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Annual Report 2008

HYUNDAI ELEVATOR CO., LTD.

HEAD OFFICE & FACTORY

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1-83 Dongsoong-dong, Jongno-gu, Seoul 110-510, Korea
Tel : 82-2-3670-0660/0661 Fax : 82-2-3672-8763-4

HYUNDAI ELEVATOR INTERNATIONAL SALES & SERVICE NETWORK

PHILIPPINES

Hycor Industrial Sales Corp., #81 Kapiligan Cor., Bayani St., Brgy. Dona Imelda, Quezon City, Philippines
Tel : 63-2-716-0905/0923 Fax : 63-2-714-8896

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PT. Superhelindo Jaya
JL. KH. Moch. Mansyur No 19B, Jakarta 10140, Indonesia
Tel : 62-21-631-8444 Fax : 62-21-632-6288

THAILAND

Loxley Public Co., Ltd.
Construction Materials Department
102 Na Ranong Rd. Klongtoey, Bangkok 10110, Thailand
Tel : 66-2-348-8015 Fax : 66-2-240-3127/3128

BANGLADESH

Regional Traders Ltd.
Karim Chamber 3rd Floor/89, Motijheel Commercial Area Dhaka-1000, Bangladesh
Tel : 880-2-956-3122 Fax : 880-2-956-7377

INDIA

Kinetic Escalator & Elevator Ltd.
G-92, D-III Block, Midc, Chinchwad, Pune-411019 India
Tel : 91-20-3950-2190/2191 Fax : 91-20-2747-0568

PAKISTAN

Islamabad Industrial & Trading Corp.
205 Amber Estate Shakra-e-faisal, Karachi - 75350, Pakistan
Tel : 92-21-432-0601-5 Fax : 92-21-432-0617

EGYPT

International Eng. & Trade
10 El Hakam St., Helmeiyt El Zayton Cairo, Egypt
Tel : 20-2-2241-8542 Fax : 20-2-2639-2672

U.A.E.

Emirates & Korea Elevators L.L.C.
Suite 51B Zomorrodah Bldg., Hurrar Road, Karama P.O.Box 126967, Dubai, U.A.E.
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MIDEIN HOLDING L.L.C.

P.O.Box 42681 Abu Dhabi, U.A.E.
Tel : 971-2-671-1779 Fax : 971-2-671-6333

KUWAIT

Deal General Trading & Contracting Co.
P. O. Box 27956 Safat, 13140 Kuwait
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JORDAN

Bseiso Engineering Materials Corp.
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Mehfakhr, Flat No. 84 8th Flr, No. 23 Corner of 13th St. Asadabadi Ave. Tehran Iran
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SAUDI ARABIA

ETA-Electromechanical & Technical Associates, Al Murjan Tower, 11th Floor, Suite #1104, Hail Street and Waly Al Ahd Street Intersection, P. O. Box 6591, Jeddah-21452, Saudi Arabia
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QATAR

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Flash Engineering & Trade
03 Rue Saïdi Ahmed-Bordj El Kiffan Palace Center, Alger, Algeri
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TUNISIA

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Rue Abderrahmen Ibn Aouf Cite Uv4 Bloc 49-1004 Menzeh 6 tunis - Tunisie
Tel : 216-71-236-373 Fax : 216-71-754-361

OMAN

North Ocean Enterprises L.L.C.
P.O.Box 3725, P.C.112, Ruwi, Sultanate Of Oman
Tel : 00968-92884334 Fax : 00968-24498622

PANAMA

Elevadores De Panama S.A.
Via Ricardo J. Alfaro, Diagonal Hospital S.M. Arcangel Republic of Panama
Tel : 507-230-3166 Fax : 507-230-3187

VENEZUELA

Cozy Life Elemeccanico, C.A
AV. Francisco De Miranda, Edif.Vesubio, Piso Pb, Local 01, URB. La California Norte, Caracas, Venezuela
Tel : 58-212-232-1166 Fax : 58-212-232-7178

CHINA

* Shanghai Hyundai Elevator Manufacturing Co., Ltd.

• Head Office(Factory)
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Tel : 86-21-5981-3981/3990/3961/3971 Fax : 86-21-5981-3982

• Shanghai Office
Room 506, Yuan Zhong Scientific Research Bldg., No.1905 Hongmei-Lu, Xuhui-Du, Shanghai, 200233, China
Tel : 86-21-6485-8600 Fax : 86-21-6485-3511/3512



Korea's foremost elevator manufacturer

Since its establishment in 1984, Hyundai Elevator has led the growth of the Korean elevator industry with its steady research and development efforts and high quality products.

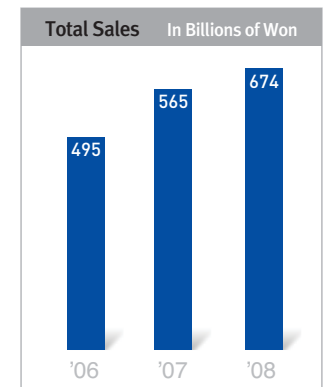
Starting with the nation's first elevator without the machine room in 1999, Hyundai Elevator has led the market with its outstanding technology, like applying the high-tech gearless traction machine, which was used mainly in high-speed elevators. It is also used in medium-to-low-speed LUXEN (medium speed gearless elevator) elevators introduced in 2006.

Hyundai Elevator was number one in the elevator industry (domestic market) for the second year in a row due to YZER (elevator without machine room) brand which took more than 50% of Korea's machine-room-less elevator market and the LUXEN brand was the industry's first to apply the gearless traction machine, which used to be installed in medium-low speed elevators.

In particular, Hyundai Elevator has completed a 205-meter tower to test its super high-speed elevators this April. It's the tallest elevator test tower in the world.

It will also help us accelerate our sales efforts on 600 meter-per-minute elevators, and by year end, complete development of a 1,080m/min ultra high speed elevator, which will lay the technological foundation for us as the global market leader in the elevator industry.

Financial Highlights



Description \ Year	2008		2007	
	Thousand of Korean Won	U.S. Dollars	Thousand of Korean Won	U.S. Dollars
Sales	₩673,848,379	\$ 611,150,454	₩564,581,266	\$ 607,599,296
Operating Income	26,423,818	23,965,226	38,563,568	41,501,902
Net Income	29,776,960	27,006,376	149,775,935	161,188,048
Total Assets	1,204,686,606	958,001,277	993,847,210	1,059,312,738
Stockholders' Equity	612,568,585	487,132,075	548,402,012	584,525,700
Earnings Per Share	4.2	3.8	21	22 ⁴
Dividend Per Share	0.5		0.8	

Note : Amounts in Korean won have been translated into U.S. dollars, solely for the reader's convenience. The exchange rates used for conversion were ₩1,102²² and ₩929²² per U.S. dollar in 2008 and 2007 respectively, which were the average exchange rates of the Bank of Korea on those years.

Message from the President



Dear Shareholders:

It's with great pleasure that I present to you the results of our past years operations as well as our plans for the forthcoming year.

The business climate in 2008 was extremely challenging as the global economic slowdown intensified during the latter part of the year. In the domestic market we saw a further deterioration in the business environment as the KOSPI dropped precipitously below 1,000 while the exchange rate skyrocketed. A rapid increase in oil prices resulted in

higher raw materials as well as overall production costs, further unsettling the business climate.

Despite the challenging business environment, we at Hyundai Elevator achieved several milestone events during the year, including the continuation of our harmonious labor-management relationship evidenced by our 20th consecutive year without a labor dispute, construction of the world's tallest super high speed elevator test tower, and development of a 600m/min class ultra high speed elevator. Also, for the first time in our corporate history, annual elevator installations exceeded 10,000 units, making us the domestic market share leader in the elevator industry for the second year in a row.

Total revenue for the year 2008 was 673.8 billion won, a 19% increase over the previous year. Operating profit was 26.4 billion won and net income amounted to 29.8 billion won. Debt ratio stayed at a healthy 96.7% while the capital adequacy ratio was 50.8%.

This year, as we see the financial market crisis spreading into a real market recession, we face an even worse economic environment. The construction industry in particular, which is closely tied to the people moving industry, is in an extremely dire situation. Despite numerous government policies that have been implemented to support the industry, the number of unsold apartments increased to over 160,000. Numerous issues such as project financing default concerns still need to be addressed. Similarly, various construction industry indexes are also severely depressed.

Despite the uncertain business environment, we at Hyundai Elevator have set our 2009 revenue target at an ambitious 800 billion won, a 19% year over year growth. Managerial focus will be on enhancing global management systems, implementing crisis management systems, and integration of the new organization culture (4T). By focusing our efforts on these three major management initiatives, we will be able to overcome the uncertainty that has pervaded both the domestic and global business environment.

In order to achieve these goals, we will continue several ongoing programs from this past year, including developing new local sales agents in the Middle East and CIS countries, and expanding our global sales, installation and service network through joint venture agreements. At the same time, we will expand the usage of our energy recycling elevator inverter (Capacitor-less condenser; LOWATT) to improve energy efficiency, develop lightweight and easy to produce eco-friendly green products, and expand our non-elevator product line the areas of material handling system, auto-parking system, and platform screen doors.

In particular, with the completion of our super high-speed elevator test tower at our Icheon headquarters this April, we will accelerate our sales efforts on our 600m/min class elevators. By year end, we will complete development of a 1,080m/min class ultra high speed elevator, which will lay the technological foundation for us to emerge as the global market leader in the elevator industry.

In addition to these efforts, we will look to stabilize our income stream by expanding our service & maintenance market, and utilize stricter risk management and scenario analysis as a means to adeptly maneuver these uncertain economic times.

With a positive outlook and unyielding determination, the entire management team and employees here at Hyundai Elevator will endeavor to make great strides as we have in past years, and turn this crisis into opportunity.

Once again, we express our gratitude for your involvement and support, and hope you continue to provide us with your encouragement and feedback.

Thank you.

Sincerely yours,



J. C. Song

President & Representative Director

To the Shareholders and Board of Directors of HYUNDAI ELEVATOR CO., LTD.

We have audited the accompanying non-consolidated balance sheets of HYUNDAI ELEVATOR CO., LTD. (the "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, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Hyundai Merchant Marine Co., Ltd., the investment in which is reflected in the accompanying financial statements using the equity-method of accounting. The investment in that equity-method investee amounts to ₩595,559 million as of December 31, 2008, and the gain on valuation of equity-method investments amounts to ₩78,233 million for the year then ended December 31, 2008. These statements were audited by other auditors whose report has been furnished us and our opinion, insofar as it relates to the amounts included for the equity-method investee, is based solely on the report of the other auditors.

We conducted our audits 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 audits and the report of other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of HYUNDAI ELEVATOR CO., LTD. as of December 31, 2008 and 2007, and the results of its operations, the changes in its retained earnings, the changes in its shareholders' equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic 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, 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.

Samil Pricewaterhouse Coopers
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Seoul 140-702, KOREA
(Yongsan P.O. Box 266, 140-600)

Kyung - Tae, Ahn
C.E.O. & Certified Public Accountant
March 18, 2009

This report is effective as of March 18, 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 non-consolidated 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.

(Years ended December 31, 2008 and 2007)

Description	Year		2008		2007	
			Thousand of Korean Won	U.S. Dollars	Thousand of Korean Won	U.S. Dollars
1. Sales			₩673,848,379	\$ 611,150,454	₩564,581,266	\$ 607,599,296
2. Cost of sales			604,062,898	547,858,132	493,918,647	531,552,568
3. Gross profit			69,785,481	63,292,322	70,662,619	76,046,728
4. Selling and general administrative expenses			43,361,663	39,327,096	32,099,051	34,544,826
5. Operating income			26,423,818	23,965,226	38,563,568	41,501,902
6. Non-operating income			99,632,392	90,362,140	188,663,990	203,039,162
7. Non-operating losses			120,911,270	109,661,135	20,747,131	22,327,949
8. Income before income taxes			5,144,940	4,666,231	206,480,427	222,213,115
9. Income tax expenses			24,632,020	22,340,145	56,704,492	61,025,067
10. Net income			₩29,776,960	\$ 27,006,376	₩149,775,935	\$ 161,188,048

Note : Amounts in Korean won have been translated into U.S. dollars, solely for the reader's convenience. The exchange rates used for conversion were ₩1,102⁹² and ₩929²⁰ per U.S. dollar in 2008 and 2007 respectively, which were the average exchange rates of the Bank of Korea on those years.

Balance Sheets

Statements of Appropriations of Retained Earnings

(Years ended December 31, 2008 and 2007)

Description	2008		2007	
	Thousand of Korean Won	U.S. Dollars	Thousand of Korean Won	U.S. Dollars
Assets				
. Current assets				
1. Quick assets	₩371,287,689	\$ 295,258,600	₩292,868,010	\$ 312,159,465
2. Inventories	9,539,206	7,585,850	8,629,775	9,198,225
(Total current assets)	380,826,895	302,844,450	301,497,785	321,357,690
. Non-current assets				
1. Investments	701,290,375	557,686,183	607,783,910	647,819,133
2. Tangible assets	90,354,999	71,852,882	51,961,074	55,383,792
3. Intangible assets	3,610	2,871	10,084	10,749
4. Other	32,210,726	25,614,891	32,594,357	34,741,374
(Total non-current assets)	823,859,711	655,156,827	692,349,425	737,955,048
Total Assets	1,204,686,606	958,001,277	993,847,210	1,059,312,738
Liabilities				
. Current liabilities	412,463,436	328,002,733	185,995,598	198,247,280
. Long-term liabilities	179,654,585	142,866,469	259,449,600	276,539,758
(Total liabilities)	592,118,021	470,869,202	445,445,198	474,787,038
Stockholder's equity				
. Capital stock	35,662,565	28,359,893	35,662,565	38,011,687
. Capital surplus	96,025,207	76,361,993	96,007,991	102,332,116
. Capital adjustment	9,092,623	7,230,714	-	-
. Accumulated other comprehensive	48,266,494	38,382,898	904,536	964,119
. Retained earnings	441,706,942	351,258,005	417,635,992	445,146,016
(Total stockholders' equity)	612,568,585	487,132,075	548,402,012	584,525,700
Total liabilities & stockholders' equity	₩1,204,686,606	\$ 958,001,277	₩993,847,210	\$ 1,059,312,738

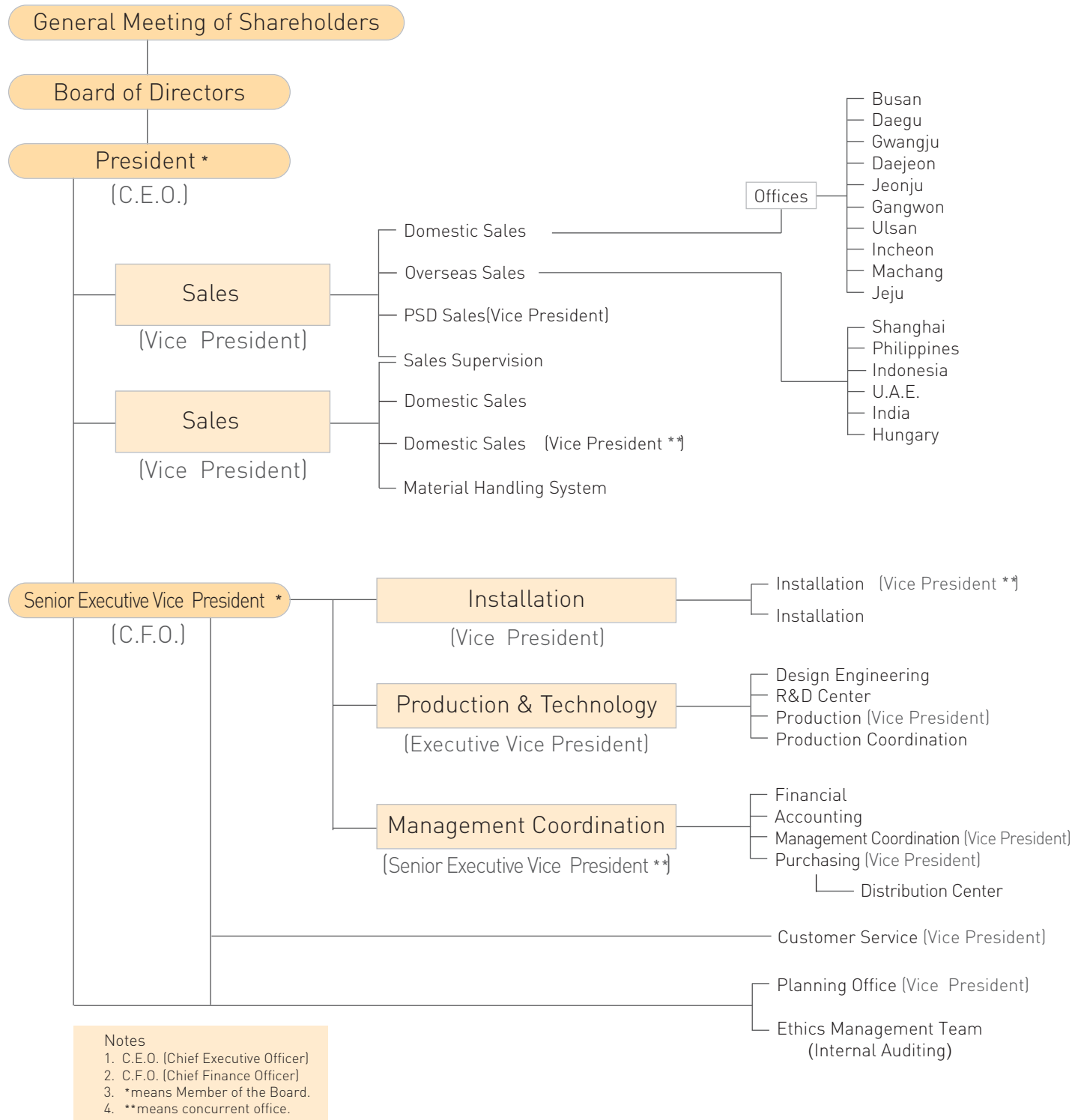
Note : Amounts in Korean won have been translated into U.S. dollars, solely for the reader's convenience. The exchange rates used for conversion were ₩1,257⁵ and ₩938² per U.S. dollar in 2008 and 2007 respectively, which were the exchange rates of the Bank of Korea on December 31, 2008 and 2007.

(Years ended December 31, 2008 and 2007)

Description	2008		2007	
	Thousand of Korean Won	U.S. Dollars	Thousand of Korean Won	U.S. Dollars
. Retained earnings before appropriations				
1. Unappropriated retained earnings carried over from prior years	₩349,324,315	\$ 277,792,696	₩239,189,855	\$ 254,945,486
2. Prior period error corrections	-	-	35,894,966	38,259,397
3. Cumulative effect of accounting change	-	-	136,166	145,135
4. Net income	29,776,960	23,679,491	149,775,935	159,641,798
(Sub total)	379,101,275	301,472,187	352,934,659	376,182,752
. Transfers from voluntary reserves				
1. Reserve for technical development	3,666,667	2,915,838	2,666,667	2,842,322
Total	382,767,942	304,388,025	355,601,325	379,025,074
. Appropriations of retained earnings				
1. Legal reserve	351,000	279,125	571,000	608,612
2. Dividends	3,509,828	2,791,116	5,706,010	6,081,870
Cash dividend - Dividend ratio(2008) 10%				
(Sub total)	3,860,828	3,070,241	6,277,010	6,690,482
. Unappropriated retained earnings to be carried over forward to subsequent year	₩378,907,114	\$ 301,317,784	₩349,324,315	\$ 372,334,592

Note : Amounts in Korean won have been translated into U.S. dollars, solely for the reader's convenience. The exchange rates used for conversion were ₩1,257⁵ and ₩938² per U.S. dollar in 2008 and 2007 respectively, which were the exchange rates of the Bank of Korea on December 31, 2008 and 2007.

Organization



Company Profile

A. Main Products

- Elevators
- Escalators
- Moving Walks
- Material Handling Systems
- Auto Parking Systems
- Platform Screen Doors

B. Capital Structure

Authorized Capital : Won 100,000,000,000
Paid-in Capital : Won 35,662,565,000

C. Brief Company History

- May 1984** Hyundai Elevator Co., Ltd. established.
Technical License Agreement signed by Hyundai and Westinghouse to manufacture various kinds of elevators and escalators.
- Sep 1989** Termination of joint venture with Westinghouse
- Dec 1991** Certificated ISO 9001 certification from DNV
- Aug 1993** Established joint venture in Shanghai, China
- Nov 1995** Established joint venture in Shenyang, China
- Jul 1996** Listed on the Korea Stock Exchange
- Dec 1996** Certificated After Service Certification from the Ministry of Trade and Commerce
- Apr 1997** Certificated ISO 14001 environmental certification from DNV
- Mar 1998** Certificated ISO 9001 and ISO 14001 certification from DNV for the Auto Parking Systems and Material Handling Systems.
- Aug 1999** Certificated CE Mark from DNV
- Oct 1999** Signed a contract for a technology alliance with Japan's Nabco for PSD(Platform Screen Doors)
- May 2001** Signed a contract for installation and maintenance alliance in Japan with Nihon Shokouki Co.,Ltd. for marine elevators.
- Jul 2001** Certificated CE mark for elevators from DNV
- Dec 2004** Certificated ISO 9001 and ISO 14001 Certification from DNV for Platform Screen Doors
- Feb 2005** Selected one of the most admired companies from the Federation of Korean Industries and the Seoul Economic Daily
- Oct 2006** Certificated Korea Productivity Award from Korea Productivity Center
- Dec 2007** Certificated New Excellent Technology for the capacitor-less inverter control for driving elevator from the Ministry of Science and Technology
- Apr 2009** Constructed the tallest elevator test tower in the world(205m)

D. Corporate Information

1. Date of Establishment : May 23, 1984
2. Head Office : San 136-1, Ami-ri, Bubal-eup, Ichon-shi, Gyeonggi-do 467-734, Korea
3. TEL : 82-2-3670-0660
4. Fiscal Year End : December 31st.
5. Number of Employees : 1,195
6. The Total Number of Outstanding Capital Stocks
Par value : ₩5,000
Authorized Number of Shares : 7,132,513 shares
7. Total Assets : ₩1,204,686,606 (In thousands) , U.S. \$ 958,001,277



The tallest elevator test tower(Hyundai Asan Tower) stands in Icheon, Korea.