

HYUNDAI CORPORATION

Non-Consolidated Financial Statements

December 31, 2008

HYUNDAI CORPORATION

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December 31, 2008

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Report of Independent Auditors

To the Shareholders and Board of Directors of
HYUNDAI CORPORATION

We have audited the accompanying non-consolidated balance sheet of HYUNDAI CORPORATION (the "Company") as of December 31, 2008, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the year then ended, 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 audit. The financial statements of the Company as of and for the year ended December 31, 2007, presented herein for comparative purposes, were audited by other auditors whose report dated February 1, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in conformity 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 audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements as of and for the year ended December 31, 2008, referred to above present fairly, in all material respects, the financial position of HYUNDAI CORPORATION as of December 31, 2008, and the results of its operations, the changes in its retained earnings, changes in shareholders' equity and cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Samil PricewaterhouseCoopers

As discussed in Notes 28 and 29 to the financial statements, the Company amended the outstanding memorandum of understanding with its creditors and is going to proceed with its debt workout plan until December 31, 2009. As of report date, the successful completion of the workout plan could not be ascertained.

The amounts expressed in U.S. dollars are provided solely for the convenience of the reader and have been translated on the basis set forth in Note 3 to the accompanying financial statements.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used 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 who are informed about Korean accounting principles or auditing standards and their application in practice.

Seoul, Korea
February 23, 2009

This report is effective as of February 23, 2009, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI CORPORATION
Non-Consolidated Balance Sheets
December 31, 2008 and 2007

<i>(in thousands)</i>	Korean Won		U.S. Dollars (Note 3)
	2008	2007	2008
Assets			
Current assets			
Cash and cash equivalents, net (Note 4)	₩ 78,013,336	₩ 30,766,730	\$ 62,038
Short-term financial instruments	17,243,290	59,988,180	13,712
Short-term investments (Note 5)	18,910	7,000	15
Trade accounts receivable, net (Note 23)	214,257,429	147,040,219	170,384
Other accounts receivable, net (Note 23)	10,458,161	1,278,441	8,317
Accrued income, net (Note 23)	4,671,165	4,139,253	3,715
Advance payments, net (Note 23)	46,839,466	6,930,723	37,248
Prepaid expenses	653,059	588,347	519
Guarantee deposits	1,308,198	108,398	1,040
Deferred income tax assets (Note 14)	7,948,091	7,622,725	6,321
Inventories, net	81,573,895	51,571,067	64,870
Derivative assets (Note 25)	2,510,209	-	1,996
Others	790,702	565,048	628
Total current assets	466,285,911	310,606,131	370,803
Long-term investments (Note 4)	90,606	32,986	72
Available-for-sale securities (Notes 6 and 8)	6,008,315	7,549,971	4,778
Equity method investments (Notes 7 and 8)	62,287,400	63,579,784	49,533
Investments in petroleum development projects (Notes 8 and 23)	102,161,696	98,909,747	81,242
Long-term loans receivable, net (Notes 8 and 23)	39,516,769	38,576,481	31,425
Property, plant and equipment, net (Note 9)	869,553	1,008,244	691
Intangible assets, net (Note 10)	47,939,197	29,561,248	38,123
Notes receivable for deferred payment, net	-	94,886	-
Deposits provided	5,626,325	5,405,144	4,474
Long-term prepaid expenses	5,173,233	5,349,475	4,114
Deferred income tax assets (Note 14)	17,034,777	20,835,375	13,547
Total other assets	286,707,871	270,903,341	227,999
Total assets	₩ 752,993,782	₩ 581,509,472	\$ 598,802
Liabilities and Shareholders' Equity			
Current liabilities			
Trade accounts and notes payable (Note 23)	₩ 265,294,083	₩ 184,843,706	\$ 210,969
Other accounts payable	19,322,604	20,336,081	15,367
Advances from customers	48,659,431	14,884,729	38,695
Withholdings	679,975	1,307,446	541
Deposits received	357,531	93,027	284
Accrued expenses	3,384,932	2,585,560	2,692
Dividends payable	26,668	26,668	21
Derivative liabilities (Note 25)	21,689	15,483	17
Product warranty liabilities	-	10,847	-
Total current liabilities	337,746,913	224,103,547	268,586
Debentures, net (Note 11)	60,507,585	62,622,727	48,117
Long-term borrowings (Note 12)	149,918,770	104,298,992	119,220
Accrued severance benefits, net (Note 13)	2,748,488	2,580,194	2,186
Total liabilities	550,921,756	393,605,460	438,109
Commitments and Contingencies (Note 26)			

HYUNDAI CORPORATION
Non-Consolidated Balance Sheets
December 31, 2008 and 2007

<i>(in thousands)</i>	Korean Won		U.S. Dollars
	2008	2007	(Note 3) 2008
Shareholders' equity			
Capital stock			
Common stock (Note 1)	111,649,010	111,649,010	88,786
Capital adjustments			
Treasury stock (Note 16)	(215)	(215)	-
Others	(9,048,225)	-	(7,195)
Accumulated other comprehensive income and expense			
Net accumulated comprehensive income of equity method investees	10,818,529	3,642,599	8,603
Net accumulated comprehensive expense of equity method investees	(6,103,667)	(11,195,174)	(4,854)
Retained earnings			
Unappropriated retained earnings	94,756,594	83,807,792	75,353
Total shareholders' equity	<u>202,072,026</u>	<u>187,904,012</u>	<u>160,693</u>
Total liabilities and shareholders' equity	<u>₩ 752,993,782</u>	<u>₩ 581,509,472</u>	<u>\$ 598,802</u>

The accompanying notes are an integral part of these financial statements.

HYUNDAI CORPORATION
Non-Consolidated Statements of Income
Years ended December 31, 2008 and 2007

<i>(in thousands, except per share amounts)</i>	Korean Won		U.S. Dollars
	2008	2007	(Note 3) 2008
Sales (Note 23)	₩ 2,837,242,933	₩ 1,668,412,224	\$ 2,256,257
Cost of sales (Notes 17 and 23)	2,728,885,923	1,609,076,699	2,170,088
Gross profit	108,357,010	59,335,525	86,169
Selling and administrative expenses (Note 18)	56,646,742	38,176,806	45,047
Operating income	51,710,268	21,158,719	41,122
Non-operating income			
Interest income	5,412,001	6,968,513	4,304
Dividend income (Note 8)	17,038,439	12,223,753	13,549
Gain on foreign currency transactions	114,154,222	11,812,194	90,779
Gain on foreign currency translation (Note 15)	63,491,464	3,805,738	50,490
Gain on disposal of property, plant and equipment	101,709	717,427	81
Gain on valuation of equity-method investments (Note 7)	28,617,783	14,924,671	22,758
Gain on disposal of equity-method investments	1,547,353	-	1,230
Gain on derivative transactions	11,892,993	1,283,560	9,458
Gain on valuation of derivatives (Note 25)	2,510,209	-	1,996
Reversal of allowance for doubtful accounts	117,957	-	94
Gain on disposal of available-for-sale securities	19,837	12,577,441	16
Reversal of loss on impairment of available-for-sale securities	-	2,699,999	-
Others	3,680,836	2,235,847	2,927
	248,584,803	69,249,143	197,682
Non-operating expenses			
Interest expense	11,658,167	10,701,739	9,271
Loss on foreign currency transactions	124,671,285	13,091,997	99,142
Loss on foreign currency translation (Note 15)	54,958,275	3,081,569	43,704
Donations	650	1,369	1
Loss on disposal of available-for-sale securities	5	100,144	-
Loss on disposal of equity-method investments	281,593	-	224
Loss on valuation of equity-method investments (Note 7)	36,796,448	426,164	29,262
Loss on derivative transactions	28,976,921	691,814	23,043
Loss on valuation of derivatives (Note 25)	-	15,483	-
Loss on valuation of firm commitment (Note 25)	21,689	-	17
Loss on disposal of trade accounts and notes receivable	18,966,154	12,663,574	15,082
Other bad debt expenses	-	4,139,636	-
Loss on disposal of property, plant and equipment	8	142,042	-
Loss on impairment of available-for-sale securities (Notes 6 and 8)	659,541	4,436,162	524
Loss on impairment of equity method investments	6,959,729	-	5,535
Loss on impairment of investments (Note 8)	1,770,652	5,454,819	1,410
Others	285,721,117	55,072,319	227,215
Income before income tax expense	14,573,954	35,335,543	11,589
Income tax expense (Note 14)	4,201,755	(8,587,918)	3,341
Net income	₩ 10,372,199	₩ 43,923,461	\$ 8,248
Basic (diluted) earnings per share (Note 21)	₩ 465	₩ 1,967	\$ -

The accompanying notes are an integral part of these financial statements.

HYUNDAI CORPORATION

Statements of Appropriations of Retained Earnings

Years ended December 31, 2008 and 2007

(Dates of Appropriations: March 6, 2009, and March 21, 2008 for the years ended December 31, 2008 and 2007, respectively)

<i>(in thousands)</i>	Korean Won		U.S. Dollars
	2008	2007	(Note 3) 2008
Retained earnings before appropriations			
Unappropriated retained earnings carried over from prior year	₩ 83,807,792	₩ 39,884,331	\$ 66,646
Cumulative effect of accounting changes	576,603	-	459
Net income	<u>10,372,199</u>	<u>43,923,461</u>	<u>8,248</u>
	<u>94,756,594</u>	<u>83,807,792</u>	<u>75,353</u>
Unappropriated retained earnings carried forward to subsequent year	₩ 94,756,594	₩ 83,807,792	\$ 75,353

The accompanying notes are an integral part of these financial statements.

HYUNDAI CORPORATION
Non-Consolidated Statements of Changes in Shareholders' Equity
Years ended December 31, 2008 and 2007

(in thousands)

	Capital stock	Capital adjustment	Accumulated other comprehensive Income and expense	Retained earnings	Total	U.S. Dollars (Note 3)
Balance as of January 1, 2007	₩ 111,649,010	₩ (8,769,328)	₩ (7,693,097)	₩ 48,653,444	₩ 143,840,029	\$ 114,386
Amortization of discount on stock issuance	-	1,487,053	-	(1,487,053)	-	-
Loss on disposal of treasury stock	-	7,282,060	-	(7,282,060)	-	-
Retained earnings after appropriation	-	-	-	39,884,331	143,840,029	114,386
Net income	-	-	-	43,923,461	43,923,461	34,929
Loss on valuation of available-for-sale securities	-	-	(6,620,676)	-	(6,620,676)	(5,265)
Capital changes under equity method	-	-	6,761,198	-	6,761,198	5,377
Balances as of December 31, 2007	₩ 111,649,010	₩ (215)	₩ (7,552,575)	₩ 83,807,792	₩ 187,904,012	\$ 149,427
Balance as of January 1, 2008	₩ 111,649,010	₩ (215)	₩ (7,552,575)	₩ 83,807,792	₩ 187,904,012	\$ 149,427
Cumulative effect of changes in accounting policy	-	-	-	576,603	576,603	459
Retained earnings after appropriation	-	-	-	84,384,395	188,480,615	149,885
Net income	-	-	-	10,372,199	10,372,199	8,248
Increase in capital adjustment	-	(9,048,225)	-	-	(9,048,225)	(7,195)
Capital changes under equity method	-	-	7,175,930	-	7,175,930	5,707
Negative capital changes under equity method	-	-	5,091,507	-	5,091,507	4,049
Balances as of December 31, 2008	₩ 111,649,010	₩ (9,048,440)	₩ 4,714,862	₩ 94,756,594	₩ 202,072,026	\$ 160,693

The accompanying notes are an integral part of these financial statements.

HYUNDAI CORPORATION
Non-Consolidated Statements of Cash Flows
Years ended December 31, 2008 and 2007

<i>(in thousands)</i>	Korean Won		U.S. Dollars (Note 3)
	2008	2007	2008
Cash flows from operating activities			
Net income	₩ 10,372,199	₩ 43,923,461	\$ 8,248
Adjustments to reconcile net income			
to net cash provided by operating activities			
Depreciation	379,139	957,782	302
Amortization of intangible assets	2,749,949	1,456,936	2,187
Provision for severance benefits	2,056,885	2,604,777	1,636
Bad debt expenses	13,812,017	1,160,033	10,984
Other bad debt expenses	-	4,139,636	-
Interest expense	79,818	418,543	63
Loss on valuation of equity-method investments	36,796,448	426,164	29,262
Loss on disposal of equity-method investments	281,593	-	224
Loss on impairment of equity-method investments	-	125,807	-
Loss on disposal of available-for-sale securities	5	100,144	-
Loss on impairment of available-for-sale securities	659,541	4,436,162	524
Loss on impairment of investments	6,959,729	-	5,535
Loss on disposal of property, plant and equipment	8	142,042	-
Loss on valuation of derivatives	-	15,483	-
Loss on valuation of firm commitment	21,689	-	17
Loss on foreign currency translation	54,954,170	3,078,538	43,701
Loss on disposal of			
trade accounts and notes receivable	18,966,154	12,663,574	15,082
Gain on disposal of available-for-sale securities	(19,837)	(12,577,441)	(16)
Reversal of loss on impairment of			
available-for-sale securities	-	(2,699,999)	-
Gain on valuation of equity-method investments	(28,617,783)	(14,924,671)	(22,758)
Gain on disposal of equity-method investments	(1,547,353)	-	(1,230)
Gain on disposal of property, plant and equipment	(101,709)	(717,427)	(81)
Gain on valuation of derivatives	(2,510,209)	-	(1,996)
Gain on foreign currency translation	(63,491,464)	(3,802,623)	(50,490)
Reversal of allowance for doubtful accounts	(117,957)	-	(94)
Gain on disposal of			
trade accounts and notes receivable	-	(1,660,982)	-
	<u>41,310,833</u>	<u>(4,657,522)</u>	<u>32,852</u>

HYUNDAI CORPORATION
Non-Consolidated Statements of Cash Flows
Years ended December 31, 2008 and 2007

<i>(in thousands)</i>	Korean Won		U.S. Dollars (Note 3)
	2008	2007	2008
Changes in operating assets and liabilities			
Increase in inventories	(30,002,828)	(18,970,406)	(23,859)
Increase in trade accounts and notes receivable	(94,235,561)	(66,245,635)	(74,939)
Decrease (increase) in deferred tax assets	4,201,755	(8,587,918)	3,341
Increase in derivatives	(15,483)	(11,450)	(12)
Increase in other accounts receivable	(4,903,004)	(4,434,362)	(3,899)
Decrease (increase) in accrued income	570,991	(3,460,385)	454
Increase in advance payments	(39,908,743)	(4,906,612)	(31,737)
Decrease (increase) in prepaid expenses	(64,711)	149,425	(51)
Decrease (increase) in guarantee deposits	(1,171,755)	51,027	(932)
Decrease in notes receivable for deferred payment	722,195	13,045,204	574
Decrease (increase) in long-term prepaid expenses	176,244	(5,349,475)	140
Increase in trade accounts and notes payable	78,657,705	64,257,166	62,551
Payment of severance benefits	(1,328,760)	(1,410,460)	(1,057)
Increase in deposits for severance benefit	(572,563)	(1,362,733)	(455)
Decrease in contribution to National Pension Plan	12,731	16,094	10
Decrease in product warranty liabilities	(10,847)	(373,368)	(9)
Increase (decrease) in other accounts payable	(3,490,910)	6,035,532	(2,776)
Increase in advances from customers	33,774,703	12,140,770	26,859
Increase (decrease) in withholdings	(627,471)	103,617	(499)
Increase (decrease) in deposits received	264,504	(1,200)	210
Increase in accrued expenses	799,372	1,162,283	636
Net cash provided by operating activities	<u>20,165,011</u>	<u>32,182,636</u>	<u>16,035</u>

HYUNDAI CORPORATION
Non-Consolidated Statements of Cash Flows
Years ended December 31, 2008 and 2007

<i>(in thousands)</i>	Korean Won		U.S. Dollars (Note 3)
	2008	2007	2008
Cash flows from investing activities			
Proceeds from disposal of short-term financial instruments	₩ 42,744,890	₩ -	\$ 33,992
Proceeds from disposal of short-term investments	7,000	49,530	6
Proceeds from disposal of available-for-sale securities	2,719,838	15,678,882	2,163
Proceeds from disposal of equity-method investments	4,871,567	-	3,874
Decrease in investments in petroleum development projects	34,357,295	-	27,322
Collection of long-term loans	9,038,066	16,494	7,187
Proceeds from disposal of property, plant and equipment	585,147	4,618,385	465
Increase of deposits provided	-	178,083	-
Acquisition of short-term financial instruments	-	(15,677,782)	-
Acquisition of long-term financial instruments	(57,620)	(14,405)	(46)
Acquisition of available-for-sale securities	(1,836,800)	-	(1,461)
Acquisition of equity-method investments	(28,319,280)	-	(22,520)
Increase in investments in petroleum development projects	(23,152,342)	(44,985,672)	(18,411)
Long-term loans provided	(67,057)	(17,153,002)	(53)
Acquisition of property, plant and equipment	(723,893)	(189,510)	(576)
Acquisition of intangible assets	(21,127,899)	(96,080)	(16,802)
Increase in deposits provided	(144,484)	(923,721)	(115)
Net cash provided by (used in) investing activities	<u>18,894,428</u>	<u>(58,498,798)</u>	<u>15,025</u>
Cash flows from financing activities			
Issuance of long-term borrowings	25,336,221	23,673,365	20,148
Payment of debentures	(2,194,960)	-	(1,745)
Payment of long-term borrowings	(14,954,094)	(71,885)	(11,892)
Net cash provided by financing activities	<u>8,187,167</u>	<u>23,601,480</u>	<u>6,511</u>
Net increase(decrease) in cash and cash equivalents	47,246,606	(2,714,682)	37,571
Cash and cash equivalents			
Beginning of the year	30,766,730	33,481,412	24,467
End of the year	<u>₩ 78,013,336</u>	<u>₩ 30,766,730</u>	<u>\$ 62,038</u>

The accompanying notes are an integral part of these financial statements.

HYUNDAI CORPORATION
Notes to Non-Consolidated Financial Statements
December 31, 2008 and 2007

1. The Company

HYUNDAI CORPORATION (the "Company") was established on December 8, 1976, under the Commercial Code of the Republic of Korea to engage mainly in export and import goods. In December 1, 1977, the Company's shares of stock were listed in the Korean Stock Exchange. The Company has been designated as a general trading company by the government of the Republic of Korea since February 11, 1978.

As of December 31, 2008, the Company has eight overseas subsidiaries, affiliates and 22 overseas branches. The Company mainly exports vehicles, steel products, machinery, electronic goods and export vessels, plants on a deferred payment basis. During the past several years, the Company has been actively engaged in the exploration of petroleum and minerals in overseas.

The Company is authorized to issue 1.5 billion shares with a par value of ₩5,000 per share and its initial paid in capital amounted to ₩50 million. As of December 31, 2008, it has 22,329,802 common shares issued and outstanding, and its capital stock amounts to ₩111,649,010 thousand after several capital increases, conversions of bonds and capital reduction.

As of December 31, 2008, the Company's major shareholders are as follows:

Shareholders	2008		2007	
	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)
Woori Bank	5,069,666	22.70	5,069,666	22.70
The Korea Development Bank	5,031,733	22.53	5,031,733	22.53
Korea Exchange Bank	3,157,266	14.14	3,157,266	14.14
Korea Credit Guarantee Fund	2,318,332	10.38	2,318,332	10.38
NongHyup	2,238,266	10.02	2,238,266	10.02
The Export-Import Bank of Korea	1,031,600	4.62	1,031,600	4.62
Others	3,482,930	15.60	3,482,930	15.60
Treasury stock	9	0.01	9	0.01
	<u>22,329,802</u>	<u>100.00</u>	<u>22,329,802</u>	<u>100.00</u>

HYUNDAI CORPORATION

Notes to Non-Consolidated Financial Statements

December 31, 2008 and 2007

2. Summary of Significant Accounting Policies

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

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

The following is a summary of significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

- SKFAS No. 15, *Equity Method Investments(As Revised)*
- Korea Accounting Institute Opinion 06-2, *Deferred Income Taxes on Investments in Subsidiaries, Associates and Interests in Joint Ventures*

The Company applied the Korea Accounting Institute Opinion 06-2. The prior year financial statements, presented herein for comparative purposes, have not been restated. Instead, the Company reflected the effects of this change on the January 1, 2008 balances (Note 14).

Revenue Recognition

Revenue is the gross inflow of economic benefits arising in the ordinary course of the Company's activities and is measured as the fair value of the consideration received or receivable for the sale of goods and services in the said ordinary course of the Company's activities. Revenue is shown as net of value-added tax, sales discounts and sales returns. The Company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow into the Company.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of goods are transferred to the buyer.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks, and financial instruments with maturity of three months or less at the time of purchase. These financial instruments are readily convertible into cash without significant transaction costs and bear low risks from changes in value due to interest rate fluctuations.

HYUNDAI CORPORATION

Notes to Non-Consolidated Financial Statements

December 31, 2008 and 2007

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts and notes receivable. Allowances are calculated based on the estimates made through a reasonable and objective method.

Inventories

The costs of inventories are determined using the specific-identification method. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense. Replacement cost is used for the estimate of net realizable value of raw materials. If, however, the circumstances which caused the valuation loss cease to exist, the valuation loss is reversed up to the original carrying amount before valuation. The said reversal is deducted from cost of sales.

Investments in Securities

Costs of securities are determined using the gross average method. Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Investments in equity securities of companies, over which the Company exercises a significant control or influence, are recorded using the equity method of accounting. Trading securities are classified as current assets while available-for-sale securities and held-to-maturity securities are classified as long-term investments, excluding those securities that mature or are certain to be disposed of within one year, which are then classified as current assets.

Held-to-maturity securities are measured at amortized cost while available-for-sale and trading securities are measured at fair value. However, non-marketable securities, classified as available-for-sale securities, are carried at cost when the fair values are not readily determinable.

Gains and losses related to trading securities are recognized in the income statement, while unrealized gains and losses of available-for-sale securities are recognized under other comprehensive income and expense. Realized gains and losses on available-for-sale securities are recognized in the income statement.

Equity-Method Investments

Investees over which the Company can exercise significant influence should reflect any changes in equity after the initial purchase date. Under the equity method, the Company records changes in its proportionate ownership in the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee. All other changes in equity should be accounted for under other comprehensive income and expense.

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Property, Plant and Equipment

Property, plant and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use.

Property, plant and equipment are stated net of accumulated depreciation calculated based on the following depreciation method and estimated useful lives:

	<u>Estimated Useful Lives</u>	<u>Depreciation Methods</u>
Buildings	30 years	Straight-line method
Vehicles	4 years	Fixed rate method
Machinery and equipment	4 years	Fixed rate method
Leasehold improvements	4 years	Fixed rate method
Property subject to lease	5 years	Straight-line method

Expenditures incurred after the acquisition or completion of assets are capitalized if they enhance the value of the related assets over their recently appraised value or extend the useful life of the related assets. Routine maintenance and repairs are charged to expense as incurred.

Intangible Assets

Intangible assets are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated net of accumulated amortization calculated based on using the following depreciation method and estimated useful lives:

	<u>Estimated Useful Lives</u>	<u>Amortization Methods</u>
Mining rights	-	Unit of production method
Other intangible assets	5~20 years	Straight-line method

Non-Capitalization of Interest Expense

The Company expenses interest incurred on borrowings used to finance the cost of manufacturing, acquisition, and construction of inventory and property, plant, and equipment that require more than one year to complete from the initial date of manufacture, acquisition, and construction.

Impairment of Assets

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the said decline in value is deducted from the book value to agree with recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the impairment amount is recognized as gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment. Reversal of impairment of goodwill is not allowed.

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Derivatives

All derivative instruments are accounted for at their fair value according to the rights and obligations associated with the derivative contracts. The resulting changes in fair value of derivative instruments are recognized either under the income statement or shareholders' equity, depending on whether the derivative instruments qualify as a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument purchased with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment that is attributable to a particular risk. The resulting changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized under the shareholders' equity under accumulated other comprehensive income and expense.

Income Tax and Deferred Income Tax

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity.

Discounts on Debentures

Discounts on debentures are amortized over the term of the debentures using the effective interest rate method. Amortization of the discount is recorded as part of interest expense.

Accrued Severance Benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date. The Company has a defined benefit pension plan, and accrues severance benefits for current employees and pension payables for retired employees. Pension plan assets are presented as a deduction from the total accrued severance benefits and pension payables. The excess of pension plan assets over pension plan liabilities is recorded as investment assets. The Company deposits certain portion severance benefits to National Pension Service according to National Pension Law. The deposit amount is recorded as a deduction from accrued severance benefits.

Provisions and Contingent Liabilities

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

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Translation of Assets and Liabilities Denominated in Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rates of exchange in effect at the balance sheet date, and the resulting translation gains and losses are recognized in current operations.

Currency Translation for Foreign Operations

Assets and liabilities of a foreign branch or company subject to the equity method of accounting for investments are translated into Korean won at the rates of exchange in effect at the balance sheet date, while their equity is translated at the exchange rate at the time of transaction, and income statement accounts at the average rate over the period. Resulting translation gains and losses are recorded as accumulated other comprehensive income and expense. Corresponding gains and losses are recognized as gain or loss when the foreign branch or company is liquidated or sold.

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3. United States Dollar Amounts

The Company operates primarily in Korean won and its accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US\$1 : ₩1,257.5, the exchange rate in effect on December 31, 2008. Such presentation is not in accordance with generally accepted financial accounting standards in either the Republic of Korea or the United States, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

4. Restricted Financial Instruments

As of December 31, 2008 and 2007, restricted financial instruments are as follows:

<i>(in thousands of Korean won)</i>		2008		2007	Remarks
Cash and cash equivalents	₩	10,200,000	₩	-	Guarantee deposits for L/C
Long-term financial instruments		18,581		18,581	Maintaining deposit for checking accounts
	₩	<u>10,218,581</u>	₩	<u>18,581</u>	

5. Short-Term Investments

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

<i>(in thousands of Korean won)</i>		2008		2007
Government bonds	₩	<u>18,910</u>	₩	<u>7,000</u>

6. Long-term Investments

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

<i>(in thousands of Korean won)</i>		2008		2007
Available-for-sale	₩	4,169,713	₩	7,529,256
Held-to-maturity		1,838,602		20,715
	₩	<u>6,008,315</u>	₩	<u>7,549,971</u>

HYUNDAI CORPORATION
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Available-for-sale securities as of December 31, 2008 and 2007, are as follows:

(in thousands of Korean won)

	Percentage of Ownership (%)	Number of shares	2008		2007	
			Acquisition cost	Net asset value	Book value	Book value
Non-marketable equity securities						
@ Data Co., Ltd.	4.41	102,069	₩ 285,793	₩ 671,899	₩ 285,793	₩ 285,793
CHEMCONNECT, Inc.	0.40	107,417	1,132,997	10,480	10,480	10,480
H.D. STMC	10.00	-	224,110	320,318	224,110	224,110
Korea Ras Laffan LNG Ltd.	8.00	2,226,667	3,490,050	4,944,351	3,490,050	3,490,050
SEGINIAGA(M) SDN. BHD.	4.39	550,800	159,247	282,936	159,246	159,247
Others	-	-	44,869,391	6,342,182	34	3,359,576
			<u>₩ 50,161,588</u>	<u>₩ 12,572,166</u>	<u>₩ 4,169,713</u>	<u>₩ 7,529,256</u>

The fair values of non-marketable equity securities could not be reliably estimated due to the lack of financial information of the said companies. Accordingly, these equities were presented at their acquisition cost. When the recoverable value is less than the acquisition cost, impairment losses are recognized in the income statement.

The Company recognized impairment losses amounting to ₩27,749 thousand and ₩631,792 thousand for equity securities of Hyundai Unicorns and K. K. Korea Kamchaktka Co., Ltd. respectively, for the current year.

The maturities of debt securities as of December 31, 2008 and 2007, are over one year and within five years, and the details of debt securities are as follows:

(in thousands of Korean won)

	2008		2007	
Government and public bonds	₩	1,800	₩	20,710
Subordinated debt securities		<u>1,836,802</u>		<u>5</u>
	₩	<u>1,838,602</u>	₩	<u>20,715</u>

The subordinated debt securities are pledged as collateral for the non-guaranteed 35th debentures (Note 11).

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7. Equity-Method Investments

Equity-method investments as of December 31, 2008 and 2007, are as follows:

Investee	Number of shares	Percentage of Ownership (%)	Acquisition cost	2008		2007	
				Net asset value	Book value	Acquisition cost	Book value
<i>(in thousands of Korean won)</i>							
Hyundai Corp. USA	236,180	100	₩ 27,186,393	₩ 7,571,939	₩ 5,776,302	₩ 27,186,393	₩ 3,075,691
Hyundai Australia Pty., Ltd.	14,570,951	100	11,813,429	3,532,966	3,532,966	11,813,429	3,285,183
Hyundai Japan Co., Ltd.	23,276	100	21,026,480	9,892,793	9,563,821	21,026,480	5,817,883
Hyundai Canada Inc.	20,962	100	3,671,900	2,917,118	2,745,332	3,671,900	1,731,543
Hyundai Corp. U.K., Ltd.	24,032,362	100	45,222,394	313,019	313,019	45,222,394	4,003,448
Hyundai Corp. Europe GMBH	-	100	80,296,417	10,478,022	10,381,763	80,296,417	9,023,621
Hyundai Sangsa H.K., Ltd.	13,806,090	100	19,658,652	14,565,672	14,217,379	19,658,652	10,689,599
Hyundai SGP Pte., Ltd. ¹	-	-	-	-	-	38,639,744	2,375,699
Korea LNG Limited	2,400	20	2,141	16,459,591	3,291,918	2,141	2,162,903
POS Metal Co., Ltd.	-	-	-	-	-	491,100	1,323,353
POS-Hyundai Steel MFG.(I) PVT. Ltd.	-	71	6,277,489	15,787,934	10,968,909	6,277,489	9,529,989
PTHD Inti. Deve.	-	55	2,905,778	2,719,983	1,495,991	2,905,778	1,162,322
Qingdao H.D Shipbuilding Co., Ltd. ²	-	90	45,219,680	(8,536,815)	-	16,900,400	9,398,550
Hyundai Yemen LNG Company Limited ³	6,120	51	5,887	(210,484)	-	5,887	-
			<u>₩ 263,286,640</u>	<u>₩ 75,491,738</u>	<u>₩ 62,287,400</u>	<u>₩ 274,098,204</u>	<u>₩ 63,579,784</u>

¹ The liquidation was completed on January 6, 2009.

² The non-recognized change in equity of Qingdao Hyundai Shipbuilding Co., Ltd. amounting to ₩8,082,465 thousand was recognized as allowance for doubtful accounts in 2008.

³ The non-recognized change in equity of Hyundai Yemen LNG Company Limited amounting to ₩107,347 thousand was recognized as allowance for doubtful accounts in 2008.

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Details of the elimination of unrealized gain or loss arising from inter-company transactions according to the equity method of accounting are as follows:

<i>(in thousands of Korean won)</i>	2008		2007	
Inventories	₩	2,933,688	₩	1,543,833
Others		534,113		421,116
	₩	<u>3,467,801</u>	₩	<u>1,964,949</u>

Changes in equity-method investments for the years ended December 31, 2008 and 2007, are as follows:

<i>(in thousands of Korean won)</i>	2008				
	Beginning	Acquisition (disposal) cost	Valuation gain(loss)	Others²	Ending
Hyundai Corp. USA	₩ 3,075,691	₩ -	₩ 1,025,526	₩ 1,675,085	₩ 5,776,302
Hyundai Australia Pty., Ltd.	3,285,183	-	99,957	147,826	3,532,966
Hyundai Japan Co., Ltd.	5,817,883	-	(245,492)	3,991,430	9,563,821
Hyundai Canada INC.	1,731,543	-	857,479	156,310	2,745,332
Hyundai Corp. U.K., Ltd.	4,003,448	(3,690,429)	-	-	313,019
Hyundai Corp. Europe GMBH	9,023,621	-	(912,497)	2,270,639	10,381,763
Hyundai Sangsa H.K., Ltd.	10,689,599	-	(264,216)	3,791,996	14,217,379
Hyundai SGP PTE., Ltd.	2,375,699	(2,375,699)	-	-	-
Korea LNG Limited	2,162,903	-	25,559,950	(24,430,935)	3,291,918
POS Metal Co., Ltd.	1,323,353	(1,323,353)	-	-	-
PVT.Ltd.	9,529,989	-	475,628	963,292	10,968,909
PTHD INTI. DEVE.	1,162,322	-	599,243	(265,574)	1,495,991
Qindgao H.D Shipbuilding Co.,Ltd.	9,398,550	28,319,280	(35,292,161)	(2,425,669)	-
Hyundai Yemen LNG Company Limited	-	-	(82,082)	82,082	-
	<u>₩ 63,579,784</u>	<u>₩ 20,929,799</u>	<u>₩ (8,178,665)</u>	<u>₩ (14,043,518)</u>	<u>₩ 62,287,400</u>

¹ The changes in equity-method investments above were based on the financial statements which were not audited or reviewed, except for POS-Hyundai Steel MFG. (I) PVT.LTD. and Qingdao Hyundai Shipbuilding Co., Ltd.

² Other changes include adjustments for impairments, changes in equity method investees, and payments of dividends.

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(in thousands of Korean won)

Investee	2007				
	Beginning	Acquisition (disposal) cost	Valuation gain(loss)	Others	Ending
Hyundai Corp. USA	₩ 2,110,279	₩ -	₩ 931,080	₩ 34,332	₩ 3,075,691
Hyundai Australia Pty., Ltd.	3,118,653	-	182,509	349,039	3,285,183
Hyundai Japan Co., Ltd.	5,338,021	-	110,174	369,688	5,817,883
Hyundai Canada INC.	1,073,957	-	389,593	267,993	1,731,543
Hyundai Corp. U.K., Ltd.	4,129,255	-	-	125,807	4,003,448
Hyundai Corp. Europe GMBH	6,451,981	-	1,513,404	1,058,236	9,023,621
Hyundai Sangsa H.K., Ltd.	10,246,581	-	380,174	62,844	10,689,599
Hyundai SGP PTE., Ltd.	2,548,956	-	237,767	64,510	2,375,699
Korea LNG Limited	2,186,404	-	9,144,702	9,168,203	2,162,903
POS Metal Co., Ltd.	1,167,388	-	98,625	57,340	1,323,353
PVT.Ltd.	6,643,535	-	1,887,106	999,348	9,529,989
PTHD INTI. DEVE.	882,915	-	399,208	119,801	1,162,322
Qindgao H.D Shipbuilding Co.,Ltd.	7,827,997	-	70,605	1,499,948	9,398,550
Hyundai Yemen LNG Company Limited	5,887	-	5,887	-	-
	<u>₩ 53,731,809</u>	<u>₩ -</u>	<u>₩ 14,498,508</u>	<u>₩ 4,650,533</u>	<u>₩ 63,579,784</u>

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Summary of financial information of major equity method investees follows:

(in millions of Korean won)

2008		Total Assets		Total Liabilities		Revenue		Net Income (Loss)
Hyundai Corp. USA	₩	224,593	₩	217,021	₩	292,858	₩	1,669
Hyundai Australia Pty., Ltd.		10,016		6,483		22,365		301
Hyundai Japan Co., Ltd.		69,478		59,585		185,134		(64)
Hyundai Canada INC.		48,821		45,904		63,683		981
Hyundai Corp. U.K., Ltd.		313		-		-		-
Hyundai Corp. Europe GMBH		35,277		24,799		8,999		(104)
Hyundai Sangsa H.K., Ltd.		20,133		5,567		69,547		(149)
Korea LNG Limited		27,980		11,520		129,885		127,798
POS-Hyundai Steel MFG. (I)		20,799		5,011		22,842		783
PTHD INTI. DEVE.		3,331		611		2,651		1,124
Qindgao Hyundai aShipbuilding Co.,LTD		176,785		185,322		76,634		(43,445)
Hyundai Yemen LNG Company Limited		270,601		270,811		-		(17)

2007		Total Assets		Total Liabilities		Revenue		Net Income (Loss)
Hyundai Corp. USA	₩	141,989	₩	137,888	₩	244,175	₩	959
Hyundai Australia Pty., Ltd.		5,569		2,284		17,636		(669)
Hyundai Japan Co., Ltd.		35,528		29,536		133,745		209
Hyundai Canada INC.		12,956		11,133		27,940		363
Hyundai Corp. U.K., Ltd.		4,129		-		-		363
Hyundai Corp. Europe GMBH		16,103		6,926		2,841		46
Hyundai Sangsa H.K., Ltd.		11,136		210		26,447		480
Hyundai SGP PTE., Ltd.		2,411		35		11,320		(277)
Korea LNG Limited		10,851		37		57,517		55,918
POS Metal Co., Ltd.		30,513		23,896		29,859		493
POS-Hyundai Steel MFG. (I)		22,371		8,727		73,795		2,803
PTHD INTI. DEVE.		2,787		674		2,702		763
Qindgao Hyundai aShipbuilding Co.,LTD		117,610		106,032		51,384		159
Hyundai Yemen LNG Company Limited		256,972		257,101		-		(117)

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8. Investments in Exploration of Resources

The Company's investments in resource exploration projects with the consortium led by Korea National Oil Corporation as of December 31, 2008 and 2007, are as follows:

(In thousands of Korean won)

Project name	Accounts	2008	2007	Mass production status
Vietnam (11-2 prospect) ¹	Mining rights	₩ 27,756,746	₩ 29,173,832	Commenced in 2007
Yemen LNG ²	Equity method investments	-	-	Commenced in 2009 (expected)
	Investments in petroleum development projects	94,295,047	92,117,825	
	Long-term loans	39,580,724	38,537,265	
West Kamchatka Prospect ³	Available-for-sale securities	-	631,793	Exploration ended in 2008
	Investments in petroleum development projects	4,786,493	3,711,766	
Oman LNG(KOLNG)	Equity method investments	3,291,918	2,162,903	Commenced in 2000
Qatar LNG(KORAS)	Available-for-sale securities	3,490,050	3,490,050	Commenced in 1999
Peru prospect ⁴	Investments in petroleum development projects	3,080,156	3,080,156	Failed

¹ The investment in the Vietnam oilfield is performed according to the consortium agreement.

² The Company entered into a sales contract with Korea Gas Corporation, Suez LNG Trading S.A. and Total Gas & Power Ltd., through Hyundai Yemen LNG Company Limited, whose manufacturing facilities are under construction as of report date (Note 7).

³ The available-for-sale securities and the investments in petroleum development projects for the investment related to the oilfield in West Kamchatka (Russia) is valued at recoverable value (Note 6).

⁴ The investment in the Peru project is under liquidation as of December 31, 2008.

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The revenues from investments in resource exploration for the year ended December 31, 2008, are as follows:

(In thousands of Korean won)

	Description		2008
Vietnam (11-2 prospect)	Sales	₩	12,381,245
	Valuation gain on equity		
Oman LNG(KOLNG) ¹	method investments		25,559,950
Qatar LNG(KORAS)	Dividend income		17,038,439
		₩	<u>54,979,634</u>

¹ Korea LNG Limited

The percentages of ownership in investments in the exploration of resources as of December 31, 2008, are as follows:

	Percentage of ownership of consortium in investments	Percentage of ownership of Company in consortium
Vietnam (11-2 prospect)	100.00%	4.90%
Yemen LNG	5.90%	51.00%
Oman LNG(KOLNG)	5.00%	20.00%
Qatar LNG(KORAS)	5.00%	8.00%

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9. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2008 and 2007, are as follows:

<i>(in thousands of Korean won)</i>	2008				
	Buildings	Vehicles	Machinery and equipment	Others	Total
Beginning balance	₩ 291,698	₩ 97,818	₩ 127,558	₩ 491,170	₩ 1,008,244
Acquisition	-	394,347	329,547	-	723,894
Disposal	-	(4,206)	-	(479,240)	(483,446)
Depreciation	(16,497)	(161,052)	(189,804)	(11,786)	(379,139)
Ending balance	₩ 275,201	₩ 326,907	₩ 267,301	₩ 144	₩ 869,553
Accumulated depreciation	₩ (219,694)	₩ (685,915)	₩ (9,272,727)	₩ (175,861)	₩ (10,354,197)
Accumulated impairment	₩ (1,839,285)	₩ -	₩ -	₩ -	₩ (1,839,285)

<i>(in thousands of Korean won)</i>	2007				
	Buildings	Vehicles	Machinery and equipment	Others	Total
Beginning balance	₩ 308,194	₩ 209,322	₩ 254,187	₩ 5,047,813	₩ 5,819,516
Acquisition	-	-	60,040	129,470	189,510
Disposal	-	(2,845)	(527)	(4,039,628)	(4,043,000)
Depreciation	(16,496)	(108,659)	(186,142)	(646,485)	(957,782)
Ending balance	₩ 291,698	₩ 97,818	₩ 127,558	₩ 491,170	₩ 1,008,244
Accumulated depreciation	₩ (203,197)	₩ (695,066)	₩ (9,094,493)	₩ (373,726)	₩ (10,366,482)
Accumulated impairment	₩ (1,839,285)	₩ -	₩ -	₩ -	₩ (1,839,285)

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10. Intangible Assets

Changes in intangible assets for the years ended December 31, 2008 and 2007, are as follows:

<i>(in thousands of Korean won)</i>	2008		
	Mining rights	Other intangible assets	Total
Beginning balance	₩ 29,173,832	₩ 387,416	₩ 29,561,248
Replacement	-	-	-
Acquisition	131,288	20,996,610	21,127,898
Amortization	(1,548,374)	(1,201,575)	(2,749,949)
Ending balance	<u>₩ 27,756,746</u>	<u>₩ 20,182,451</u>	<u>₩ 47,939,197</u>

<i>(in thousands of Korean won)</i>	2007		
	Mining rights	Other intangible assets	Total
Beginning balance	₩ -	₩ 418,608	₩ 418,608
Replacement	30,503,495	-	30,503,495
Acquisition	-	96,080	96,080
Amortization	(1,329,663)	(127,272)	(1,456,935)
Ending balance	<u>₩ 29,173,832</u>	<u>₩ 387,416</u>	<u>₩ 29,561,248</u>

Details of intangible assets as of December 31, 2008 and 2007, are as follows:

<i>(in thousands of Korean won)</i>		2008	2007
Mining rights	Vietnam (11-2 prospect)	₩ 27,756,746	₩ 29,173,832
Other intangible assets	Trademark ¹	19,665,000	-
	Others	517,451	387,416
		<u>₩ 47,939,197</u>	<u>₩ 29,561,248</u>

¹ On December 26, 2007, the Company agreed to purchase Hynix Semiconductor Inc.'s trademark and exclusive license for ₩20.7 billion. The trademark is amortized over 20 years using the straight-line method.

HYUNDAI CORPORATION
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11. Debentures

Details of debentures as of December 31, 2008 and 2007, are as follows:

(in thousands of Korean won)

	Series	Interest rate	2008	2007
Non-guaranteed debentures	31 st	6.30%	₩ 8,130,000	₩ 8,400,000
Non-guaranteed debentures	35 th	8.00%	52,480,000	54,300,000
			<u>60,610,000</u>	<u>62,700,000</u>
		Less : Discount	(102,415)	(77,273)
			<u>₩ 60,507,585</u>	<u>₩ 62,622,727</u>

According to the Company's memorandum of understanding with its creditors, the maturity dates of these debentures are extended until the Company succeeds in its debt workout plan.

12. Long-Term Borrowings

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

(In thousands of Korean won)

Creditor	Purpose	Interest rate(%)	2008		2007	
			U.S. dollar	Won	U.S. dollar	Won
Korea National Oil Corporation	Investments in petroleum development projects	3.75~7.00	US\$ 26,234,495	₩ 31,575,856	US\$ 23,269,744	₩ 22,443,041
Korea Exchange Bank	Operational borrowings	Libor (1month)+3	8,831,000	11,104,983	13,833,000	12,978,121
Woori Bank	Operational borrowings	Libor (3month)+3	20,703,000	26,034,023	25,054,000	23,505,663
The Korea Development Bank	Operational borrowings	Libor (3month)+3	19,873,052	24,990,363	24,375,759	22,869,337
NH Bank	Operational borrowings	Libor (3month)+3	7,509,575	9,443,291	9,593,000	9,000,153
SOCIETE GENERALE	Financial investments in overseas ¹	Libor (6month)+0.8	37,193,045	46,770,254	14,392,111	13,502,677
			<u>US\$ 120,344,167</u>	<u>₩ 149,918,770</u>	<u>US\$ 110,517,614</u>	<u>₩ 104,298,992</u>

¹ As of December 31, 2008, Korea Export Insurance Corporation has provided guarantees of up to a maximum amount of US\$ 90 million for the Company's borrowings from Societe Generale.

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The payment schedule of long-term borrowings as of December 31, 2008, is as follows:

(in thousands of Korean won)

Maturity		
January 1, 2010 ~ December 31, 2010 ¹	₩	80,670,776
January 1, 2011 ~ December 31, 2011		7,150,014
January 1, 2012 ~ December 31, 2012		7,283,588
January 1, 2013 ~ December 31, 2013		7,417,336
Thereafter ²		47,397,056
	₩	<u>149,918,770</u>

¹ Includes borrowings of ₩71,572,658 thousand from creditor financial institutions. According to the Company's memorandum of understanding with its creditors, the maturity dates of these debentures were extended.

² The borrowings of ₩7,866,649 thousand will not be repaid if the overseas resource development fails.

13. Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2008 and 2007, are as follows:

<i>(in thousands of Korean won)</i>	2008		2007	
Beginning balance	₩	7,645,884	₩	6,451,567
Payment		(1,328,760)		(1,410,460)
Increase		2,056,885		2,604,777
		<u>8,374,009</u>		<u>7,645,884</u>
Less : Severance benefit insurance deposits		-		(3,652,094)
Severance benefit fund deposits		(5,539,003)		(1,314,347)
Cumulative deposits to the National Pension Fund		(86,518)		(99,249)
Ending balance	₩	<u>2,748,488</u>	₩	<u>2,580,194</u>

The Company has a contract with four banks, including The Korea Development Bank, to manage the Company's defined benefit pension plan. Severance benefit fund deposits as of December 31, 2008, consist of the following:

(in thousands of Korean won)

Cash	₩	746
Bank deposits		4,769,500
Beneficiary certificates		768,757
	₩	<u>5,539,003</u>

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14. Income Tax

The income tax expense for the years ended December 31, 2008 and 2007, consists of the following:

<i>(in thousands of Korean won)</i>	2008	2007
Current income tax	₩ -	₩ -
Deferred income tax due to temporary differences	3,475,232	8,587,918
Items charged directly to shareholders' equity	149,920	-
Cumulative effect of accounting change	576,603	-
Income tax expense	<u>₩ 4,201,755</u>	<u>₩ 8,587,918</u>

Deferred income taxes charged directly to the shareholders' equity are as follows:

<i>(in thousands of Korean won)</i>	2008	2007
Loss on valuation of equity-method investments	₩ 233,288	₩ -
Gain on valuation of equity-method investments	(83,308)	-
	<u>₩ 149,920</u>	<u>₩ -</u>

Reconciliation between income before income taxes and income tax expense for the years ended as of December 31, 2008 and 2007, follows:

<i>(in thousands of Korean won)</i>	2008	2007
Net income before tax	<u>₩ 14,573,954</u>	<u>₩ 35,335,543</u>
Income tax based on statutory rate	₩ 4,007,837	₩ 9,717,275
Adjustments	193,918	(18,305,193)
Income tax expense	<u>₩ 4,201,755</u>	<u>₩ (8,587,918)</u>

HYUNDAI CORPORATION
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Details of deferred income tax assets (liabilities) as of December 31, 2008 and 2007, are as follows:

(in thousands of Korean won)

	2008				Deferred income tax assets (liabilities)
	Beginning	Increases	Decreases	Ending	
Allowance for doubtful accounts	₩ (64,830,930)	₩ (77,140,092)	₩ (64,830,930)	₩ (77,140,092)	₩ 16,970,820
Accrued severance benefits	(5,126,720)	(1,354,075)	(330,142)	(6,150,653)	1,353,144
Deposit for retirement insurance	4,966,441	902,704	330,142	5,539,003	(1,218,581)
Investments in petroleum development projects	(2,652,403)	-	-	(2,652,403)	583,529
Impairment of available-for-sale securities	(108,732,226)	(659,541)	(57,163,581)	(52,228,186)	11,490,201
Bad debt expenses	(226,781)	-	-	(226,781)	49,892
Other accounts payable	(1,890,968)	-	(44,960)	(1,846,008)	406,122
Gain (loss) on foreign currency translation	(1,702,567)	8,533,189	(12,990)	6,843,612	(1,505,595)
Impairment of investments	(334,999)	6,959,729	(334,999)	(6,959,729)	1,531,140
Equity-method investments	(203,785,767)	1,648,638	(301,869)	(201,835,260)	44,403,757
Impairment of equity-method investments	(2,870,509)	-	-	(2,870,509)	631,512
Accrued income	915,188	449,473	915,188	449,473	(98,884)
Other	(4,269,791)	1,305,169	(506,069)	(2,458,553)	540,882
	<u>(390,542,032)</u>	<u>(73,274,264)</u>	<u>(122,280,210)</u>	<u>(341,536,086)</u>	<u>75,137,939</u>
Net operating loss carryforwards	(72,175,166)	(30,315,178)	-	(102,490,344)	21,954,280
	<u>₩ (462,717,198)</u>	<u>₩ (103,589,442)</u>	<u>₩ (122,280,210)</u>	<u>₩ (444,026,430)</u>	<u>97,092,219</u>
Unutilized deferred income tax assets					(72,109,351)
Recognized deferred income tax assets					<u>₩ 24,982,868</u>

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(in thousands of Korean won)

	2007				Deferred income tax assets (liabilities)
	Beginning	Increases	Decreases	Ending	
Allowance for doubtful accounts	₩ (88,116,536)	₩ (64,621,480)	₩ (88,116,536)	₩ (64,621,480)	₩ 17,770,907
Accrued severance benefits	(3,755,597)	(2,021,158)	(627,505)	(5,149,250)	1,416,044
Deposit for retirement insurance	3,603,708	1,990,238	627,505	4,966,441	(1,365,771)
Impairment of investments in Peru prospect	(2,652,403)	-	-	(2,652,403)	729,411
Impairment of available-for-sale securities	(113,238,607)	(1,861,970)	(3,497,843)	(111,602,734)	30,690,752
Impairment of property, plant and equipment	(1,839,285)	-	(1,839,285)	-	-
Bad debt expenses	-	(226,781)	-	(226,781)	62,365
Other accounts payable	(71,798)	(1,819,170)	-	(1,890,968)	520,016
Gain (loss) on foreign currency translation	-	(1,702,567)	-	(1,702,567)	468,206
Impairment of investments	(334,999)	-	-	(334,999)	92,125
Notes receivable for deferred payment	19,098,529	-	19,098,529	-	-
Equity-method investments	(200,377,675)	(11,852,610)	(8,444,517)	(203,785,768)	56,041,086
Other	(1,848,473)	(3,096,778)	(1,403,728)	(3,541,523)	973,919
	<u>(389,533,136)</u>	<u>(85,212,276)</u>	<u>(84,203,380)</u>	<u>(390,542,032)</u>	<u>107,399,059</u>
Net operating loss carryforwards	<u>(118,172,000)</u>	-	<u>(45,996,834)</u>	<u>(72,175,166)</u>	<u>19,848,171</u>
	<u>₩ (507,705,136)</u>	<u>₩ (85,212,276)</u>	<u>₩ (130,200,214)</u>	<u>₩ (462,717,198)</u>	<u>127,247,230</u>
Unutilized deferred income tax assets					(98,789,130)
Recognized deferred income tax assets					<u>₩ 28,458,100</u>

The gross balances of deferred tax assets and liabilities are as follows:

(in thousands of Korean won)

	2008	
	Deferred tax assets	Deferred tax liabilities
Current	₩ 10,315,240	₩ 2,367,149
Non - current	18,253,358	1,218,581
	<u>₩ 28,568,598</u>	<u>₩ 3,585,730</u>

The tax effect of cumulative temporary difference was calculated based on future tax rate of the fiscal year when temporary differences are expected to reverse. The 24.2% and 22.0% tax rates were used for temporary difference expected to reverse in year 2009 and thereafter, respectively. As a result, deferred tax assets were lower by ₩4,433 million, as compared to the amount using the current tax rate of 27.5%.

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To determine the realizability of deferred income tax assets, all available positive and negative evidences are considered, including the Company's performance, the market environment in which the Company operates, forecasts of future profitability, the utilization period of past tax credits and tax loss carryforwards, and other factors. Management periodically considers these factors in reaching its conclusion. As of December 31, 2008, the Company has recognized the deferred income tax assets related to temporary differences, excluding the tax loss carryforwards and temporary differences of ₩72,109 million that are deemed to be not realizable. The balance of the deferred income tax assets is subject to change in accordance with changes in estimates for future taxable income.

Unexpired net loss carryforwards as of December 31, 2008, are as follows:

(in thousands of Korean won)

Year incurred	Amounts	Expiration
2005	₩ 72,175,166	2010
2008	31,315,178	2013
	<hr/> ₩ 102,490,344 <hr/>	

The financial statements for the year ended December 31, 2008, reflect the adoption of the Korea Accounting Institute's opinion on the Korean Accounting Statement Implementation 06-2, *Accounting treatment for taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures*, recognizing the deferred tax assets and liabilities from investments in subsidiaries regardless of the nature of the temporary differences. The prior year financial statements, presented herein for comparative purposes, have not been restated. Instead, the Company reflected this change on the January 1, 2008 balances. The effects of the change in accounting policy on the December 31, 2008 financial statements were an increase in deferred tax assets and retained earnings of ₩576,603 thousand each.

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15. Monetary assets and liabilities Denominated in Foreign Currencies

As of December 31, 2008 and 2007, monetary assets and liabilities denominated in foreign currencies, are as follows:

(in thousands of Korean won)

	2008		2007	
	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent
Assets				
Cash and cash equivalents	\$ 1,251,152	₩ 1,573,324	\$ 616,394	₩ 1,516,501
Short-term financial instruments	7,234,286	9,097,115	13,653,033	12,809,276
Trade accounts and notes receivable	209,345,484	263,251,946	185,991,134	174,496,882
Other accounts receivable	10,666,910	13,413,639	6,389,767	5,994,879
Accrued income	3,370,407	4,238,287	3,454,125	3,240,660
Guarantee deposits	87,864	110,489	88,345	82,885
Notes receivable for deferred payment	-	-	769,767	722,195
Deposits provided	296,877	373,323	186,389	174,870
Investments in petroleum development projects	67,073,696	84,345,173	87,598,492	82,184,905
Long-term loans receivable	31,376,900	39,456,452	40,987,460	38,454,435
	<u>\$ 330,703,576</u>	<u>₩ 415,859,748</u>	<u>\$ 340,734,906</u>	<u>₩ 319,677,488</u>
Liabilities				
Trade accounts and notes payable	\$ 210,886,312	₩ 265,189,537	\$ 196,591,080	₩ 184,441,751
Other accounts payable	13,567,451	17,061,070	19,290,547	18,098,391
Accrued expenses	393,756	495,149	521,973	489,715
Long-term borrowings	112,963,914	142,052,121	105,612,760	99,085,892
	<u>\$ 337,811,433</u>	<u>₩ 424,797,877</u>	<u>\$ 322,016,360</u>	<u>₩ 302,115,749</u>

For the year ended December 31, 2008, translation gain amounts to ₩63,491,464 thousand (2007: ₩3,805,738 thousand) and translation loss amounts to ₩54,958,275 thousand (2007: ₩3,081,569 thousand).

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16. Treasury Stock

As of December 31, 2008, the Company has nine treasury shares, which it plans to dispose of in the future.

17. Cost of Sales

Cost of sales for 2008 and 2007, consists of:

(in thousands of Korean won)

	2008	2007
Inventory, beginning	₩ 51,596,109	₩ 32,626,845
Net purchase	<u>2,747,719,940</u>	<u>1,617,235,697</u>
	2,799,316,049	1,649,862,542
Inventory, ending	<u>(81,598,936)</u>	<u>(51,596,109)</u>
Cost of goods sold	2,717,717,113	1,598,266,433
Other costs	<u>11,168,810</u>	<u>10,810,266</u>
	<u>₩ 2,728,885,923</u>	<u>₩ 1,609,076,699</u>

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18. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2008 and 2007, are as follows:

(in thousands of Korean won)

	2008	2007
Wages	₩ 14,988,482	₩ 13,301,804
Provision for severance benefits	2,056,885	2,627,307
Welfare expenses	1,566,953	1,291,507
Education and training expenses	162,300	124,210
Travel and transportation	1,750,620	1,387,152
Communication expenses	436,422	462,399
Supplies expenses	70,053	55,364
Books and periodicals	185,504	152,452
Utility expenses	780,555	755,841
Taxes and dues	646,521	626,287
Entertainment expenses	1,048,585	923,301
Expenses of overseas branches	8,521,579	5,869,274
Vehicles maintenance expenses	153,238	155,315
Repairs expenses	30,069	17,041
Depreciation	367,515	311,639
Amortization of intangible assets	1,201,575	127,273
Freight expenses	51,742	63,051
Rental expenses	2,021,518	1,961,438
Commissions	2,504,877	3,093,428
Advertising expenses	160,892	86,890
Foreign market development costs	1,164,657	711,550
Bad debt expenses	13,812,017	1,160,033
Insurance premium	341,595	153,861
Electronic expenses	2,372,416	2,506,479
Others	250,172	251,910
	<u>₩ 56,646,742</u>	<u>₩ 38,176,806</u>

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19. Value Added Information

Accounts for computing value added for the years ended December 31, 2008 and 2007, are as follows:

(in thousands of Korean won)

	2008		2007	
Wages	₩	14,988,482	₩	13,301,804
Provision for severance benefits		2,056,885		2,627,307
Welfare expenses		1,566,953		1,291,508
Rental expenses		2,021,518		1,961,438
Depreciation		379,139		957,782
Taxes and dues		646,521		626,287
	₩	<u>21,659,498</u>	₩	<u>20,766,126</u>

20. Comprehensive Income

Comprehensive income for the years ended December 31, 2008 and 2007, are as follows:

(in thousands of Korean won)

	2008		2007	
Net income	₩	10,372,199	₩	43,923,461
Cumulative effect of accounting change		576,603		-
Other comprehensive income and expense				
Changes in equity method investees with net accumulated comprehensive income, net of tax of ₩83,308 thousand (2007: nil)		7,175,930		6,761,198
Changes in equity method investees with net accumulated comprehensive expense, net of tax of ₩233,228 thousand (2007: nil)		5,091,507		-
Gain (loss) on valuation of available-for-sale securities, net of tax of nil		-		6,620,676
Comprehensive income	₩	<u>23,216,239</u>	₩	<u>44,063,983</u>

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21. Earnings Per Share

Earnings per share for the years ended December 31, 2008 and 2007, is computed as follows:

<i>(in thousands of Korean won)</i>	2008		2007	
Net income attributable to common stocks	₩	10,372,199	₩	43,923,461
Weighted average number of common stocks outstanding ¹		22,329,793		22,329,793
Earnings per share	₩	<u>465</u>	₩	<u>1,967</u>

¹Weighted average number of common stock is as follows:

	2008
January 1, 2008	22,329,802
Treasury shares held	<u>(9)</u>
Weighted average number of common stocks outstanding	<u>22,329,793</u>

22. Significant Non-Cash Transactions

Significant transactions not affecting cash flows are as follows:

<i>(in thousands of Korean won)</i>	2008		2007	
Transfer to current portion from available-for-sale securities	₩	18,910	₩	7,000
Transfer to mining rights from Investments in petroleum development projects		-		30,503,495
Transfer to long-term borrowings from accrued expenses		-		3,613,614
Write-off of trade accounts and notes receivable		-		28,127,955
Transfer to pension plan assets from severance insurance deposits		3,257,853		-

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23. Related Party Transactions

Details of the subsidiaries as of December 31, 2008, are as follows:

	Capital stock <i>(in thousands of Korean won)</i>	Number of shares owned	Percentage of ownership (%)	Location	Balance sheet date
Hyundai Corp. USA	₩ 27,138,658	236,180	100.00	USA	December 31
Hyundai Sangsa H.K., Ltd.	19,658,652	13,806,090	100.00	Hongkong	December 31
Hyundai Corp. Europe GMBH	80,296,417	-	100.00	Germany	December 31
Hyundai Canada Ind.	1,739,443	20,962	100.00	Canada	December 31
Hyundai Japan Co., Ltd.	11,096,775	23,276	100.00	Japan	December 31
Hyundai Australia Pty., Ltd.	11,813,429	14,570,951	100.00	Australia	December 31
Hyundai SGP PTE., Ltd.	Under liquidation		100.00	Singapore	December 31
Qingdao Hyundai Shipbuilding Co., Ltd.	20,088,400	-	90.00	China	December 31
POS-Hyundai Steel Mfg. (I) Pvt. Ltd.	8,904,240	-	70.50	India	March 31
Hyundai Yemen LNG Company Limited	11,544	6,120	51.00	Bermuda	December 31
PTHD INTI. DEVE.	5,283,233	-	55.00	Indonesia	December 31
Hyundai Corp. U.K., Ltd.	Under liquidation		100.00	United Kingdom	December 31

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Significant transactions with related parties for the years ended December 31, 2008 and 2007, are as follows:

<i>(in thousands of Korean won)</i>	Sales		Purchases	
	2008	2007	2008	2007
Subsidiaries				
Hyundai Corp. USA	₩370,739,538	₩226,031,776	₩ 58,218	₩ 185,718
Hyundai Sangsa H.K., Ltd.	27,945,415	5,899,816	574,030	675,253
Hyundai Corp. Europe GMBH	5,170,920	1,258,331	1,576,025	1,137,045
Hyundai Canada Ind.	53,953,336	24,968,709	-	-
Hyundai Japan Co., Ltd.	96,039,080	94,428,417	11,657	7,383
Hyundai Australia Pty., Ltd.	8,709,785	2,474,610	70,338	92,003
Hyundai SGP PTE., Ltd.	-	193,339	-	165,074
Qingdao Hyundai Shipbuilding Co., Ltd.	42,609,360	26,619,385	-	-
POS-Hyundai Steel Mfg. (I) Pvt. Ltd.	13,887,576	55,862,695	78,991	-
Hyundai Yemen LNG Company Limited	53,931	53,931	-	-
Equity method investee				
Korea LNG Limited	25,436,723	9,144,702	-	-
	<u>₩644,545,664</u>	<u>₩446,935,711</u>	<u>₩ 2,369,259</u>	<u>₩ 2,262,476</u>

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Significant receivables and payables with related parties as of December 31, 2008 and 2007, are as follows:

<i>(in thousands of Korean won)</i>	Receivables		Payables	
	2008	2007	2008	2007
Subsidiaries				
Hyundai Corp. USA	₩ 84,889,003	₩ 71,758,670	₩ 3,487,547	₩ 508,184
Hyundai Sangsa H.K., Ltd.	1,167	640	2,090,685	516,253
Hyundai Corp. Europe GMBH	9,923,352	8,126,115	10,810,980	10,562,692
Hyundai Canada Ind.	25,495,397	8,263,437	-	-
Hyundai Japan Co., Ltd.	454,885	2,596,984	1,220,611	35,566
Hyundai Australia Pty., Ltd.	2,865,970	334,051	-	234,288
Hyundai SGP PTE., Ltd.	3,226,223	-	-	127,052
Qingdao Hyundai Shipbuilding Co., Ltd.	14,247,345	3,414,021	2,438,293	1,819,170
POS-Hyundai Steel Mfg. (I) Pvt. Ltd.	857	2,831,568	-	-
Hyundai Yemen LNG Company Limited	138,131,323	133,901,695	-	-
Hyundai Corp. U.K., Ltd	-	-	47,924	38,708
Equity method investee				
Korea LNG Limited	2,263,500	-	-	-
	<u>₩281,499,022</u>	<u>₩231,227,181</u>	<u>₩ 20,096,040</u>	<u>₩ 13,841,913</u>

As of December 31, 2008, the Company has financial instruments of ₩36,421 million as well as borrowings of ₩132,183 million from the same financial institution. For the year ended December 31, 2008, ₩17,044 million of those borrowings were repaid.

For the years ended December 31, 2008 and 2007, the Company recorded wages of ₩891,745 thousand and ₩852,180 thousand, respectively, and severance benefits of ₩191,869 thousand and ₩318,793 thousand, respectively, as key management compensation. Key management consists of executive officers who have the authority and responsibility in the planning, directing and control of the Company's operations.

Allowance for doubtful accounts with related parties as of December 31, 2008, amounted to ₩25,511 million.

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24. Segment Information

The Company's business is segmented into machinery and plant, steel, chemicals, electricity and electronics and others based on the kinds of merchandise of the Company. The major customers of the machinery and plant segment are foreign shipbuilding companies, foreign national transportation ministries, electric power companies, transportation companies, construction companies and others. The major customers of the steel segment are foreign car-making companies, national oil and gas companies, construction companies, domestic and foreign shipbuilding companies and others. For the chemical segment, domestic and foreign oil refining companies and chemical companies are the major customers. The major customers of electricity and electronics segment are foreign IT companies and others.

The Company's financial information by segments is as follows:

<i>(in thousands of Korean won)</i>	2008		2007	
	Sales	Operating income (expense)	Sales	Operating income (expense)
Machinery and plant	₩ 810,191,137	₩ 14,238,550	₩ 392,499,289	₩ 5,027,852
Steel	1,761,112,955	26,069,829	1,160,453,206	13,218,214
Chemicals	66,552,983	341,652	16,519,733	717,535
Electricity and electronics	19,571,564	4,674,262	15,805,600	3,189,410
Others	179,814,294	6,385,975	83,134,396	440,779
	<u>₩2,837,242,933</u>	<u>₩ 51,710,268</u>	<u>₩1,668,412,224</u>	<u>₩ 21,158,720</u>

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25. Derivatives

Details of the changes in valuation gain or loss on derivatives for the years ended December 31, 2008 and 2007, are as follows:

(in thousands of Korean won)

	2008		2007	
	Gains	Losses	Gains	Losses
Foreign currency forward	₩ 2,488,520	₩ -	₩ -	₩ 15,483
Commodity futures	21,689	-	-	-
	<u>₩ 2,510,209</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 15,483</u>

The Company enters into foreign currency forward contracts with Korea Exchange Bank to manage the exposure to changes in currency exchange rates in accordance with its foreign currency risk management policy. Details of foreign currency exchange contracts as of December 31, 2008, are as follows:

(in thousands of Korean won)

Position	Contract amounts	Contract rate	Gain(loss) on valuation of derivative
Selling	USD 2,920,000	1,291.80	₩ 101,011
Selling	USD 4,738,230	1,439.70	868,146
Selling	USD 5,459,920	1,442.70	1,035,934
Selling	USD 2,782,080	1,373.70	335,597
Selling	EUR 1,817,434	1,848.17	147,832
			<u>₩ 2,488,520</u>

The Company has an aluminum futures contract, which was recorded as firm commitment liabilities and loss on valuation of firm commitment of ₩21,689 thousand each, as of December 31, 2008.

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26. Commitments and Contingencies

As of December 31, 2008, the Company is contingently liable for guarantees of its overseas subsidiaries and affiliated companies amounting to approximately US\$ 314,110 thousand for local financial transactions.

As a participant in the Yemen LNG project, the Company offers a guarantee of US\$ 92,670 thousand to the Korea Gas Corporation.

The Company has been provided with guarantees amounting to US\$ 97,512 thousand as of December 31, 2008, by Seoul Guarantee Insurance Co., Ltd. to ensure the refund of advances from customers.

On December 31, 2008, the Company provided notes and checks, including 21 blank notes and blank checks as collaterals for the Company's various borrowings and guarantees of indebtedness. As of December 31, 2008, the Company is in the process of taking nullification of one note and 20 checks which showed differences between statement of issued notes and checks from banks and the records of the Company.

As of December 31, 2008, the Company has filed three suits claiming US\$ 21,911 thousand in damages. And the Company is a plaintiff in seven lawsuits totaling US\$ 9,194 thousand and ₩80 million. As of balance date, the Company has not reflected the financial effect of the case because the outcome of these cases cannot be reasonably determined.

The Company sells notes receivable issued by its customers at a discount, of which US\$ 235,611 thousand and US\$ 151,060 thousand have not matured as of December 31, 2008 and 2007, respectively.

Commitments for trade financial transactions with Korea Exchange Bank and others as of December 31, 2008, are as follows:

<i>(in thousands of US dollars)</i>	Limit amount		Used amount	
D/A, D/P	USD	337,960	USD	235,611
Usance L/C		61,746		34,174
Local L/C		104,600		81,293
Bonds		97,812		91,875
	<u>USD</u>	<u>602,118</u>	<u>USD</u>	<u>442,953</u>

HYUNDAI CORPORATION
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27. Interim Results

Operating results for the three-month periods ended December 31, 2008 and 2007, are as follows:

<i>(in thousands of Korean won, except per share amounts)</i>		4th quarter of 2008		4th quarter of 2007
Sales	₩	696,882,355	₩	462,513,631
Operating income		5,258,111		4,265,106
Net income (loss)		(25,738,715)		3,131,253
Earnings (loss) per share		(1,153)		140

28. Debt Workout Plan

The Company entered into a memorandum of understanding (MOU) for a debt workout plan with its creditors in 2003. The MOU, which originally expired on December 31, 2008, was amended, extending the expiration until December 31, 2009. The MOU includes the extension of maturity dates and the sale of the Company.

The original and amended memoranda of understanding include:

1. The extension of maturity dates of current debts until December 31, 2009.
2. The creditors decided on a debt-to-equity swap of ₩310 billion on conditions that the debts should be converted into common shares before an exercise date, and the debts will be condoned if they are not converted.
3. The sale of the shares from the debt-to-equity conversion and from the conversion of convertible bonds acquired by the creditor financial institutions is restricted up to 50% plus one share of total stocks issued.

In 2003, debts amounting to ₩76,527 million were converted into common shares, while debts amounting to ₩220,156 million were converted into convertible bonds. In 2005, these convertible bonds were converted into common shares as well. The capital reduction with the ratio of 3:1 was completed in 2005. Currently, the Company is continuously implementing the debt workout plan by disposing of certain assets, exerting vigorous effort in collecting bad debts and receivables, and downsizing its overseas subsidiaries.

On January 30, 2009, the council of creditor financial institutions has selected NH Investment & Securities Co., Ltd. and the consortium of WOORI Investment & Securities Co., Ltd. and The Korea Development Bank as underwriters and is planning to carry out the sale of the Company.

HYUNDAI CORPORATION
Notes to Non-Consolidated Financial Statements
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29. Uncertainty of the Successful Completion of the Debt Workout Plan

As mentioned in Note 28, the Company has continuously implemented the debt workout plan which helped the Company achieve financial stability and has so far resulted in net income for the Company since 2004.

However, as of balance sheet date, the successful completion of the Company's debt workout plan could not be ascertained.

30. Reclassification of Prior Period Financial Statements

Certain amounts in the December 31, 2007 financial statements have been reclassified to conform to the December 31, 2008 financial statement presentation. These reclassifications have no effect on previously reported net income or shareholders' equity.

31. Approval of Financial Statements

The December 31, 2008 financial statements of the Company were approved by the Board of Directors on February 12, 2009.

**Report of Independent Accountants'
Review of Internal Accounting Control System**

To the President of
HYUNDAI CORPORATION

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of HYUNDAI CORPORATION (the "Company") as of December 31, 2008. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2008, no material weaknesses are identified as of December 31, 2008, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. 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 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 management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

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

Samil PricewaterhouseCoopers

February 23, 2009

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Auditor of HYUNDAI CORPORATION

I, as the Internal Accounting Control Officer (“IACO”) of HYUNDAI CORPORATION (“the Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“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 effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standards for the assessment of design and operations of the IACS.

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

January 30, 2009

Kim Kwang Joo, Internal Accounting Control Officer

Roh Young Don, Chief Executive Officer

2008년 내부회계관리제도 운영실태 평가보고서

현대종합상사 주식회사 이사회 및 감사 귀중

본 내부회계관리자는 2008년 12월 31일 현재 동일자로 종료하는 회계연도에 대한 당사의 내부회계관리제도의 설계 및 운영실태를 평가하였습니다.

내부회계관리제도의 설계 및 운영에 대한 책임은 본 내부회계관리자를 포함한 회사의 경영진에 있습니다. 본 내부회계관리자는 회사의 내부회계관리제도가 신뢰할 수 있는 재무제표의 작성 및 공시를 위하여 재무제표의 왜곡을 초래할 수 있는 오류나 부정행위를 예방하고 적발할 수 있도록 효과적으로 설계 및 운영되고 있는지의 여부에 대하여 평가하였습니다. 본 내부회계관리자는 내부회계관리제도의 설계 및 운영실태를 평가함에 있어 내부회계관리제도 모범규준을 평가기준으로 사용하였습니다.

본 내부회계관리자의 내부회계관리제도 운영실태 평가결과, 2008년 12월 31일 현재 당사의 내부회계관리제도는 내부회계관리제도 모범규준에 근거하여 볼 때, 중요성의 관점에서 효과적으로 설계되어 운영되고 있다고 판단됩니다.

2009년 1월 30일

내부회계관리자 김광주(인)

대표이사 노영돈(인)