SECURITIES:

- (1) Long -term investment securities as of December 31, 2008, all of which are classified into available-for-sale securities, consist of the following:

Name of company	Korean Won		Translation into	Ownership percentage (%)
	Acquisition		U.S. Dollars	
	cost	Book value	(Note 2) 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
Hyundai Merchant Marine Co., Ltd.	9,161	25,710	20,445	0.45
Doosan Capital Co., Ltd.	10,000	24,378	19,386	9.99
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 Asan Corporation	22,500	7,053	5,609	4.61
Treasury Stock Fund (*1)		5,443	4,328	
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,571	14.97
Industry Otomotif Komersial	4,439	4,439	3,530	15.00
Kihyup Finance	3,000	3,000	2,386	10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	1,988	13.66
NESSCAP Inc.	1,997	1,997	1,588	12.05
Hyundai Research Institute	1,359	1,271	1,011	14.90
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, Backsan ITS Co., Ltd.)	1,134	1,134	902	19.90
Veloxsoft Inc.	1,000	1,000	795	7.14
Micro Infinity	607	607	483	9.02
NGVTEK.com (*2)	571	571	454	53.66
Clean Air Technology Inc.	500	500	397	16.13
Hankyoreh Plus Inc.	4,800	284	226	5.43
Carnes Co., Ltd. (*2)	250	250	199	49.99
Jinil MVC Co., Ltd.	180	180	143	18.00
ROTIS Inc.	1,000	8	6	0.19
ENOVA System	2,204	94	75	0.90
Hyundai Unicorns Co., Ltd.	5,795	-	-	14.90
Beneficiary certificates	150,000	154,504	122,866	-
Other	1,405	1,244	989	-
	₩	824,115	\$ 655,360	

(*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.

Long -term investment securities as of December 31, 2007, all of which are classified into available-for-sale securities, consist of the following:

Name of company	Korean Won		Translation into	Ownership percentage
	Acquisition		U.S. Dollars	
	cost	Book value	(Note 2)	
	(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
Hyundai Merchant Marine Co., Ltd.	9,161	29,799	23,697	0.45
Doosan Capital Co., Ltd.	10,000	26,146	20,792	9.99
Hyundai Development Company	9,025	41,175	32,744	0.60
Hyundai H&S	15,005	21,462	17,067	4.08
KT Freetel	10,800	10,131	8,056	0.17
Hyundai Asan Corporation	22,500	7,053	5,609	4.61
Treasury Stock Fund (*1)		11,840	9,415	
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,571	14.97
Industry Otomotif Komersial	4,439	4,439	3,530	15.00
Kihyup Finance	3,000	3,000	2,386	10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	1,988	13.66
NESSCAP Inc.	1,997	1,997	1,588	12.05
Hyundai Research Institute	1,359	1,271	1,011	14.90
The Sign Corporation	1,200	1,200	954	11.59
Heesung PM Tech Corporation	1,194	1,194	950	19.90
Dongbu NTS Co., Ltd. (Formerly, Backsan ITS Co., Ltd.)	1,134	1,134	901	19.90
Veloxsoft Inc.	1,000	1,000	795	7.69
Micro Infinity	607	607	483	9.76
NGVTEK.com (*2)	571	571	454	53.66
Clean Air Technology Inc.	500	500	398	16.13
Hankyoreh Plus Inc.	4,800	284	226	5.43
Carnes Co., Ltd. (*2)	250	250	199	49.99
Jinil MVC Co., Ltd.	180	180	143	18.00
ROTIS Inc.	1,000	8	6	0.22
ENOVA System	2,204	841	669	1.26
Hyundai Unicorns Co., Ltd.	5,795	137	109	14.90
Other	1,526	1,526	1,214	-
		<u>₩ 1,267,717</u>	<u>\$ 1,008,125</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.

As of December 31, 2008 and 2007, the difference between the book value and the acquisition cost of equity securities consists of impairment loss on long-term investment securities of ₩26,999 million (US\$21,470 thousand) and ₩26,701 million (US\$21,233 thousand) reflected before 2007, respectively.

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 (%)
	Acquisition cost	Net equity value (In millions)	Book value	Acquisition cost	Net equity value (In thousands)	Book value	
Hyundai Motor America	₩1,327,312	₩1,860,084	₩1,711,125	\$ 1,055,517	\$ 1,479,192	\$ 1,360,736	100.00
Hyundai Motor Manufacturing Czech, Ltd.	579,412	649,897	645,066	460,765	516,817	512,975	100.00
Beijing-Hyundai Motor Company	397,758	840,705	825,829	316,309	668,553	656,723	50.00
Hyundai Motor India	244,017	801,917	752,356	194,049	637,707	598,295	100.00
Hyundai Motor Manufacturing Rus LLC	155,101	153,714	153,714	123,341	122,238	122,238	100.00
Hyundai Motor Japan Co. (*1)	103,658	(11,142)	-	82,432	(8,860)	-	100.00
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (*1)	91,315	(34,307)	-	72,616	(27,282)	-	70.00
Hyundai Translead	80,623	141,297	149,801	64,114	112,363	119,126	100.00
Hyundai Motor Company Italy S.r.l	73,191	26,741	79,930	58,204	21,265	63,563	100.00
Hyundai Motor Europe Technical Center GmbH	53,496	75,393	75,393	42,542	59,955	59,955	100.00
China Millennium Corporations	53,466	31,314	66,538	42,518	24,902	52,913	59.60
Hyundai Motor (UK) Ltd. (*1)	48,084	622	-	38,238	495	-	100.00
Hyundai Auto Czech s.r.o	46,174	42,104	39,624	36,719	33,482	31,510	100.00
WIA Automotive Engine (ShanDong) Company	28,489	42,725	42,725	22,655	33,976	33,976	22.00
Hyundai Motor Poland Sp.zo.o.	24,139	36,894	43,607	19,196	29,339	34,678	100.00
Beijing Mobis Transmission Co., Ltd.	22,790	44,556	44,556	18,123	35,432	35,432	24.08
Hyundai Motor Europe GmbH	17,529	39,315	39,315	13,940	31,264	31,264	100.00
Hyundai Motor Group China Ltd.	15,371	56,820	5,682	12,223	45,185	4,518	50.00
Hyundai Motor Company Australia	12,382	50,450	43,083	9,847	40,119	34,261	100.00
Hyundai America Technical Center Inc.	9,635	34,624	34,624	7,662	27,534	27,534	100.00
Hyundai Motor Deutschland GmbH	6,761	23,178	22,715	5,377	18,432	18,064	30.00
Hyundai Motor Norway AS	5,636	5,854	1,718	4,482	4,655	1,366	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd.	5,438	8,040	8,040	4,324	6,394	6,394	100.00
Hyundai Motor Hungary	5,415	2,192	2,283	4,306	1,743	1,816	100.00
Hyundai Motor Commonwealth of Independent States (*1)	3,959	(42,206)	-	3,148	(33,563)	-	80.00
HMJ R&D Center Inc.	1,510	3,296	3,296	1,201	2,621	2,621	100.00
Kia Motors Corporation	923,957	1,691,367	1,739,079	734,757	1,345,023	1,382,965	38.67
Hyundai Capital Service Inc.	500,325	932,787	577,581	397,873	741,779	459,309	56.47
Hyundai Card Co., Ltd.	435,571	389,629	389,636	346,379	309,844	309,850	31.53
Hyundai Rotem Company	254,308	274,084	317,051	202,233	217,959	252,128	57.64
Hyundai HYSKO	200,768	271,554	288,484	159,656	215,948	229,410	26.13
Korea Aerospace Industries, Ltd.	159,800	93,646	93,452	127,078	74,470	74,316	20.54
Hyundai Powertech	135,000	156,823	144,248	107,356	124,710	114,710	37.58
HMC Investment Securities Co., Ltd.	125,115	74,840	118,919	99,494	59,516	94,568	27.43
Hyundai Autonet Co., Ltd. (*2)	118,554	70,449	111,823	94,278	56,023	88,925	16.77
Dymos Inc.	68,872	133,623	130,405	54,769	106,261	103,702	47.27
Hyundai Commercial Inc.	50,000	37,440	36,468	39,761	29,773	29,000	50.00
WIA Corporation	34,357	221,227	198,997	27,322	175,926	158,248	39.46
Korea Economy Daily	29,973	24,440	27,145	23,835	19,435	21,586	20.55
Eukor Car Carriers Inc. (*2)	29,347	68,304	60,388	23,338	54,317	48,022	12.00
Partecs Co.	22,400	22,829	22,829	17,813	18,154	18,154	56.00
KEFICO Corporation	20,911	122,940	121,240	16,629	97,766	96,414	50.00
HMC Win-Win Fund	18,000	18,039	18,000	14,314	14,345	14,314	60.00
Autoever Systems Corp.	5,947	24,004	24,004	4,729	19,089	19,089	29.90
Haevichi Country Club Co., Ltd. (*1,3)	4,500	(9,876)	-	3,579	(7,854)	-	30.00
M & Soft Co., Ltd	3,925	10,128	10,211	3,120	8,055	8,120	31.84
Iljin Bearing Co., Ltd.	826	16,843	16,843	656	13,394	13,394	20.00
Daesung Automotive Co., Ltd.	400	11,323	11,323	318	9,004	9,004	20.00
	<u>₩6,555,517</u>	<u>₩9,540,520</u>	<u>₩9,249,146</u>	<u>\$ 5,213,135</u>	<u>\$ 7,586,895</u>	<u>\$ 7,355,186</u>	

(*1) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit.

- (*2) The total ownership percentage combining the ownership which Kia Motors Corp. holds is more than 20% and the Company is considered to be able to exercise significant influence over the operating and financial policies.
- (*3) Haevichi Country Club Co., Ltd. merged with one of the affiliated company, Chasan Co., Ltd. in 2008. Consequently, the Company holds the equity of Haevichi Country Club Co., Ltd. in exchange for the equity of Chasan Co., Ltd.

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 (%)
	Acquisition cost	Net equity value	Book value	Acquisition cost	Net equity value	Book value	
		(In millions)			(In thousands)		
Hyundai Motor America	₩ 1,255,201	₩1,231,556	₩ 1,194,353	\$ 998,172	\$ 979,369	\$ 949,784	100.00
Hyundai Motor Manufacturing Czech, Ltd.	496,867	529,844	529,844	395,123	421,347	421,347	100.00
Beijing-Hyundai Motor Company	339,395	522,667	516,196	269,897	415,640	410,494	50.00
Hyundai Motor India	244,017	717,555	695,313	194,049	570,620	552,933	100.00
Hyundai Motor Japan Co. (*1)	42,292	(51,999)	-	33,632	(41,351)	-	100.00
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (*1)	91,315	(6,810)	-	72,616	(5,416)	-	70.00
Hyundai Translead	80,623	104,349	128,489	64,114	82,981	102,178	100.00
Hyundai Motor Europe Technical Center GmbH	53,496	58,389	58,389	42,542	46,433	46,433	100.00
China Millennium Corporations	53,466	18,147	55,572	42,518	14,431	44,192	59.60
Hyundai Motor (UK) Ltd. (*1)	36,681	(9,926)	-	29,170	(7,893)	-	100.00
WIA Automotive Engine (ShanDong) Company	10,298	10,849	10,849	8,189	8,627	8,627	22.00
Hyundai Motor Poland Sp.zo.o.	24,139	26,447	40,153	19,196	21,031	31,931	100.00
Beijing Mobis Transmission Co., Ltd.	22,790	28,917	28,917	18,123	22,996	22,996	24.08
Hyundai Motor Europe GmbH	17,529	28,945	28,945	13,940	23,018	23,018	100.00
Hyundai Motor Group China Ltd.	15,371	24,512	24,512	12,223	19,493	19,493	50.00
Hyundai Motor Company Australia	12,382	49,853	35,301	9,847	39,645	28,072	100.00
Hyundai America Technical Center Inc.	9,635	20,258	20,258	7,662	16,110	16,110	100.00
Hyundai Motor Deutschland GmbH	6,761	18,402	17,908	5,377	14,634	14,241	30.00
Hyundai Motor Norway AS	5,636	8,418	6,872	4,482	6,694	5,465	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,907	4,380	4,380	3,902	3,483	3,483	91.75
Hyundai Motor Hungary	5,415	2,192	2,283	4,306	1,743	1,816	100.00
Hyundai Motor Commonwealth of Independent States	3,959	18,989	18,333	3,148	15,101	14,579	80.00
HMJ R&D Center Inc.	1,510	1,939	1,939	1,200	1,542	1,542	100.00
Kia Motors Corporation	923,957	1,886,722	1,939,961	734,757	1,500,375	1,542,713	38.67
Hyundai Capital Service Inc.	500,325	790,239	519,357	397,873	628,420	413,008	56.47
Hyundai Card Co., Ltd.	435,571	352,181	359,507	346,379	280,064	285,890	32.29
Hyundai Rotem Company	254,308	295,017	341,327	202,233	234,606	271,433	57.64
Hyundai HYSCO	200,768	258,488	252,919	159,656	205,557	201,128	26.13
Korea Aerospace Industries, Ltd.	159,800	89,514	89,321	127,078	71,184	71,030	20.54
Hyundai Powertech	135,000	150,930	150,792	107,356	120,024	119,914	37.58
Hyundai Autonet Co., Ltd. (*2)	118,554	80,406	124,250	94,278	63,941	98,807	16.77
Dymos Inc.	68,872	124,213	122,136	54,769	98,778	97,126	47.27
Hyundai Commercial Inc.	50,000	35,109	35,109	39,761	27,920	27,920	50.00
WIA Corporation	34,357	194,866	171,714	27,322	154,963	136,552	39.46
Korea Economy Daily	29,973	23,824	26,811	23,835	18,946	21,321	20.55
Eukor Car Carriers Inc. (*2)	29,347	70,989	62,518	23,338	56,452	49,716	12.00
Partecs Co.	22,400	21,779	21,779	17,813	17,319	17,319	56.00
KEFICO Corporation	20,911	120,187	118,014	16,629	95,576	93,848	50.00
Autoever Systems Corp.	5,947	17,237	17,237	4,729	13,707	13,707	29.90
Haevichi Country Club Co., Ltd. (*1,3)	4,500	(7,362)	-	3,579	(5,854)	-	30.00
M & Soft Co., Ltd	3,925	7,268	7,357	3,120	5,780	5,850	31.84
Iljin Bearing Co., Ltd.	826	16,109	16,109	656	12,810	12,810	20.00
Daesung Automotive Co., Ltd.	400	10,714	10,714	318	8,520	8,520	20.00
	<u>₩ 5,833,426</u>	<u>₩ 7,896,303</u>	<u>₩ 7,805,738</u>	<u>\$ 4,638,907</u>	<u>\$ 6,279,366</u>	<u>\$ 6,207,346</u>	

(*1) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit.

(*2) The total ownership percentage combining the ownership which Kia Motors Corp. holds is more than 20% and the Company is considered to be able to exercise significant influence over the operating and financial policies.

(*3) Haevichi Country Club Co., Ltd. merged with one of the affiliated company, Chasan Co., Ltd. in 2008. Consequently, the Company holds the equity of Haevichi Country Club Co., Ltd. in exchange for the equity of Chasan Co., Ltd.

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

Affiliated company	Korean Won					Translation into
	Beginning	Acquisition	Gain (loss)	Other	End of	U.S. Dollars
	of year	/ Disposition	on valuation	changes (*)	year	(Note 2)
			(In millions)			End of year
						(In thousands)
Hyundai Motor America	₩ 1,194,353	₩ 72,109	₩ (127,344)	₩ 572,007	₩ 1,711,125	\$ 1,360,736
Hyundai Motor Manufacturing Czech, Ltd.	529,844	82,545	(141,487)	174,164	645,066	512,975
Beijing-Hyundai Motor Company	516,196	58,363	63,355	187,915	825,829	656,723
Hyundai Motor India	695,313	-	(14,132)	71,175	752,356	598,295
Hyundai Motor Manufacturing Rus LLC	-	155,101	4,260	(5,647)	153,714	122,238
Hyundai Motor Japan Co.	-	61,366	-	(61,366)	-	-
Hyundai Translead	128,489	-	(2,557)	23,869	149,801	119,126
Hyundai Motor Company Italy S.r.l	-	73,191	-	6,739	79,930	63,563
Hyundai Motor Europe Technical Center GmbH	58,389	-	279	16,725	75,393	59,955
China Millennium Corporations	55,572	-	2,369	8,597	66,538	52,913
Hyundai Motor (UK) Ltd.	-	11,403	-	(11,403)	-	-
Hyundai Auto Czech s.r.o	-	46,174	(4,697)	(1,853)	39,624	31,510
WIA Automotive Engine (ShanDong) Company	10,849	18,191	4,254	9,431	42,725	33,976
Hyundai Motor Poland Sp.zo.o.	40,153	-	632	2,822	43,607	34,678
Beijing Mobis Transmission Co., Ltd.	28,917	-	2,708	12,931	44,556	35,432
Hyundai Motor Europe GmbH	28,945	-	1,890	8,480	39,315	31,264
Hyundai Motor Group China Ltd.	24,512	-	(31,455)	12,625	5,682	4,518
Hyundai Motor Company Australia	35,301	-	5,006	2,776	43,083	34,261
Hyundai America Technical Center Inc.	20,258	-	6,533	7,833	34,624	27,534
Hyundai Motor Deutschland GmbH	17,908	-	(408)	5,215	22,715	18,064
Hyundai Motor Norway AS	6,872	-	(5,710)	556	1,718	1,366
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,380	531	882	2,247	8,040	6,394
Hyundai Motor Hungary	2,283	-	-	-	2,283	1,816
Hyundai Motor Commonwealth of Independent States	18,333	-	(23,636)	5,303	-	-
HMJ R&D Center Inc.	1,939	-	40	1,317	3,296	2,621
Kia Motors Corporation	1,939,961	-	12,498	(213,380)	1,739,079	1,382,965
Hyundai Capital Service Inc.	519,357	-	124,035	(65,811)	577,581	459,309
Hyundai Card Co., Ltd.	359,507	-	68,653	(38,524)	389,636	309,850
Hyundai Rotem Company	341,327	-	35,436	(59,712)	317,051	252,128
Hyundai HYSCO	252,919	-	4,270	31,295	288,484	229,410
Korea Aerospace Industries, Ltd.	89,321	-	4,131	-	93,452	74,316
Hyundai Powertech	150,792	-	(6,901)	357	144,248	114,710
HMC Investment Securities Co., Ltd.	-	67,242	(2,971)	54,648	118,919	94,568
Hyundai Autonet Co., Ltd.	124,250	-	(11,650)	(777)	111,823	88,925
Dymos Inc.	122,136	-	7,692	577	130,405	103,702
Hyundai Commercial Inc.	35,109	-	5,847	(4,488)	36,468	29,000
WIA Corporation	171,714	-	11,634	15,649	198,997	158,248
Korea Economy Daily	26,811	-	334	-	27,145	21,586
Eukor Car Carriers Inc.	62,518	-	4,340	(6,470)	60,388	48,022
Partecs Co.	21,779	-	1,050	-	22,829	18,154
KEFICO Corporation	118,014	-	10,804	(7,578)	121,240	96,414
HMC Win-Win Fund	-	18,000	-	-	18,000	14,314
Autoever Systems Corp.	17,237	-	6,464	303	24,004	19,089
M & Soft Co., Ltd.	7,357	-	3,052	(198)	10,211	8,120
Iljin Bearing Co., Ltd.	16,109	-	960	(226)	16,843	13,394
Daesung Automotive Co., Ltd.	10,714	-	757	(148)	11,323	9,004
	<u>₩ 7,805,738</u>	<u>₩ 664,216</u>	<u>₩ 21,217</u>	<u>₩ 757,975</u>	<u>₩ 9,249,146</u>	<u>\$ 7,355,186</u>

- (*) Other changes consist of the decrease by ₩175,167 million (US\$139,298 thousand) due to receipt of the dividends, increase of additional paid-in and other capital by ₩1,936 million (US\$1,540 thousand), decrease of retained earnings by ₩300,648 million (US\$239,084 thousand), increase of accumulated other comprehensive income by ₩1,173,981 million (US\$933,583 thousand) and increase by ₩57,873 million (US\$46,022 thousand) due to transfer from long-term investment securities to investment securities accounted for using the equity method.

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

Affiliated company	Korean Won					Translation into
	Beginning	Acquisition	Gain (loss)	Other	End of	U.S. Dollars
	of year	/ Disposition	on valuation	changes (*)	year	(Note 2)
	(In millions)					End of year
						(In thousands)
Hyundai Motor America	₩ 1,076,088	₩ 27,735	₩ 13,260	₩ 77,270	₩ 1,194,353	\$ 949,784
Hyundai Motor Manufacturing Czech, Ltd.	50,098	448,834	(23,076)	53,988	529,844	421,347
Beijing-Hyundai Motor Company	371,464	106,985	50,916	(13,169)	516,196	410,494
Hyundai Motor India	503,831	-	115,417	76,065	695,313	552,933
Hyundai Translead	107,664	5,646	14,139	1,040	128,489	102,178
Hyundai Motor Europe Technical Center GmbH	51,514	-	159	6,716	58,389	46,433
China Millennium Corporations	53,494	-	818	1,260	55,572	44,192
WIA Automotive Engine (ShanDong) Company	10,298	-	(207)	758	10,849	8,627
Hyundai Motor Poland Sp.zo.o.	29,815	-	6,585	3,753	40,153	31,931
Beijing Mobis Transmission Co., Ltd.	26,411	-	386	2,120	28,917	22,996
Hyundai Motor Europe GmbH	24,984	-	655	3,306	28,945	23,018
Hyundai Motor Group China Ltd.	14,266	-	8,370	1,876	24,512	19,493
Hyundai Motor Company Australia	42,183	-	(12,028)	5,146	35,301	28,072
Hyundai America Technical Center Inc.	17,338	-	2,733	187	20,258	16,110
Hyundai Motor Deutschland GmbH	19,217	-	(3,571)	2,262	17,908	14,241
Hyundai Motor Norway AS	5,754	-	(56)	1,174	6,872	5,465
Beijing Jinxian Motor Safeguard Service Co., Ltd.	3,070	-	936	374	4,380	3,483
Hyundai Motor Hungary	2,283	-	-	-	2,283	1,816
Hyundai Motor Commonwealth of Independent States	-	-	14,374	3,959	18,333	14,579
HMJ R&D Center Inc.	1,798	-	22	119	1,939	1,542
Kia Motors Corporation	2,024,647	-	(12,675)	(72,011)	1,939,961	1,542,713
Hyundai Capital Service Inc.	426,864	-	116,899	(24,406)	519,357	413,008
Hyundai Card Co., Ltd.	284,768	-	69,276	5,463	359,507	285,890
Hyundai Rotem	336,191	-	19,862	(14,726)	341,327	271,433
Hyundai HYSCO	250,199	-	5,384	(2,664)	252,919	201,128
Korea Aerospace Industries, Ltd.	79,508	-	956	8,857	89,321	71,030
Hyundai Powertech	142,523	15,000	(798)	(5,933)	150,792	119,914
Hyundai Autonet Co., Ltd.	123,437	-	2,652	(1,839)	124,250	98,807
Dymos Inc.	113,929	-	7,887	320	122,136	97,126
Hyundai Commercial Inc.	-	50,000	3,961	(18,852)	35,109	27,920
WIA Corporation	149,012	-	26,914	(4,212)	171,714	136,552
Korea Economy Daily	25,341	-	1,522	(52)	26,811	21,321
Eukor Car Carriers Inc.	68,165	-	(3,914)	(1,733)	62,518	49,716
Partecs Co.	21,988	-	(209)	-	21,779	17,319
KEFICO Corporation	113,412	-	13,465	(8,863)	118,014	93,848
Autoever Systems Corp.	13,773	-	3,440	24	17,237	13,707
Haevichi Country Club Co., Ltd.	4,500	-	(4,500)	-	-	-
M & Soft Co., Ltd.	3,082	1,647	3,144	(516)	7,357	5,850
Iljin Bearing Co., Ltd.	14,823	-	1,511	(225)	16,109	12,810
Daesung Automotive Co., Ltd.	9,081	-	692	941	10,714	8,520
	<u>₩ 6,616,813</u>	<u>₩ 655,847</u>	<u>₩ 445,301</u>	<u>₩ 87,777</u>	<u>₩ 7,805,738</u>	<u>\$ 6,207,346</u>

- (*) Other changes consist of the decrease by ₩125,500 million (US\$ 99,801 thousand) due to receipt of the dividends, decrease of retained earnings by ₩65,993 million (US\$ 52,480 thousand), increase of accumulated other comprehensive income by ₩275,311 million (US\$ 218,935 thousand) and increase by ₩3,959 million (US\$ 3,148 thousand) due to transfer from long-term investment securities to investment securities accounted for using the equity method.

Investment securities accounted for using the equity method as of December 31, 2008 and 2007 are valued based on the financial statements of the investees as of the same balance sheet date, respectively, which were neither audited nor reviewed by an external auditor.

- (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 Motor America	₩12,868,438	₩11,008,354	₩8,300,365	₩ (79,275)	\$10,233,350	\$ 8,754,158	\$ 6,600,688	\$ (63,042)
Hyundai Motor Manufacturing Czech, Ltd.	1,622,619	972,722	173,212	(142,866)	1,290,353	773,536	137,743	(113,611)
Beijing-Hyundai Motor Company	2,890,200	1,208,791	3,977,693	145,580	2,298,370	961,265	3,163,175	115,769
Hyundai Motor India	2,994,370	2,192,453	3,898,387	7,054	2,381,209	1,743,501	3,100,109	5,610
Hyundai Motor Manufacturing Rus LLC	156,820	3,107	-	4,260	124,708	2,471	-	3,388
Hyundai Motor Japan Co.	19,635	30,777	11,622	(8,574)	15,614	24,475	9,242	(6,818)
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	612,136	661,146	1,217,767	(31,451)	486,788	525,762	968,403	(25,011)
Hyundai Translead	293,334	152,036	293,242	201	233,268	120,903	233,194	160
Hyundai Motor Company Italy S.r.l	305,417	278,676	12,840	(5,323)	242,876	221,611	10,211	(4,233)
Hyundai Motor Europe Technical Center GmbH	167,762	92,368	97,994	279	133,409	73,454	77,928	222
China Millennium Corporations	128,957	76,416	23,936	7,668	102,550	60,768	19,035	6,098
Hyundai Motor (UK) Ltd.	391,509	390,887	606,290	78	311,339	310,845	482,139	62
Hyundai Auto Czech s.r.o	82,580	40,476	83,482	(2,127)	65,670	32,188	66,387	(1,691)
WIA Automotive Engine (ShanDong)Company	286,902	92,697	133,614	19,336	228,153	73,715	106,254	15,377
Hyundai Motor Poland Sp.zo.o.	236,011	199,117	1,366,873	7,857	187,683	158,344	1,086,977	6,248
Beijing Mobis Transmission Co., Ltd.	271,686	86,646	203,428	11,248	216,052	68,903	161,772	8,945
Hyundai Motor Europe GmbH	238,691	199,376	1,620,626	2,361	189,814	158,550	1,288,768	1,878
Hyundai Motor Group China Ltd.	436,560	322,921	1,041,992	41,560	347,165	256,796	828,622	33,050
Hyundai Motor Company Australia	246,583	196,133	843,021	(2,635)	196,090	155,971	670,394	(2,095)
Hyundai America Technical Center Inc.	56,725	22,101	112,178	3,434	45,109	17,575	89,207	2,731
Hyundai Motor Deutschland GmbH	357,299	280,038	835,646	(13,527)	284,134	222,694	664,530	(10,757)
Hyundai Motor Norway AS	25,794	19,940	92,622	(2,737)	20,512	15,857	73,656	(2,177)
Hyundai Motor Hungary	3,866	1,674	-	-	3,074	1,331	-	-
Beijing Jinxian Motor Safeguard Service Co., Ltd.	29,853	21,812	75,509	911	23,740	17,346	60,047	724
Hyundai Motor Commonwealth of Independent States	1,100,270	1,153,027	1,973,685	(81,530)	874,966	916,920	1,569,531	(64,835)
HMJ R&D Center Inc.	9,348	6,052	14,693	106	7,434	4,813	11,684	84
Kia Motors Corporation	15,452,278	9,710,996	16,382,231	113,784	12,288,094	7,722,462	13,027,619	90,484
Hyundai Capital Service Inc.	16,066,041	14,414,356	4,330,324	375,809	12,776,176	11,462,709	3,443,598	298,854
Hyundai Card Co., Ltd.	5,666,377	4,430,721	1,584,997	196,213	4,506,065	3,523,436	1,260,435	156,034
Hyundai Rotem Company	2,388,744	1,913,200	2,253,300	72,900	1,899,598	1,521,431	1,791,889	57,972
Hyundai HYSCO	2,993,362	1,954,018	5,034,605	22,905	2,380,407	1,553,891	4,003,662	18,215
Korea Aerospace Industries, Ltd.	1,019,810	598,500	910,100	18,500	810,982	475,944	723,738	14,712
Hyundai Powertech	1,325,100	907,753	1,000,406	921	1,053,757	721,871	795,551	732
HMC Investment Securities Co., Ltd.	999,213	726,336	170,521	(9,272)	794,603	577,603	135,603	(7,373)
Hyundai Autonet Co., Ltd.	645,443	225,334	1,017,591	(53,181)	513,275	179,192	809,217	(42,291)
Dymos Inc.	799,100	516,414	903,120	16,753	635,467	410,667	718,187	13,322

Affiliated company	Korean Won				Translation into U.S. Dollars (Note 2)			
	Assets	Liabilities	Sales	Net income	Assets	Liabilities	Sales	Net income
	(In millions)				(loss)	(In thousands)		
Hyundai Commercial Inc.	₩ 1,121,166	₩ 1,046,286	₩ 135,638	₩ 13,637	\$ 891,583	\$ 832,037	\$ 107,863	\$ 10,845
WIA Corporation	2,131,100	1,570,500	3,186,500	44,211	1,694,712	1,248,907	2,533,996	35,158
Korea Economy Daily	191,326	72,418	123,244	2,182	152,148	57,589	98,007	1,735
Eukor Car Carriers Inc.	2,358,177	1,788,980	2,288,201	47,357	1,875,290	1,422,648	1,819,643	37,660
Partecs Co.	96,681	55,915	31,180	1,746	76,883	44,465	24,795	1,388
KEFICO Corporation	423,589	177,710	599,577	18,840	336,850	141,320	476,801	14,982
HMC Win-Win Fund	30,065	-	138	65	23,909	-	110	52
Autoever Systems Corp.	218,353	138,072	493,473	21,426	173,641	109,799	392,424	17,039
Haevichi Country Club Co., Ltd.	228,545	261,464	6,900	(8,628)	181,746	207,924	5,487	(6,861)
M & Soft Co., Ltd.	38,830	7,014	44,984	9,593	30,879	5,578	35,773	7,629
Iljin Bearing Co., Ltd.	128,039	43,824	166,558	3,946	101,820	34,850	132,452	3,138
Daesung Automotive Co., Ltd.	71,251	14,637	66,165	3,782	56,661	11,640	52,616	3,008

- (4) Significant unrealized profits (losses) that occurred in transactions with investees in 2008 are as follows:

Transaction type	Korean Won				Translation into U.S. Dollars (Note 2)	
	Beginning of year	Increase	Decrease	End of year	End of year	
	(In millions)				(In thousands)	
Inventories	₩ 138,361	₩ 348,628	₩ (138,361)	₩ 348,628	\$ 277,239	
Property	286,135	187,768	(101,009)	372,894	296,536	
Accrued warranties	(51,463)	(100,919)	(51,463)	(100,919)	(80,254)	
	<u>₩ 373,033</u>	<u>₩ 435,477</u>	<u>₩ (187,907)</u>	<u>₩ 620,603</u>	<u>\$ 493,521</u>	

- Significant unrealized profits (losses) that occurred in transactions with investees in 2007 are as follows:

Transaction type	Korean Won				Translation into U.S. Dollars (Note 2)	
	Beginning of year	Increase	Decrease	End of year	End of year	
	(In millions)				(In thousands)	
Inventories	₩ 110,485	₩ 138,361	₩ (110,485)	₩ 138,361	\$ 110,029	
Property	202,819	152,674	(69,358)	286,135	227,543	
Accrued warranties	(52,035)	(51,463)	52,035	(51,463)	(40,925)	
	<u>₩ 261,269</u>	<u>₩ 239,572</u>	<u>₩ (127,808)</u>	<u>₩ 373,033</u>	<u>\$ 296,647</u>	

- (5) The significant differences of accounting treatments between the Company and investees for similar transactions and accounting events are adjusted. Such adjustments of the difference of accounting treatments decreased the gain on equity method valuation included in current operations by ₩6,218 million (US\$4,945 thousand) and accumulated other comprehensive income by ₩428,886 million (US\$341,062 thousand) in 2008 and decreased the gain on equity method valuation included in current operations by ₩368 million (US\$293 thousand) in 2007.
- (6) The unamortized (or unreversed) balance of goodwill and negative goodwill as of December 31, 2008 is ₩327,808 million (US\$260,682 thousand) and ₩42,993 million (US\$34,189 thousand), respectively. In addition, the unamortized (or unreversed) balance of goodwill and negative goodwill as of December 31, 2007 is ₩248,533 million (US\$197,641 thousand) and ₩46,388 million (US\$36,889 thousand), respectively.

(7) The market price of listed equity securities as of December 31, 2008 is as follows:

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)	
	Price per share	Number of shares	Market value	Market value	
	(In millions, except price per share)			(In thousands)	
Kia Motors Corporation	₩ 6,550	134,285,491	₩ 879,570	\$ 699,459	
Hyundai HYSKO	7,450	20,954,188	156,109	124,142	
HMC Investment Securities Co., Ltd.	12,700	4,343,504	55,163	43,867	
Hyundai Autonet Co., Ltd.	2,515	38,870,000	97,758	77,740	

(8) The cumulative losses not recognized by the Company due to the suspension of the valuation of equity securities using the equity method as of December 31, 2008 and 2007 are ₩462,311 million (US\$367,643 thousand) and ₩107,119 million (US\$85,184 thousand), respectively.

8. 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	₩ 3,946,264	₩ 3,867,824	\$ 3,138,182	\$ 3,075,804
Machinery and equipment	6,224,713	5,997,620	4,950,070	4,769,479
Vehicles	87,279	82,109	69,407	65,295
Dies, molds and tools	3,113,471	2,853,670	2,475,921	2,269,321
Other equipment	776,445	713,637	617,451	567,505
	14,148,172	13,514,860	11,251,031	10,747,404
Less: accumulated depreciation	7,032,969	6,338,929	5,592,818	5,040,898
	7,115,203	7,175,931	5,658,213	5,706,506
Land	1,960,740	1,960,537	1,559,237	1,559,075
Construction in progress	677,858	584,597	539,052	464,888
	₩ 9,753,801	₩ 9,721,065	\$ 7,756,502	\$ 7,730,469

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

	Korean Won						Translation into U. S. Dollars (Note 2)	
	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other changes (*)	End of year	End of year
	(In millions)						(In thousands)	
Land	₩ 1,960,537	₩ -	₩ 875	₩ (672)	₩ -	₩ -	₩ 1,960,740	\$ 1,559,237
Buildings and structures	2,953,834	-	78,895	(354)	(121,705)	-	2,910,670	2,314,648
Machinery and equipment	3,244,015	-	409,353	(39,625)	(444,768)	-	3,168,975	2,520,060
Vehicles	34,866	-	13,501	(1,968)	(9,592)	-	36,807	29,270
Dies, molds and tools	708,094	-	276,173	(638)	(225,668)	-	757,961	602,752
Other equipment	235,122	-	86,226	(2,033)	(78,525)	-	240,790	191,483
Construction in progress	584,597	813,529	(865,023)	(105)	-	144,860	677,858	539,052
Total	₩ 9,721,065	₩ 813,529	₩ -	₩ (45,395)	₩ (880,258)	₩ 144,860	₩ 9,753,801	\$ 7,756,502

(*) Other changes consist of decrease in transfer of ₩6,917 million (US\$5,501 thousand) from construction in progress to industrial property rights and increase in transfer of ₩151,777 million (US\$120,697 thousand) from inventories to construction in progress.

The changes in intangibles in 2008 are as follows:

Description	Korean Won				Translation into
	Industrial	Development	Other	Total	U.S. Dollars (Note 2)
	property rights	costs			Total
(In millions)				(In thousands)	
Beginning of year	₩ 16,639	₩ 1,355,962	₩ 8,523	₩ 1,381,124	\$ 1,098,309
Addition: Expenditures	6,057	681,708	946	688,711	547,683
Deduction: Amortization	(7,389)	(455,584)	(1,000)	(463,973)	(368,965)
End of year	₩ 15,307	₩ 1,582,086	₩ 8,469	₩ 1,605,862	\$ 1,277,027

The changes in intangibles in 2007 are as follows:

Description	Korean Won				Translation into
	Industrial	Development	Other	Total	U.S. Dollars (Note 2)
	property rights	costs			Total
(In millions)				(In thousands)	
Beginning of year	₩ 17,580	₩ 1,091,333	₩ 9,684	₩ 1,118,597	\$ 889,540
Addition: Expenditures	6,540	609,057	171	615,768	489,676
Deduction: Amortization	(7,481)	(344,428)	(1,332)	(353,241)	(280,907)
End of year	₩ 16,639	₩ 1,355,962	₩ 8,523	₩ 1,381,124	\$ 1,098,309

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

	Korean Won		Translation into	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Development costs	₩ 681,708	₩ 609,057	\$ 542,114	\$ 484,340
Ordinary development (manufacturing cost)	98,991	93,593	78,720	74,427
Research costs (SG&A)	395,935	361,560	314,859	287,523
	₩ 1,176,634	₩ 1,064,210	\$ 935,693	\$ 846,290

11. OTHER ASSETS:

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

Description	Korean Won		Translation into	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Long-term financial instruments (Note 3)	₩ 37	₩ 37	\$ 29	\$ 29
Long-term notes and accounts receivable, less unamortized present value discount of ₩6,535 million in 2008 and ₩2,686 million in 2007	26,329	8,559	20,938	6,806
Long-term other accounts receivable, less unamortized present value discount of nil in 2008 and ₩15 million in 2007 (Note 2)	79,724	79,709	63,399	63,387
Long-term loans	3,539	5,881	2,814	4,677
Lease and rental deposits	202,043	190,277	160,670	151,314
Long-term deposits	122,099	104,913	97,097	83,430
	₩ 433,771	₩ 389,376	\$ 344,947	\$ 309,643

12. SHORT-TERM BORROWINGS:

Short-term borrowings as of December 31, 2008 and 2007 amount to ₩1,386,893 million (US\$1,102,897 thousand) and ₩431,209 million (US\$342,910 thousand), respectively, and consist primarily of overdrafts and banker's usance with annual interest rates ranging from Libor + 0.7 percent to 7.94 percent.

13. LONG-TERM DEBT AND DEBENTURES:

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

Description	Annual interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
		2008	2007	2008	2007
		(In millions)		(In thousands)	
Debentures	3.75 ~ 7.56	₩ 1,550,000	₩ 1,400,000	\$ 1,232,604	\$ 1,113,320
Local currency loans:					
General loans	3.00 ~ 4.50	₩ 17,047	₩ 16,802	\$ 13,557	\$ 13,362
		1,567,047	1,416,802	1,246,161	1,126,682
Less: current maturities		300,742	201,461	239,159	160,208
		₩ 1,266,305	₩ 1,215,341	\$ 1,007,002	\$ 966,474

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

Description	Maturity	Interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
			2008	2007	2008	2007
		(In thousands)		(In thousands)		
Non-guaranteed debentures	Nov 29, 2009 ~ Apr 12, 2012	3.75 ~ 7.56	₩ 1,550,000	₩ 1,400,000	\$ 1,232,604	\$ 1,113,320
Less: discount on debentures			3,117	2,455	2,478	1,952
			₩ 1,546,883	₩ 1,397,545	₩ 1,230,126	\$ 1,111,368

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

Description	Debentures	Korean Won		Translation into U.S. Dollars (Note 2)	
		Local currency loans	Total	Total	
		(In millions)		(In thousands)	
2010	₩ 300,000	₩ 959	₩ 300,959	\$ 239,331	
2011	650,000	1,351	651,351	517,973	
2012	300,000	1,716	301,716	239,933	
2013 Thereafter	-	12,279	12,279	9,765	
	1,250,000	16,305	1,266,305	1,007,002	
Less: discount on debentures	3,117	-	3,117	2,478	
	₩ 1,246,883	₩ 16,305	₩ 1,263,188	\$ 1,004,522	

14. COMMITMENTS AND CONTINGENCIES:

- (1) The Company is contingently liable for guarantees of indebtedness, primarily for the following affiliates (including foreign subsidiaries), as of December 31, 2008:

Description	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Hyundai Capital Co., Ltd.	₩ 426,103	\$ 338,849
Hyundai Merchant Marine	228,756	181,913
Hyundai Rotem Company	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
Hyundai Motor India	314,375	250,000
Hyundai Motor Europe GmbH	33,748	26,837
Hyundai Motor Europe Technical Center GmbH	88,811	70,625
Hyundai Motor Manufacturing Czech, s.r.o	657,201	522,625
Hyundai Motor UK Limited.	36,353	28,909
Hyundai Motor Japan Co.	13,939	11,085
HMJ R&D Center Inc.	7,666	6,096
Hyundai Motor Poland Sp.zo.o	8,881	7,063
Hyundai Translead	99,343	79,000
Smart Alabama LLC	150,900	120,000
Hyundai America Technical Center Inc.	25,150	20,000
Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,515	2,000
Beijing Hines Millennium Real Estate Development Co., Ltd.	19,606	15,592
UTS	301,800	240,000
	₩ 4,574,990	\$ 3,638,163

- (2) As of December 31, 2008, 29,713,466 shares of Kia Motors Corporation and 150 investment certificates of Machinery Financial Cooperative in long-term investment securities and investment securities accounted for using the equity method, 2 blank promissory notes, 1 check amounting to ₩2,624 million (US\$2,087 thousand) and property, plant and equipment (See Note 8) are pledged as collateral for short-term borrowings, long-term debt and other payables.
- (3) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩52,161 million (US\$41,480 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.
- (4) 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.
- (5) As of December 31, 2008, the outstanding balance of accounts receivable discounted with recourse amounts to ₩2,450,385 million (US\$1,948,616 thousand), including accounting receivable from export sales.
- (6) 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.

- (7) The Company 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).
- (8) In 2006, the Company sold 10,658,367 shares of Hyundai Rotem Company 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.

15. 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	₩ 3,055,419	₩ 3,084,907	\$ 2,429,757	\$ 2,453,206
Accrual	782,464	320,322	622,238	254,730
Use	(405,459)	(349,810)	(322,433)	(278,179)
End of year	<u>₩ 3,432,424</u>	<u>₩ 3,055,419</u>	<u>\$ 2,759,562</u>	<u>\$ 2,429,757</u>

16. CAPITAL STOCK:

Capital stock as of December 31, 2008 and 2007 consists of the following:

	Authorized	Issued	Par value	Korean Won (In millions)	Translation into
					U.S. Dollars (Note 2) (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 (In millions)	Translation into
					U.S. Dollars (Note 2) (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.

17. CAPITAL SURPLUS:

Capital surplus 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)	
Paid-in capital in excess of par value	₩ 3,321,334	₩ 3,307,943	\$ 2,641,220	\$ 2,630,571
Asset revaluation surplus	1,852,871	1,852,871	1,473,456	1,473,456
Other	677,571	591,246	538,824	470,176
	<u>₩ 5,851,776</u>	<u>₩ 5,752,060</u>	<u>\$ 4,653,500</u>	<u>\$ 4,574,203</u>

On January 1, 1981, January 1, 1993 and July 1, 1998, the Company revalued its property, plant and equipment at their respective appraised values (which were appraised by the Korea Appraisal Board and approved by the relevant tax office). The resultant cumulative appraisal gains, amounting to ₩2,547,417 million (US\$2,025,779 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US\$12,741 thousand), a deferred foreign currency translation loss of ₩594,275 million (US\$472,584 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US\$53,715 thousand) and adjustment of ₩16,702 million (US\$13,282 thousand) due to the disposal of revalued assets within 1 year after revaluation

18. 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)	\$ (572,315)	\$ (575,368)
Stock option cost	-	4,669	-	3,713
	<u>₩ (719,685)</u>	<u>₩ (718,855)</u>	<u>\$ (572,315)</u>	<u>\$ (571,655)</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\$572,315 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\$ 575,368 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.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

Accumulated other comprehensive income (loss) 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	₩ 365,569	₩ 770,114	\$ 290,711	\$ 612,417
Gain (loss) on valuation of investment securities accounted for using the equity method, net	421,980	(551,420)	335,571	(438,505)
Loss on valuation of derivatives, net	(175,396)	(20,682)	(139,480)	(16,447)
	<u>₩ 612,153</u>	<u>₩ 198,012</u>	<u>\$ 486,802</u>	<u>\$ 157,465</u>

20. 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	₩ 1,447,904	₩ 1,682,419	\$ 1,151,415	\$ 1,337,908
Other comprehensive income (loss):				
Gain (loss) on valuation of available-for-sale securities, net of deferred tax effect ₩189,003 million and ₩218,066 million in 2008 and 2007, respectively.	(404,545)	574,900	(321,706)	457,177
Gain on valuation of investment securities accounted for using the equity method, net of deferred tax effect ₩200,580 million and ₩40,281 million in 2008 and 2007, respectively.	973,401	235,030	774,076	186,903
Loss on valuation of derivatives, net of deferred tax effect ₩43,273 million and ₩13,365 million in 2008 and 2007, respectively.	(154,715)	(35,231)	(123,034)	(28,017)
Comprehensive income	<u>₩ 1,862,045</u>	<u>₩ 2,457,118</u>	<u>\$ 1,480,751</u>	<u>\$ 1,953,971</u>

21. RETAINED EARNINGS:

Retained earnings 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)	
Appropriated:				
Legal reserve	₩ 278,570	₩ 250,970	\$ 221,527	\$ 199,579
Reserve for business rationalization	545,800	545,800	434,036	434,036
Reserve for improvement of financial structure	98,947	98,947	78,685	78,685
Reserve for overseas market development	48,800	48,800	38,807	38,807
Reserve for technology development	<u>10,193,100</u>	<u>8,868,100</u>	<u>8,105,845</u>	<u>7,052,167</u>
	11,165,217	9,812,617	8,878,900	7,803,274
Before appropriations	<u>1,253,837</u>	<u>1,671,817</u>	<u>997,087</u>	<u>1,329,477</u>
	<u>₩ 12,419,054</u>	<u>₩ 11,484,434</u>	<u>\$ 9,875,987</u>	<u>\$ 9,132,751</u>

The Korean Commercial Code requires the Company to appropriate, as a legal reserve, a minimum of 10 percent of annual cash dividends declared, until such reserve equals 50 percent of its capital stock issued. The Regulation on Issues and Disclosures of the Securities for listed companies requires the Company to appropriate, as a reserve for improvement of financial structure, an amount equal to at least 50 percent of the net gain on disposal of property, plant and equipment and 10 percent of net income for each year until the Company's net worth equals 30 percent of total assets. These reserves are not available for the payment of cash dividends, but may be transferred to capital stock or may be used to reduce any accumulated deficit.

The reserves for business rationalization, overseas market development, technological development and research and manpower development are voluntary reserves, which are available for the payment of dividends.

Appropriations of retained earnings for the year ended December 31, 2008 were approved at the shareholders' meeting on March 13, 2009 and the appropriations including the cash dividends of ₩235,715 million (US\$187,447 thousand) are reflected in retained earnings on that date.

22. DIVIDENDS:

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

	Number of shares	Dividend rate	Translation into U.S. Dollars (Note 2)	
			Korean Won (In millions)	(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%	<u>34,783</u>	<u>27,660</u>
			<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%	₩ 208,803	\$ 166,046
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>₩ 275,997</u>	<u>\$ 219,481</u>

The payout ratios (dividends declared/net income) are 16.3% and 16.4% for the years ended December 31, 2008 and 2007, respectively.

23. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

Income tax expense in 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)	
Income tax currently payable	₩ 571,015	₩ 532,246	\$ 454,087	\$ 423,257
Changes in deferred taxes due to:				
Temporary differences	(298,387)	208,943	(237,286)	166,157
Carry forward of unused tax credits	-	33,530	-	26,664
Income tax charged or credited to equity	(25,528)	(5,108)	(20,301)	(4,062)
Deferred tax charged or credited to equity	100,008	(230,003)	79,530	(182,904)
Income tax expense	<u>₩ 347,108</u>	<u>₩ 539,608</u>	<u>\$ 276,030</u>	<u>\$ 429,112</u>

The differences between income before tax in financial accounting and income tax expense pursuant to Corporate Income Tax Law of Korea 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)	
Income before income tax	₩ 1,795,012	₩ 2,222,027	\$ 1,427,445	\$ 1,767,020
Income tax expenses calculated at current applicable tax rates of 27.5%	493,598	611,044	392,523	485,920
Adjustments:				
Non-taxable income	(24,379)	(11,845)	(19,387)	(9,419)
Disallowed expenses	3,364	39,150	2,675	31,133
Tax credits	(131,613)	(129,619)	(104,662)	(103,077)
Tax effects of temporary differences	13,655	(13,830)	10,859	(10,998)
Other	(7,517)	44,708	(5,978)	35,553
Income tax expense	<u>₩ 347,108</u>	<u>₩ 539,608</u>	<u>\$ 276,030</u>	<u>\$ 429,112</u>

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Current	Non current	Current	Non current
	(In millions)		(In thousands)	
Investment securities accounted for using the equity method	₩ -	₩ (511,568)	\$ -	\$ (406,814)
Accrued warranties	222,393	552,958	176,853	439,728
Long-term investment securities	-	(96,944)	-	(77,093)
Reserve for research and manpower development	24,200	(88,000)	19,245	(69,980)
Depreciation	(12,143)	(76,076)	(9,656)	(60,498)
Development cost	(14)	68	(11)	54
Derivative assets	49,159	36,989	39,093	29,415
Accrued income	(32,300)	-	(25,686)	-
Gain on foreign exchange translation	13,800	-	10,974	-
Other	14	27,663	10	21,997
	<u>₩ 265,109</u>	<u>₩ (154,910)</u>	<u>\$ 210,822</u>	<u>\$ (123,189)</u>

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Current	Non current	Current	Non current
	(In millions)		(In thousands)	
Investment securities accounted for using the equity method	₩ -	₩ (602,880)	\$ -	\$ (479,427)
Accrued warranties	239,456	600,784	190,422	477,761
Long-term investment securities	-	(284,443)	-	(226,197)
Reserve for research and manpower development	(13,750)	(82,500)	(10,934)	(65,606)
Depreciation	(22,976)	(77,266)	(18,271)	(61,444)
Development cost	53	-	42	-
Derivative assets(liabilities)	(209)	34,586	(166)	27,503
Accrued income	(17,566)	-	(13,969)	-
Other	95	26,350	75	20,954
	<u>₩ 185,103</u>	<u>₩ (385,369)</u>	<u>\$ 147,199</u>	<u>\$ (306,456)</u>

The components of items charged to equity as of December 31, 2008 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Temporary differences	Tax effect	Temporary differences	Tax effect
	(In millions)		(In thousands)	
Income tax charged or credited to:				
Gains on sale of treasury stock	₩ 3,420	₩ 940	\$ 2,720	\$ 748
Capital surplus	(96,248)	(26,468)	(76,539)	(21,048)
	<u>₩ (92,828)</u>	<u>₩ (25,528)</u>	<u>\$ (73,819)</u>	<u>\$ (20,300)</u>
Deferred tax charged or credited to:				
Capital surplus	₩ (12,418)	₩ 17,030	\$ (9,875)	\$ 13,543
Retained earnings	233,103	51,282	185,370	40,780
Accumulated comprehensive income	(18,718)	31,696	(14,885)	25,206
	<u>₩ 201,967</u>	<u>₩ 100,008</u>	<u>\$ 160,610</u>	<u>\$ 79,529</u>

The components of items charged to equity as of December 31, 2007 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Temporary differences	Tax effect	Temporary differences	Tax effect
	(In millions)		(In thousands)	
Income tax charged or credited to				
Gains on sale of treasury stock	₩ (18,574)	₩ (5,108)	\$ (14,771)	\$ (4,062)
Deferred tax charged or credited to:				
Retained earnings	54,468	14,979	43,315	11,912
Accumulated comprehensive income	(890,842)	(244,982)	(708,424)	(194,817)
	<u>₩ (836,374)</u>	<u>₩ (230,003)</u>	<u>\$ (665,109)</u>	<u>\$ (182,905)</u>

The deferred tax assets related to the deductible temporary differences arising from investments in subsidiaries and associates of ₩24,873 million (US\$19,780 thousand) and other of ₩9,797 million (US\$7,791 thousand) as of December 31, 2008 were not recognized since it is not probable that the temporary difference will be reversed in the foreseeable future. Also, the deferred tax liabilities related to the deductible temporary differences arising from investments in subsidiaries and associates of ₩87,162 million (US\$69,314 thousand) and the gain on revaluation of land of ₩98,879 million (US\$78,631 thousand) as of December 31, 2008 were not recognized since the land may not be disposed of 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.

24. RELATED PARTY TRANSACTIONS:

(1) The consolidated subsidiaries as of December 31, 2008 are as follows:

<u>Description</u>	<u>Subsidiaries</u>
Domestic subsidiaries	Kia Motors Corporation, Hyundai HYSCO, Hyundai Capital Service Inc., Hyundai Card Co., Ltd., KEFICO Corporation, Hyundai Powertech, WIA Corporation, Dymos Inc., Automobile Industrial Ace Corporation, Hyundai Rotem Company, Haevichi Resort Co., Ltd., METIA Co., Ltd., Mseat Co., Ltd., Autoever Systems Corp., Hyundai Autonet Co., Ltd. Partecs Co., Ltd., M & Soft Co., Ltd., KIA Tigers Co., Ltd., NGVTEK.Com, Haevichi Country Club Co., Ltd. and Hyundai Commercial Inc.
Foreign subsidiaries	Hyundai Motor India (HMI), Hyundai Motor America (HMA), Hyundai Motor Japan Co. (HMJ), Hyundai Motor Poland Sp.Zo.O (HMP), Hyundai Motor Europe GmbH (HME), Hyundai Motor Company Australia (HMCA), Hyundai Motor (UK) Ltd. (HMUK), Hyundai Motor Norway AS (HMN), Hyundai Motor Hungary (HMH), Hyundai Translead, Inc. (HT), Hyundai America Technical Center Inc.(HATCI), Hyundai Motor Europe Technical Center GmbH (HMETC), Beijing Mobis Transmission Co., Ltd. (BMT), Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.,(HAOSVT), Hyundai Motor Group (China) LTD. (HMGC), Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS), Hyundai Motor Manufacturing Alabama, LLC, (HMMA), Hyundai Motor Finance Company (HMFC), Hyundai Auto Canada Corp.(HACC), Hyundai Auto Canada Captive Insurance Incorporation, (HACCII), Hyundai Motor Japan R&D Center Inc. (HMJ R&D), HACC Inc., World Marketing Group LLC (WMG), Hyundai de Mexico, S.A. de C.V. (HYMEX), Stamped Metal America Research Technology Inc., (SMARTI), Stamped Metal America Research Technology LLC, China Millenium Corporations (CMEs), Beijing Hines, Millennium Real Estate Development, Hyundai Motor Manufacturing Czech, Ltd. (HMMC), Hyundai Information System North America LLC (HISNA), Hyundai Motor Commonwealth of Independent States(HMCIS), KIA Motors America Inc. (KMA), KIA Japan Co., Ltd. (KJC), KIA Motors Deutschland GmbH (KMD), KIA Canada, Inc.(KCI), KIA Motors Polska Sp.z.o.o. (KMP), KIA Motors Europe GmbH (KME), Kia Motors Slovakia S.r.o. (KMS), Kia Motors Slovensko S.r.o. (KMSS), KIA Motors Belgium N.V. (KMBI), KIA Motors Czech s.r.o. (KMCZ), KIA Motors (UK) Ltd. (KMUK), KIA Motors Austria GmbH (KMAS), KIA Motors Hungary Kft (KMH), Kia Motors Iberia (KMIB), Kia Motors Sweden AB (KMSW), Kia Automobiles France (KMF), Kia Motors Australia Pty Ltd (KMAU), Dong Feng Yueda Kia Motors, Yanji Kia Motors A/S and Repair, Hyundai Hysco USA, Inc., Hysco America Co. Inc., Hysco Slovakia S.r.o., Beijing Hyundai Hysco Steel Process Co, Ltd., Jiangsu Hyundai Hysco Steel Process Co., Ltd., Hysco Steel India, Ltd., Hyundai-Kia Machine America Corp. (HKMA), Hyundai-Kia Machine Europe GmbH (HKME), Wia Automotive Parts, WIA Automotive Engine (ShanDong) Company, Dymos Czech Republic S.r.o., Rotem Equipments (Beijing) Co., Ltd., EUROTEM, Autoever Systems India Private Limited, Autoever Systems China Co., Ltd., Hyundai Autonet Pontus America, Hyundai Electronics (Tianjin) Co., Ltd., Rio Vista, Rotem USA Corporation, Kia Motors New Zealand LTD (KMNZ), Wia Trade Corporation, Kia Motors Manufacturing Georgia, Inc. (KMMG), Hyundai Motor India Engineering (HMIE), Autoever Systems Europe GmbH, HYSCO CZECH s.r.o., Hyundai Motor Manufacturing Rus LLC(HMMR), Hyundai Auto Czech s.r.o. (HMCZ) and Hyundai Motor Company Italy S.r.l (HMCI)

(2) Significant transactions with subsidiaries and affiliates in 2008 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 528,339	₩ 200,334	\$ 420,150	\$ 159,311
Hyundai Capital Service Inc.	685,071	40,285	544,788	32,036
WIA Corporation	154,000	334,713	122,465	266,173
Hyundai Powertech	28,154	231,322	22,389	183,954
Hyundai Rotem Company	2,381	8,306	1,893	6,605
Hyundai HYSKO	2,277	228,899	1,811	182,027
METIA Co., Ltd.	2,072	47,708	1,648	37,939
Hyundai Autonet Co., Ltd.	678	112,036	539	89,094
Dymos Inc.	620	444,376	493	353,381
Hyundai Card Co., Ltd.	452	75,617	359	60,133
KEFICO Corporation	379	363,791	301	289,297
Autoever Systems Corp.	189	175,592	150	139,636
Haevichi Resort	109	8,510	87	6,767
Partecs Co., Ltd.	51	16,339	41	12,993
NGVTEK.Com	49	13,556	39	10,780
Carnes Company Ltd.	1	6,583	1	5,235
Automobile Industrial Ace Corp.	-	1,101	-	876
Hyundai Motor America	3,146,443	-	2,502,142	-
Hyundai Motor Europe GmbH	1,234,800	-	981,948	-
Hyundai Motor Poland Sp. Zo.O	1,115,737	-	887,266	-
Hyundai Motor India	910,366	325	723,949	258
Hyundai Auto Canada Corp.	733,558	-	583,346	-
Hyundai Motor Commonwealth of Independent States	733,097	-	582,980	-
Hyundai Motor Group (China)	592,586	-	471,241	-
Hyundai Motor Company Australia	556,663	-	442,674	-
HAOSVT	488,919	-	388,802	-
Hyundai Motor Manufacturing Alabama, LLC	248,067	479	197,270	381
Hyundai Motor Manufacturing Czech	55,285	-	43,964	-
Hyundai Motor Norway AS	43,797	-	34,829	-
Hyundai Auto Czech s.r.o. (*2)	36,911	-	29,353	-
Hyundai Motor Company Italy S.r.l (*2)	29,487	-	23,449	-
Hyundai Motor Japan Co.	5,432	-	4,320	-
Hyundai Motor Europe Technical Center GmbH	110	53,222	87	42,324
Hyundai America Technical Center Inc.	2,396	73,192	1,905	58,204
Others	1,576	2,433	1,253	1,935
Affiliates:				
Hyundai MOBIS	373,301	3,262,899	296,860	2,594,751
Hyundai Steel Company	3,034	1,945	2,413	1,547
Beijing-Hyundai Motor Company	325,178	13,343	258,591	10,611
EUKOR Car Carriers, Inc.	556	765,147	442	608,467
HMJ R&D Center Inc.	10	9,902	8	7,874
Iljin Bearing Co., Ltd.	-	28,101	-	22,347
Others	1	1,488	1	1,183
Others (*1):				
Glovis Co., Ltd.	32,290	445,772	25,678	354,491
Amco Corp.	2,007	161,145	1,596	128,147
IHL Corp.	41	83,547	33	66,439
Innocean Worldwide, Inc.	24	28,191	19	22,418

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
BNG Steel Co., Ltd.	₩ 14	₩ 79,416	\$ 11	\$ 63,154
Wisco Co., Ltd.	2	85,035	2	67,622
Samwoo Co., Ltd. (*2)	1	103,568	1	82,360
Others	1	8,116	1	6,454
	<u>₩ 12,076,512</u>	<u>₩ 7,516,334</u>	<u>\$ 9,603,588</u>	<u>\$ 5,977,204</u>

(*1) Affiliated companies of the Company according to the Monopoly Regulation and Fair Trade Act

(*2) For newly joined affiliated company in the current year, the transaction amounts shown above only cover the term while being affiliated in accordance with SKAS No.20.

Significant transactions with subsidiaries and affiliates in 2007 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 470,458	₩ 423,118	\$ 374,122	\$ 336,476
Hyundai Capital Service Inc.	518,221	20,519	412,104	16,317
WIA Corporation	189,842	263,619	150,968	209,637
Hyundai Powertech	27,010	207,525	21,479	165,030
Hyundai Rotem Company	2,134	44,198	1,697	35,148
Hyundai HYSCO	1,863	200,880	1,481	159,746
METIA Co., Ltd.	1,696	47,828	1,349	38,034
Hyundai Autonet Co., Ltd.	1,428	101,441	1,136	80,669
Dymos Inc.	586	512,616	466	407,647
Hyundai Card Co., Ltd.	364	71,875	289	57,157
Haevichi Resort	314	6,538	250	5,199
Autoever Systems Corp.	173	165,217	138	131,385
KEFICO Corporation	82	322,634	64	256,568
NGVTEK.Com	37	10,646	29	8,466
Carnes Co., Ltd.	2	6,322	2	5,027
Partecs Co., Ltd.	-	11,102	-	8,829
Automobile Industrial Ace Corp.	-	1,502	-	1,194
Hyundai Motor America	2,723,242	-	2,165,600	-
Hyundai Motor Europe GmbH	2,628,881	-	2,090,561	-
Hyundai Motor Poland Sp. Zo.O	795,821	-	632,860	-
Hyundai Motor India	616,646	-	490,375	-
HAOSVT	613,121	-	487,571	-
Hyundai Auto Canada Corp.	579,281	-	460,661	-
Hyundai Motor Company Australia	486,677	-	387,019	-
Hyundai Motor Group (China) Ltd.	426,257	-	338,972	-
Hyundai Motor Manufacturing Alabama, LLC	306,621	409	243,834	325
Hyundai Motor Norway AS	62,553	-	49,744	-
Hyundai Motor Japan Co.	6,287	-	5,000	-
Hyundai Motor Hungary	1,382	-	1,099	-
Beijing Mobis Transmission Co., Ltd.	1,097	-	872	-
Hyundai Motor Europe Technical Center GmbH	101	16,625	80	13,221
Hyundai America Technical Center Inc.	15	47,057	12	37,421
Others	1,617	2,315	1,285	1,841

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
Affiliates:				
Hyundai MOBIS	₩ 389,543	₩ 3,144,665	\$ 309,776	\$ 2,500,728
Hyundai Steel Company	3,268	1,822	2,599	1,449
Beijing-Hyundai Motor Company	418,959	41,806	33,168	33,245
EUKOR Car Carriers, Inc.	879	534,026	698	424,673
HMJ R&D Center Inc.	6	4,272	5	3,397
Iljin Bearing Co., Ltd.	1	33,597	1	26,717
Others	12	1,303	10	1,036
Others (*):				
Glovis Co., Ltd.	89,077	429,515	70,837	341,563
Amco Corp.	2,005	229,432	1,594	182,451
IHL Corp.	70	87,214	56	69,355
Innocean Worldwide, Inc.	26	28,309	21	22,512
BNG Steel Co., Ltd.	14	70,106	11	55,750
Wisco Co., Ltd.	12	64,931	10	51,635
Others	119	59,551	95	47,357
	<u>₩ 11,367,800</u>	<u>₩ 7,214,535</u>	<u>\$ 9,040,000</u>	<u>\$ 5,737,205</u>

(*) Affiliated companies of the Company according to the Monopoly Regulation and Fair Trade Act

(3) Significant outstanding balances as of December 31, 2008 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 236,786	₩ 110,425	\$ 188,299	\$ 87,813
Hyundai Capital Service Inc.	71,283	3,289	56,686	2,616
WIA Corporation	31,796	56,139	25,285	44,643
Hyundai Powertech	12,737	86,363	10,129	68,678
Hyundai Rotem Company	564	23,898	449	19,004
Hyundai HYSCO	1,760	38,933	1,400	30,961
METIA Co., Ltd.	80	12,033	64	9,569
Hyundai Autonet Co., Ltd.	195	30,447	155	24,212
Dymos Inc.	3,164	112,500	2,516	89,463
Hyundai Card Co., Ltd.	29,921	35,139	23,794	27,944
KEFICO Corporation	770	55,010	612	43,746
Autoever Systems Corp.	19	68,637	15	54,582
Haevichi Resort	30,063	818	23,907	650
Partecs Co., Ltd.	1	3,873	1	3,080
NGVTEK.Com	15	6,502	12	5,171
Hyundai Motor America	148,531	16,444	118,116	13,077
Hyundai Motor Europe GmbH	96,001	-	76,343	-
Hyundai Motor Poland Sp. Zo.O	5,945	499	4,728	397
Hyundai Motor India	174,748	10	138,965	8
Hyundai Auto Canada Corp.	24,338	2,189	19,354	1,741
Hyundai Motor Commonwealth of Independent States	52,066	7,670	41,404	6,099
Hyundai Motor Group (China) LTD.	66,151	-	52,605	-
Hyundai Motor Company Australia	41,627	3,263	33,103	2,595
HAOSVT	13,891	356	11,047	283
Hyundai Motor Manufacturing Alabama, LLC	27,853	-	22,150	-

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Hyundai Motor Manufacturing Czech, Ltd.	₩ 61,701	₩ 70	\$ 49,066	\$ 56
Hyundai Auto Czech s.r.o. (*2)	5,431	1,954	4,319	1,554
Hyundai Motor Company Italy S.r.l (*2)	7,630	-	6,068	-
Hyundai Motor Europe Technical Center GmbH	-	6,742	-	5,361
Hyundai America Technical Center Inc.	6	8,352	5	6,642
Others	5,181	8,599	4,120	6,838
Affiliates:				
Hyundai MOBIS	75,275	650,614	59,860	517,387
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
HMJ R&D Center Inc.	-	1,294	-	1,029
Others	31	2,015	25	1,602
Others (*1):				
Glovis Co., Ltd.	502	43,426	398	34,534
Amco Corp.	329	61,267	262	48,721
IHL Corp.	36	19,551	29	15,548
Innocean Worldwide, Inc.	9	56,757	7	45,135
BNG Steel Co., Ltd.	4	10,748	3	8,547
Wisco Co., Ltd.	470	26,177	374	20,817
Samwoo Co., Ltd.(*2)	1	11,160	1	8,875
Others:	13	1,344	9	1,068
	<u>₩ 1,269,539</u>	<u>₩ 1,710,610</u>	<u>\$ 1,009,574</u>	<u>\$ 1,360,326</u>

(*1) Affiliated companies of the Company according to the Monopoly Regulation and Fair Trade Act

(*2) For newly joined affiliated company in the current year, the transaction amounts shown above only cover the term while being affiliated in accordance with SKAS No.20.

Significant outstanding balances as of December 31, 2007 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 175,386	₩ 162,781	\$ 139,472	\$ 129,448
Hyundai Capital Service Inc.	107,882	6,786	85,791	5,396
WIA Corporation	24,852	36,219	19,763	28,802
Hyundai Powertech	18,465	59,396	14,684	47,233
Hyundai Rotem Company	3	28,815	2	22,915
Hyundai HYSCO	2,830	48,039	2,250	38,202
METIA Co., Ltd.	114	8,611	91	6,848
Hyundai Autonet Co., Ltd.	140	21,560	111	17,145
Dymos Inc.	4,487	86,668	3,568	68,921
Hyundai Card Co., Ltd.	36,406	34,607	28,951	27,520
Haevichi Resort	9	1,118	7	889
Autoever Systems Corp.	21	64,446	17	51,249
KEFICO Corporation	905	39,854	720	31,693
NGVTEK.Com	232	3,125	184	2,485
Partecs Co., Ltd.	45	9,370	36	7,451
Hyundai Motor America	9,240	2,674	7,348	2,126
Hyundai Motor Europe GmbH	28,630	3,608	22,767	2,869

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Hyundai Motor Poland Sp. Zo.O	₩ 5,435	₩ 1,143	\$ 4,322	\$ 909
Hyundai Motor India	9,127	241	7,258	192
HAOSVT	3,038	112	2,416	89
Hyundai Auto Canada Corp.	1,766	11	1,404	9
Hyundai Motor Company Australia	20,695	137	16,457	109
Hyundai Motor Group (China) LTD.	4,019	194	3,196	154
Hyundai Motor Manufacturing Alabama, LLC	15,395	671	12,243	534
Beijing Mobis Transmission Co., Ltd.	5,781	-	4,597	-
Hyundai Motor Europe Technical Center GmbH	186	35,596	148	28,307
Hyundai America Technical Center Inc.	39	5,626	31	4,474
Others	1,243	2,674	990	2,127
Affiliates:				
Hyundai MOBIS	126,432	548,361	100,542	436,072
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
HMJ R&D Center Inc.	2	8,550	2	6,799
Others	34	573	28	457
Others (*):				
Glovis Co., Ltd.	2,494	51,675	1,983	41,093
Amco Corp.	320	66,040	254	52,517
IHL Corp.	61	15,269	49	12,143
Innocean Worldwide, Inc.	37	44,572	29	35,445
BNG Steel Co., Ltd.	9	7,669	7	6,099
Wisco Co., Ltd.	591	11,109	470	8,834
	<u>₩ 623,912</u>	<u>₩ 1,481,055</u>	<u>\$ 496,153</u>	<u>\$ 1,177,777</u>

(*) Affiliated companies of the Company according to the Monopoly Regulation and Fair Trade Act

- (4) Compensations for registered directors and unregistered directors of the Company for the year ended December 31, 2008 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	(In millions)		(In thousands)	
Short-term salaries	₩	53,733	\$	42,730
Severance benefits		<u>13,338</u>		<u>10,607</u>
	₩	<u>67,071</u>	\$	<u>53,337</u>

Accrued severance benefits for the directors as of December 31 2008 amount to ₩97,350 million (US\$77,416 thousand).

25. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

The assets and liabilities denominated in foreign currencies as of December 31, 2008 and 2007 are summarized below.

	Foreign currencies				Korean Won			
	2008		2007		2008		2007	
	(In thousands)				(In millions)			
Assets	US\$	984,640	US\$	773,350	₩	1,238,184	₩	972,488
	JP ¥	360,566	JP ¥	9,225		5,026		129
	GBP	2,179	GBP	6,425		3,961		11,678
	CAD	23,240	CAD	18,363		24,131		19,066
	EUR	294,476	EUR	457,264		523,053		812,201
	AUD	22,261	AUD	24,201		19,367		21,055
	AED	174,194	AED	301,745		59,635		103,302
					₩	1,873,356	₩	1,939,919
Liabilities	US\$	262,397	US\$	270,057	₩	329,964	₩	339,597
	JP ¥	18,626,978	JP ¥	21,525,333		259,640		300,039
	GBP	11,584	GBP	12,661		21,055		23,013
	CAD	5,252	CAD	2,588		5,453		2,687
	AUD	13,812	AUD	3,818		12,017		3,322
	EUR	253,847	EUR	180,238		450,889		320,142
	SGD	1	SGD	57		1		50
	CHF	326	CHF	595		388		709
	DKK	6	DKK	9		2		2
	SEK	1	SEK	55		1		9
	AED	70	AED	235		24		80
	HKD	-	HKD	7		-		1
	NOK	-	NOK	9		-		2
					₩	1,079,434	₩	989,653

26. REGIONAL SALES INFORMATION:

Sales by region in 2008 and 2007 are as follows:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Domestic sales	₩ 12,292,161	₩ 12,933,386	\$ 9,775,078	\$ 10,284,999
Export sales - Vehicle products:				
North America	3,879,616	3,302,428	3,085,182	2,626,185
Europe	4,913,134	4,712,506	3,907,065	3,747,520
South America	2,062,358	1,576,026	1,640,046	1,253,301
Asia & Pacific	1,663,366	1,280,704	1,322,756	1,018,452
Middle Asia & Africa	3,834,672	2,730,049	3,049,441	2,171,013
	16,353,146	13,601,713	13,004,490	10,816,471
Export sales - Other	3,544,479	4,084,572	2,818,671	3,248,169
Export sales	19,897,625	17,686,285	15,823,161	14,064,640
Total sales	₩ 32,189,786	₩ 30,619,671	\$ 25,598,239	\$ 24,349,639

27. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses in 2008 and 2007 are 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)		(In thousands)	
Salary-related costs	₩ 1,201,278	₩ 1,141,973	\$ 955,291	\$ 908,130
Export-related costs	1,013,189	771,488	805,717	613,509
Sales promotion and advertisements	737,338	343,727	586,352	273,342
Sales commissions	444,134	468,833	353,188	372,829
Sales warranties	879,053	385,879	699,048	306,862
Taxes and dues	25,517	47,083	20,292	37,442
Communications	19,337	18,975	15,377	15,089
Utilities	20,911	17,964	16,629	14,285
Freight and warehousing	83,398	83,124	66,320	66,103
Rent	15,412	14,417	12,256	11,465
Travel	73,977	65,250	58,829	51,889
Service charges	198,123	178,637	157,553	142,057
Maintenance	18,308	17,535	14,559	13,944
Supplies	13,141	15,983	10,450	12,710
Research	395,935	361,560	314,859	287,523
Depreciation	72,254	71,082	57,458	56,526
Amortization	8,389	8,813	6,671	7,009
Provision for other liabilities	24,063	12,712	19,136	10,109
Other	10,164	10,264	8,083	8,162
	<u>₩ 5,253,921</u>	<u>₩ 4,035,299</u>	<u>\$ 4,178,068</u>	<u>\$ 3,208,985</u>

28. SUMMARY OF RESULTS OF OPERATIONS FOR THE LAST QUARTER (UNAUDITED):

Results of operations for the last quarters of 2008 and 2007 are 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)	
Sales	₩ 8,830,646	₩ 8,736,168	\$ 7,022,383	\$ 6,947,251
Gross profit	2,170,436	1,810,140	1,725,993	1,439,475
Operating income	581,047	636,484	462,065	506,150
Income before income tax	316,092	511,661	251,365	406,887
Net income	243,549	338,018	193,677	268,802
Earnings per common share	894	1,246	711	991

29. STANDARD ON NATURAL ENVIRONMENT AND POLICY:

The Ministry of Environment appointed the Company as Green Company (May 25, 1996 ~ December 13, 1997) and the Company acquired ISO14001 authentication of environment system (December 1995 ~ December 1998). Disposal of industrial wastes is mostly deputed, and the Ulsan factory has constructed combined waste water facilities in 1997. For the years ended December 31, 2008 and 2007, expenditures of power and water supply in manufacturing cost are ₩234,700 million (US\$186,640 thousand) and ₩218,500 million (US\$173,757 thousand), respectively

Independent Accountant's Review Report on Internal Accounting Control System ("IACS")

English Translation of a Report Originally Issued in Korean

To the Representative Director of
Hyundai Motor Company:

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of Hyundai Motor Company (the "Company") as of December 31, 2008. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2008, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2008, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, objective of which is to obtain a lower level of assurance than an audit, of the Management's Report in all material respects. A review includes obtaining an understanding of a company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

A company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2008, and we did not review its IACS subsequent to December 31, 2008. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.



January 23, 2009

Report on the Assessment of Internal Accounting Control System (“IACS”)

To the Board of Directors and Audit Committee of
Hyundai Motor Company:

I, as the Internal Accounting Control Officer (“IACO”) of Hyundai Motor Company (“the Company”), assessed the status of the design and operation of the Company’s IACS for the year ended December 31, 2008.

The Company’s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been appropriately designed and is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of preparing and disclosing reliable financial statements. I, as the IACO, applied the IACS Framework established by the Korea Listed Companies Association for the assessment of design and operation of the IACS.

Based on the assessment of the IACS, the Company’s IACS has been appropriately designed and is operating effectively as of December 31, 2008, in all material respects, in accordance with the IACS Framework.

January 22, 2009

Chung, Tae Hwan, Internal Accounting Control Officer