

**HYUNDAI MOTOR COMPANY**

**NON-CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005  
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

# Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

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

We have reviewed the accompanying non-consolidated balance sheet of Hyundai Motor Company (the "Company") as of March 31, 2006, and the related non-consolidated statements of income and cash flows for the three months ended March 31, 2006 and 2005, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with the standards for review of interim financial statements in the Republic of Korea. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea (See Note 2).

We have previously audited, in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet of the Company as of December 31, 2005, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended (not presented herein) and in our report dated January 27, 2006, we expressed an unqualified opinion on those non-consolidated financial statements. The accompanying balance sheet as of December 31, 2005, which is comparatively presented, does not differ in material respects from such audited non-consolidated balance sheet.

Our reviews also comprehended the translation of Korean Won amounts into U.S. dollar amounts and nothing has come to our attention that cause us to believe that such translation has not been made in conformity with the basis in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Korea.

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

April 28, 2006

## Notice to Readers

This report is effective as of April 28, 2006, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2006 AND DECEMBER 31, 2005

<u>ASSETS</u>	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
	<u>March 31, 2006</u>	<u>December 31, 2005</u>	<u>March 31, 2006</u>	<u>December 31, 2005</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Current assets:				
Cash and cash equivalents	₩ 1,165,167	₩ 1,803,282	\$ 1,193,941	\$ 1,847,814
Short-term financial instruments (Note 14)	3,806,916	3,860,735	3,900,928	3,956,076
Short-term investment securities (Note 4)	330,577	342,292	338,741	350,745
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩21,547 million as of March 31, 2006 and ₩21,589 million as of December 31, 2005	1,563,661	1,312,163	1,602,276	1,344,567
Inventories (Note 3)	1,216,270	1,008,086	1,246,306	1,032,981
Deferred income tax assets (Note 20)	133,872	24,929	137,178	25,545
Advances and other current assets	<u>756,409</u>	<u>651,878</u>	<u>775,089</u>	<u>667,976</u>
Total current assets	<u>8,972,872</u>	<u>9,003,365</u>	<u>9,194,459</u>	<u>9,225,704</u>
Non-current assets:				
Long-term investment securities (Notes 5 and 14)	408,693	441,008	418,786	451,899
Investment securities accounted for using the equity method (Notes 6 and 14)	6,242,619	6,115,447	6,396,781	6,266,469
Property, plant and equipment, net of accumulated depreciation of ₩5,259,358 million as of March 31, 2006 and ₩5,093,631 million as of December 31, 2005 (Notes 7, 8, 9 and 14)	9,025,330	8,945,562	9,248,212	9,166,474
Intangibles (Note 10)	932,334	920,395	955,358	943,124
Deferred income tax assets (Note 20)	-	27,199	-	27,871
Other assets (Notes 11 and 14)	<u>871,630</u>	<u>1,108,244</u>	<u>893,155</u>	<u>1,135,612</u>
Total non-current assets	<u>17,480,606</u>	<u>17,557,855</u>	<u>17,912,292</u>	<u>17,991,449</u>
Total assets	<u>₩ 26,453,478</u>	<u>₩ 26,561,220</u>	<u>\$ 27,106,751</u>	<u>\$ 27,217,153</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF MARCH 31, 2006 AND DECEMBER 31, 2005

<u>LIABILITIES AND</u> <u>SHAREHOLDERS' EQUITY</u>	<u>Korean Won</u>		<u>Translation into</u> <u>U.S. Dollars (Note 2)</u>	
	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Current liabilities:				
Short-term borrowings (Notes 12 and 14)	₩ 577,641	₩ 780,445	\$ 591,906	\$ 799,718
Current maturities of long-term debt and debentures (Notes 13 and 14)	459,582	464,163	470,931	475,626
Trade notes and accounts payable	3,422,661	3,443,993	3,507,184	3,529,043
Accounts payable-other	1,676,473	1,613,236	1,717,874	1,653,075
Accrued warranties (Note 15)	737,557	734,750	755,771	752,895
Income tax payable	111,242	41,846	113,989	42,879
Accrued expenses	214,995	43,037	220,304	44,100
Withholdings and other current Liabilities	<u>367,010</u>	<u>495,175</u>	<u>376,074</u>	<u>507,403</u>
Total current liabilities	<u>7,567,161</u>	<u>7,616,645</u>	<u>7,754,033</u>	<u>7,804,739</u>
Long-term liabilities:				
Long-term debt and debentures, net of current maturities and discount on debentures issued of ₩2,988 million in 2006 and ₩4,605 million in 2005 (Notes 9, 13 and 14)	931,608	935,049	954,614	958,140
Accrued severance benefits, net of National Pension payments for employees of ₩26,650 million in 2006 and ₩29,550 million in 2005, and individual severance insurance deposits of ₩780,488 million in 2006 and ₩835,383 million in 2005 (Note 2)	401,822	367,052	411,745	376,116
Long-term accrued warranties (Note 15)	2,433,878	2,433,533	2,493,983	2,493,629
Deferred tax liabilities (Note 20)	147,735	-	151,383	-
Other long-term liabilities	<u>173,025</u>	<u>256,083</u>	<u>177,299</u>	<u>262,408</u>
Total long-term liabilities	<u>4,088,068</u>	<u>3,991,717</u>	<u>4,189,024</u>	<u>4,090,293</u>
Total liabilities	<u>11,655,229</u>	<u>11,608,362</u>	<u>11,943,057</u>	<u>11,895,032</u>
Commitments and contingencies (Note 14)				
Shareholders' equity:				
Capital stock (Note 16)	1,482,905	1,482,905	1,519,526	1,519,526
Capital surplus (Note 17)	5,395,327	5,391,620	5,528,565	5,524,767
Retained earnings (Note 18) (Net income of ₩318,831 million for three months ended March 31, 2006 and ₩2,314,647 million for the year ended December 31, 2005)	8,895,164	8,888,352	9,114,831	9,107,851
Capital adjustments (Note 19)	<u>(975,147)</u>	<u>(810,019)</u>	<u>(999,228)</u>	<u>(830,023)</u>
Total shareholders' equity	<u>14,798,249</u>	<u>14,952,858</u>	<u>15,163,694</u>	<u>15,322,121</u>
Total liabilities and shareholders' equity	<u>₩ 26,453,478</u>	<u>₩ 26,561,220</u>	<u>\$ 27,106,751</u>	<u>\$ 27,217,153</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

	<u>Korean Won</u>		<u>Translation into U. S. Dollars (Note 2)</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(In millions, except per share amounts)		(In thousands, except per share amounts)	
Sales (Note 23)				
Domestic sales	₩ 2,894,185	₩ 2,171,764	\$ 2,965,657	\$ 2,225,396
Export sales	<u>3,967,332</u>	<u>3,998,464</u>	<u>4,065,306</u>	<u>4,097,207</u>
	<u>6,861,517</u>	<u>6,170,228</u>	<u>7,030,963</u>	<u>6,322,603</u>
Cost of sales	<u>5,561,139</u>	<u>5,002,665</u>	<u>5,698,472</u>	<u>5,126,207</u>
Gross profit	1,300,378	1,167,563	1,332,491	1,196,396
Selling and administrative expenses (Note 24)	<u>965,045</u>	<u>844,852</u>	<u>988,877</u>	<u>865,716</u>
Operating income	<u>335,333</u>	<u>322,711</u>	<u>343,614</u>	<u>330,680</u>
Other income (expenses), net:				
Interest income, net	23,276	21,780	23,851	22,318
Foreign exchange gain, net	16,664	76,739	17,076	78,634
Gain on valuation of investment securities accounted for using the equity method, net (Note 6)	209,668	128,220	214,846	131,386
Gain (Loss) on valuation of derivatives, net	(134,515)	91,641	(137,837)	93,904
Royalty income	53,499	39,631	54,820	40,610
Loss on disposal of trade note and account receivables	(18,824)	(14,162)	(19,289)	(14,512)
Loss on disposal of property, plant and equipment, net	(10,091)	(1,765)	(10,340)	(1,809)
Gain (Loss) on disposal of short-term investment securities, net	4,137	(17)	4,239	(17)
Gain on disposal of long-term investment securities, net	2,969	-	3,042	-
Other, net	<u>9,239</u>	<u>(790)</u>	<u>9,468</u>	<u>(809)</u>
	<u>156,022</u>	<u>341,277</u>	<u>159,876</u>	<u>349,705</u>
Ordinary income	491,355	663,988	503,490	680,385
Income tax expense (Note 20)	<u>172,524</u>	<u>154,211</u>	<u>176,785</u>	<u>158,019</u>
Net income	<u>₩ 318,831</u>	<u>₩ 509,777</u>	<u>\$ 326,705</u>	<u>\$ 522,366</u>
Earnings per common share (Note 2)	<u>₩ 1,436</u>	<u>₩ 2,262</u>	<u>\$ 1.47</u>	<u>\$ 2.32</u>
Earnings per common share-assuming dilution (Note 2)	<u>₩ 1,429</u>	<u>₩ 2,254</u>	<u>\$ 1.46</u>	<u>\$ 2.31</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-COLSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Cash flows from operating activities:				
Net income	₩ 318,831	₩ 509,777	\$ 326,705	\$ 522,366
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation	192,391	188,485	197,142	193,140
Amortization of intangibles	65,822	39,912	67,447	40,898
Gain on foreign currency translation, net	(16,139)	(26,787)	(16,538)	(27,449)
Gain on valuation of investment securities accounted for using the equity method, net	(209,668)	(128,220)	(214,846)	(131,386)
Loss (Gain) on valuation of derivatives, net	134,515	(91,641)	137,837	(93,904)
Loss on disposal of trade notes and accounts receivable	18,824	14,162	19,289	14,512
Loss on disposal of property, plant and equipment, net	10,091	1,765	10,340	1,809
Loss (Gain) on disposal of short-term investment securities, net	(4,137)	17	(4,239)	17
Gain on disposal of long-term investment securities, net	(2,969)	-	(3,042)	-
Impairment loss on property, plant and equipment	-	20,096	-	20,592
Provision for severance benefits	74,615	52,841	76,458	54,146
Provision for warranties	82,097	113,306	84,124	116,104
Other	6,444	4,471	6,603	4,581
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable	(267,831)	(249,783)	(274,445)	(255,951)
Increase in inventories	(250,079)	(188,572)	(256,255)	(193,229)
Increase in other current assets	(33,150)	(58,544)	(33,969)	(59,990)
Decrease (Increase) in deferred income tax assets	(55,292)	42,410	(56,657)	43,457
Decrease in trade notes and accounts payable	(21,340)	(452,466)	(21,867)	(463,640)
Increase (Decrease) in accounts payable-other	(290,809)	244,351	(297,991)	250,385
Increase (Decrease) in income tax payable	69,396	(74,098)	71,110	(75,928)
Increase in accrued expenses	171,959	122,195	176,206	125,213
Increase in deferred income tax liabilities	147,736	-	151,384	-
Decrease in withholding and other current liabilities	(125,972)	(57,977)	(129,083)	(59,409)
Decrease in accrued warranties	(78,945)	(93,543)	(80,894)	(95,853)
Payment of severance benefits	(97,885)	(81,141)	(100,302)	(83,145)
Decrease in individual severance insurance deposits	54,893	22,653	56,249	23,212
Other	8,786	24,658	9,003	25,268
	<u>(97,816)</u>	<u>(101,673)</u>	<u>(100,231)</u>	<u>(104,184)</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from withdrawal of short-term financial instruments	₩ 1,204,633	₩ 815,147	\$ 1,234,382	\$ 835,277
Proceeds from disposal of short-term investment securities	84,605	180	86,694	184
Proceeds from disposal of long-term investment securities	48,780	5,907	49,985	6,053
Proceeds from disposal of property, plant and equipment	6,145	31,535	6,297	32,314
Reduction in other current assets	8,040	21,900	8,239	22,441
Reduction in other assets	25,281	52,211	25,904	53,500
	<u>1,377,484</u>	<u>926,880</u>	<u>1,411,501</u>	<u>949,769</u>
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(1,150,814)	-	(1,179,234)	-
Acquisition of short-term investment securities	(70,222)	(196)	(71,956)	(201)
Acquisition of long-term investment securities	(1,997)	(8,207)	(2,046)	(8,410)
Acquisition of investment securities accounted for using the equity method	(142,539)	(153,902)	(146,059)	(157,703)
Acquisition of property, plant and equipment	(248,564)	(159,854)	(254,702)	(163,802)
Expenditures for development costs	(75,698)	(68,268)	(77,567)	(69,954)
Additions to other current assets	(6,300)	(21,600)	(6,456)	(22,133)
Additions to other assets	(24,153)	(16,167)	(24,750)	(16,565)
	<u>(1,720,287)</u>	<u>(428,194)</u>	<u>(1,762,770)</u>	<u>(438,768)</u>
	<u>(342,803)</u>	<u>498,686</u>	<u>(351,269)</u>	<u>511,001</u>
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	<u>2,648,150</u>	<u>2,740,887</u>	<u>2,713,546</u>	<u>2,808,574</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	(2,844,646)	(2,635,239)	(2,914,895)	(2,700,317)
Purchase of treasury stock	-	(471,837)	-	(483,489)
Repayment of long-term debt	(1,000)	(3,015)	(1,025)	(3,089)
	<u>(2,845,646)</u>	<u>(3,110,091)</u>	<u>(2,915,920)</u>	<u>(3,186,895)</u>
	<u>(197,496)</u>	<u>(369,204)</u>	<u>(202,373)</u>	<u>(378,322)</u>
Net increase (decrease) in cash and cash equivalents	<u>(638,115)</u>	<u>27,809</u>	<u>(653,873)</u>	<u>28,495</u>
Cash and cash equivalents, beginning of period	<u>1,803,282</u>	<u>1,006,700</u>	<u>1,847,814</u>	<u>1,031,561</u>
Cash and cash equivalents, end of period	<u>₩ 1,165,167</u>	<u>₩ 1,034,509</u>	<u>\$ 1,193,941</u>	<u>\$ 1,060,056</u>

See accompanying notes to non-consolidated financial statements.

# HYUNDAI MOTOR COMPANY

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

### 1. THE COMPANY:

Hyundai Motor Company (the “Company”) was incorporated in December 1967, under the laws of the Republic of Korea, to manufacture and distribute motor vehicles and parts. The shares of the Company have been listed on the Korea Stock Exchange since 1974 and Global Depositary Receipts and Global Depositary shares of the Company are listed in the stock exchange of Luxemburg and London. As of March 31, 2006, 53.48 percent of the Company's stock (excluding preferred stock) is owned by Korean investors, including Hyundai MOBIS (15.03 percent) and Hyundai Steel (Formerly INI Steel, 5.87 percent), and the remaining 46.52 percent is owned by foreign investors.

The Company has three domestic production plants as follows:

<u>Location</u>	<u>Commenced production</u>	<u>Types of major products</u>
Ulsan	December 1967	Passenger cars, Commercial vehicles (Small trucks)
Jeonbuk Jeonju	April 1995	Commercial vehicles (Bus and trucks)
Chungnam Asan	November 1996	Passenger cars

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Basis of Financial Statement Presentation

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

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. dollar amounts is included solely for the convenience of readers outside of the Republic of Korea and has been made at the rate of ₩975.90 to US\$1.00 at March 31, 2006, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. dollars at that or any other rate.

The Company prepared its non-consolidated financial statements as of March 31, 2006 in accordance with the Korea Financial Accounting Standards and the Statements of Korea Accounting Standards (“SKAS”).

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements for the year ended March 31, 2006 are identical to those for the year ended December 31, 2005, except for the adoption of additional SKAS No.18 - “Interests in Joint Ventures”, No.19 - “Lease” and No.20 - “Related Party Disclosures”, which were effective from January 1, 2006. The accompanying financial statements, which are prepared for comparative purposes, were not restated according to the provisions of SKAS No. 18, No. 19 and No. 20.

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



### Revenue Recognition

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

### Allowance for Doubtful Accounts

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

### Inventories

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

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

#### *Classification of Securities*

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

#### *Valuation of Securities*

Securities are recognized initially at cost, which includes the market price of the consideration given to acquire them and incidental expenses. If the market price of the consideration is not reliably determinable, the market prices of the securities purchased are used as the basis for measurement. If neither the market prices of the consideration given nor those of the acquired securities are available, the acquisition cost is measured at the best estimates of its fair value.

After initial recognition, held-to-maturity securities are stated at amortized cost. The difference between their acquisition costs and face values of held-to-maturity securities is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sales securities are also valued at fair value, with unrealized gains or losses included in capital adjustments, until the securities are sold and if the securities are determined to be impaired, the lump-sum cumulative amount of capital adjustments are included in current operations. However, available-for-sales securities that are not traded in an active market and whose fair values cannot be reliably estimated are accounted for at their acquisition costs. For those securities that are traded in an active market, fair values refer to those quoted market prices, which are measured as the closing price at the balance sheet date. The fair value of non-marketable debt securities are measured at the discounted future cash flows by using the discount rate that appropriately reflects the credit rating of issuing entity assessed by a publicly reliable independent credit rating agency. If application of such measurement method is not feasible, estimates of the fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting similar business in similar industries.

Securities are evaluated at each balance sheet date to determine whether there is any objective evidence of impairment loss. When any such evidence exists, unless there is a clear counter-evidence that recognition of impairment is unnecessary, the Company estimates the recoverable amount of the impaired security and recognizes any impairment loss in current operations. The amount of impairment loss of the held-to-maturity security or non-marketable equity security is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount of held-to maturity security is the present value of expected future cash flows discounted at the securities' original effective interest rate. For available-for-sale debt or equity security stated at fair value, the amount of impairment loss to be recognized in the current period is determined by subtracting the amount of impairment loss of debt or equity security already recognized in prior period from the amount of amortized cost in excess of the recoverable amount for debt security or the amount of the acquisition cost in excess of the fair value for equity security. For non-marketable equity securities accounted for at acquisition costs, the impairment loss is equal to the difference between the recoverable amount and the carrying amount.

If the realizable value subsequently recovers, in case of a security stated at fair value, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, while for the security stated at amortized cost or acquisition cost, the increase in value is recorded in current operation, so that its recovered value does not exceed what its amortized cost would be as of the recovery date if there had been no impairment loss.

When transfers of securities between categories are needed because of changes in an entity's intention and ability to hold those securities, such transfer is accounted for as follows: trading securities cannot be reclassified into available-for-sale and held-to-maturity securities, and vice versa, except when certain trading securities lose their marketability. Available-for-sale securities and held-to-maturity securities can be reclassified into each other after fair value recognition. When held-to-maturity security is reclassified into available-for-sale security, the difference between the book value and fair value is reported in capital adjustments. Whereas, in case available-for-sale security is reclassified into held-to-maturity securities, the difference is reported in capital adjustments and amortized over the remaining term of the securities using the effective interest method.

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

#### Investment Securities Accounted for Using the Equity Method

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

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

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

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

### Property, Plant and Equipment and Related Depreciation

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

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

	<u>Useful lives (years)</u>
Buildings and structures	15 – 50
Machinery and equipment	12 – 15
Vehicles	6
Dies, molds and tools	6
Other equipment	6

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

### Intangibles

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

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

### Financing Costs

The Company recognizes all financing costs including interest expense and similar expenses in current operations.

### Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions are stated at present value, if the difference between nominal value and present value is material. The present value discount is amortized using the effective interest rate method.

### Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees were to resign amount to ₩1,208,960 million (US\$1,238,815 thousand) and ₩1,231,985 million (US\$1,262,409 thousand) as of March 31, 2006 and December 31, 2005, respectively.

Accrued severance benefits are funded partially through an individual severance insurance plan. Individual severance insurance deposits, in which the beneficiary is a respective employee, are presented as deduction from accrued severance benefits.

Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by netting the receivable against the severance payment. Such receivables, totalling ₩26,650 million (US\$27,308 thousand) and ₩29,550 million (US\$30,280 thousand) as of March 31, 2006 and December 31, 2005, respectively, are presented as a deduction from accrued severance benefits. Since April 1999, according to a revision in the National Pension Law, the Company and its employees each pay 4.5 percent of monthly pay to the Fund.

Actual payments of severance benefits amounted to ₩97,885 million (US\$100,302 thousand) and ₩81,141 million (US\$83,145 thousand) for the three months ended March 31, 2006 and 2005, respectively.

#### Accrued Warranties

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

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

#### Stock Options

The Company granted stock options to employees and directors and computes total compensation expense for stock options by the fair value method using the option-pricing model. The compensation expense has been accounted for as a charge to current operations and a credit to capital adjustment from the grant date using the straight-line method.

#### Derivative Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecast transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustments is added to or deducted from the asset or the liability.

The Company entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of March 31, 2006 and December 31, 2005 the Company deferred the gain of ₩40,886 million (US\$41,896 thousand) and ₩33,590 million (US\$34,420 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as capital adjustments. The longest period in which the forecasted transactions are expected to occur is within 53 months from March 31, 2006. Of the net gain on valuation recorded as capital adjustments as of March 31, 2006 amounting to ₩40,886 million (US\$41,896 thousand), the gain of ₩15,076 million (US\$15,448 thousand) is expected to be realized and charged to current operations within one year from March 31, 2006.

For the three months ended March 31, 2006 and 2005, the Company recognized the net loss of ₩134,515 million (US\$137,837 thousand) and gain of ₩91,641 million (US\$93,904 thousand), respectively, on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations.

The Company entered into derivative instrument contracts with the settlement for the difference between the fair value and the contracted initial price of Kia Motors Corporation shares as follows:

<u>Contract Parties</u>	<u>Derivatives</u>	<u>Period</u>	<u>Number of Kia shares</u>	<u>Initial Price</u>
Credit Suisse First Boston International	Equity swap	September 17, 2003 ~ September 8, 2008	12,145,598	US\$ 8.2611
Credit Suisse First Boston International	Call option (*)	"	12,145,598	US\$ 11.5300
Credit Suisse First Boston International	Equity swap	"	21,862,076	US\$ 8.2611
JP Morgan Chase Bank, London Branch	Equity swap	"	1,839,367	US\$ 7.8811

(\*) The Company has the position of seller.

The gain or loss on valuation of these derivatives related to the fair value of Kia shares is recognized in current operations. As of March 31, 2006 and December 31, 2005, all premiums to be paid by the Company are recorded as accounts payable - other of ₩22,596 million (US\$23,154 thousand) and ₩23,455 million (US\$ 24,034 thousand), respectively, and long-term other accounts payable in long-term liabilities of ₩28,520 million (US\$29,224 thousand) and ₩40,209 million (US\$41,202 thousand), respectively, after deducting the present value discount of ₩5,317 million (US\$5,448 thousand) and ₩6,584 million (US\$6,747 thousand), respectively. Also, as of March 31, 2006 and December 31, 2005, all premiums to be received by the Company are recorded as accounts receivable-other of ₩3,704 million (US\$3,795 thousand) and ₩3,845 million (US\$3,940 thousand), respectively, and long-term other accounts receivable of ₩4,682 million (US\$4,798 thousand) and ₩6,536 million (US\$6,697 thousand), respectively, after deducting the present value discount of ₩874 million (US\$896 thousand) and ₩1,154 million (US\$1,182 thousand), respectively.

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums of ₩545,204 million (US\$558,667 thousand) and ₩751,995 million (US\$770,566 thousand) in current and non-current assets as of March 31, 2006 and December 31, 2005, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums of ₩131,776 million (US\$135,030 thousand) and ₩205,504 million (US\$210,579 thousand) is recorded in current and long-term liabilities as of March 31, 2006 and December 31, 2005, respectively.

#### Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korea won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Base Rate announced by Seoul Money Brokerage Service, Ltd, which was ₩975.90 and ₩1,013.00 to US \$1.00 at March 31, 2006 and December 31, 2005, respectively, and translation gains or losses are reflected in current operations.

Assets and liabilities of branches outside the Republic of Korea are translated at the rate of exchange in effect at the balance sheet date; income and expenses are translated at the average rates of exchange prevailing during the period.

#### Income Tax Expense

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

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

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

### Earnings per Common Share

Primary earnings per common share is computed by dividing net income, after deduction for expected dividends for the three months on preferred stock, by the weighted average number of common shares outstanding during the period. The number of shares used in computing earnings per common share is 207,670,494 and 217,034,164 for the three months ended March 31, 2006 and 2005, respectively. Earnings per common diluted share is computed by dividing net income, after deduction for expected dividends for the three months on preferred stock and addition for the effect of expenses related to diluted securities on net income, by the weighted average number of common shares plus the diluted potential common shares. The number of shares used in computing earnings per diluted share is 208,525,603 and 218,045,227 for the three months ended March 31, 2006 and 2005, respectively. Earnings per common share and earnings per common diluted share in 2005 is ₩10,652 (US\$10.92) and ₩10,599 (US\$10.86), respectively.

### 3. INVENTORIES:

Inventories as of March 31, 2006 and December 31, 2005 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2006	December 31, 2005	March 31, 2006	December 31, 2005
	(In millions)		(In thousands)	
Finished goods and merchandise	₩ 461,207	₩ 224,273	\$ 472,597	\$ 229,811
Semi finished goods and work in process	424,036	407,247	434,508	417,304
Raw materials and supplies	271,502	305,972	278,207	313,528
Materials in transit	59,525	70,594	60,994	72,338
	<u>₩ 1,216,270</u>	<u>₩ 1,008,086</u>	<u>\$ 1,246,306</u>	<u>\$ 1,032,981</u>

### 4. SHORT-TERM INVESTMENT SECURITIES:

Short-term investment securities as of March 31, 2006 and December 31, 2005, all of which are classified into available-for-sale securities, consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2006	December 31, 2005	March 31, 2006	December 31, 2005
	(In millions)		(In thousands)	
Local currency beneficiary certificates	₩ 330,567	₩ 342,282	\$ 338,731	\$ 350,735
Government bonds	10	10	10	10
	<u>₩ 330,577</u>	<u>₩ 342,292</u>	<u>\$ 338,741</u>	<u>\$ 350,745</u>

Available-for-sale securities in short-term investment securities are stated at fair value with the resulting gain on valuation of available-for-sale securities amounting to ₩10,567 million (US\$10,828 thousand) and ₩12,036 million (US\$12,333 thousand), before the deduction of the deferred income tax effect, in capital adjustments as of March 31, 2006 and December 31, 2005, respectively.

In 2006, the unrealized gain of ₩3,173 million (US\$ 3,251 thousand) increased and gain of ₩4,643 million (US\$ 4,758 thousand) is realized mainly due to disposal of investments before the deduction of deferred income tax effect.

5. LONG-TERM INVESTMENT SECURITIES:

(1) Long-term investment securities as of March 31, 2006 and December 31, 2005 consist of the following:

<u>Description</u>	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
	<u>March 31, 2006</u>	<u>December 31, 2005</u>	<u>March 31, 2006</u>	<u>December 31, 2005</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Available-for-sale securities	₩ 360,193	₩ 392,508	\$ 369,088	\$ 402,201
Held-to-maturity securities	<u>48,500</u>	<u>48,500</u>	<u>49,698</u>	<u>49,698</u>
	<u>₩ 408,693</u>	<u>₩ 441,008</u>	<u>\$ 418,786</u>	<u>\$ 451,899</u>

(2) Available-for-sale securities of long-term investment securities as of March 31, 2006 and December 31, 2005, consist of the following:

<u>Description</u>	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
	<u>March 31, 2006</u>	<u>December 31, 2005</u>	<u>March 31, 2006</u>	<u>December 31, 2005</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Equity securities stated at fair value	₩ 263,983	₩ 251,701	\$ 270,502	\$ 257,917
Equity securities stated at acquisition cost	<u>96,210</u>	<u>140,807</u>	<u>98,586</u>	<u>144,284</u>
	<u>₩ 360,193</u>	<u>₩ 392,508</u>	<u>\$ 369,088</u>	<u>\$ 402,201</u>

Equity securities stated at fair value included in long-term investment securities as of March 31, 2006 consist of the following:

<u>Name of company</u>	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>		<u>Ownership percentage (%)</u>
	<u>Acquisition cost</u>	<u>Book value</u>	<u>Book value</u>		
	<u>(In millions)</u>		<u>(In thousands)</u>		
Korea Environment Technology Co., Ltd.	₩ 1,500	₩ 4,050	\$ 4,150		6.00
Jin Heung Mutual Savings Bank	2,166	2,383	2,442		2.28
Hyundai Heavy Industries Co., Ltd.	56,924	185,712	190,298		2.88
Hyundai Information Technology Co., Ltd.	10,000	2,693	2,760		2.21
Hyundai Corporation	13,626	1,924	1,972		0.37
LG Telecom	9,795	15,379	15,759		0.68
Hyundai Development Company	9,025	20,003	20,497		0.60
Hyundai Merchant Marine Co., Ltd.	7,329	7,757	7,949		0.55
KT Freetel	10,800	8,629	8,842		0.17
Dong Yang Investment Bank	282	113	115		0.01
Treasury Stock Fund (*)		<u>15,340</u>	<u>15,718</u>		-
		<u>₩ 263,983</u>	<u>\$ 270,502</u>		

(\*) The acquisition costs of Treasury Stock Fund are ₩26,647 million (US\$27,305 thousand) and the lower of the fair value of treasury stock and investments in those fund, amounting to ₩21,814 million (US\$22,353 thousand), is recorded as treasury stock in capital adjustments.

The difference of ₩137,704 million (US\$141,105 thousand) as of March 31, 2006 between the book value and the acquisition cost of equity securities stated at fair value in long-term investment securities consists of gain on valuation of available-for-sale securities in capital adjustments of ₩158,869 million (US\$162,792 thousand) and impairment loss on long-term investment securities of ₩21,165 million (US\$21,688 thousand) reflected before 2005. In 2006, the unrealized gain increased by ₩14,328 million (US\$14,682 thousand) and gain of ₩9,355 million (US\$9,586 thousand), gross of deferred income tax effect, is realized mainly due to disposal of investments.

Equity securities stated at acquisition cost included in long-term investment securities as of March 31, 2006 consist of the following:

Affiliated company	Korean Won		Translation into	Ownership percentage
	Acquisition cost	Book value	U.S. Dollars (Note 2)	
	(In millions)	(In millions)	(In thousands)	(%)
NGVTEK.com (*)	₩ 571	₩ 571	\$ 585	53.66
Carnes Co., Ltd. (*)	250	250	256	49.99
Heesung PM Tech Corporation	1,194	1,194	1,223	19.90
Jinil MVC Co., Ltd.	180	180	184	18.00
Clean Air Technology Inc.	500	500	512	16.13
Industry Otomotif Komersial	4,439	4,439	4,549	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,601	14.97
Hyundai Research Institute	1,359	1,271	1,302	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	140	14.90
Mando Map & Soft Co., Ltd.	778	778	797	13.97
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,562	13.66
NESSCAP Inc.	1,997	1,997	2,046	13.33
The Sign Corporation (Formerly Mobil.Com Co., Ltd.)	1,200	1,200	1,230	11.59
Micro Infinity	607	607	622	10.51
Kihyup Finance	3,000	3,000	3,074	10.34
Yonhap Capital Co., Ltd.	10,000	10,000	10,248	9.99
Hankyoreh Plus Inc.	4,800	284	291	7.41
Hyundai Oil Refinery Co., Ltd.	53,314	53,314	54,632	4.35
Hyundai Asan Corporation	22,500	5,405	5,538	4.61
ENOVA System	2,204	2,204	2,258	3.80
ROTIS Inc.	1,000	8	8	1.33
Novelis Korea Co., Ltd.	502	502	514	0.33
Other	1,379	1,379	1,414	-
	<u>₩ 124,559</u>	<u>₩ 96,210</u>	<u>\$ 98,586</u>	

(\*) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investees, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$7,173 thousand), are not material.

Equity securities stated at fair value included in long-term investment securities as of December 31, 2005 consist of the following:

Name of company	Korean Won		Translation into	Ownership percentage
	Acquisition cost	Book value	U.S. Dollars (Note 2)	
	(In millions)	(In millions)	(In thousands)	(%)
Korea Environment Technology Co., Ltd.	₩ 1,500	₩ 4,455	\$ 4,565	6.00
Jin Heung Mutual Savings Bank	2,166	3,097	3,173	3.33
Hyundai Heavy Industries Co., Ltd.	56,924	168,411	172,570	2.88
Hyundai Information Technology Co., Ltd.	10,000	2,790	2,859	2.21
Hyundai Corporation	13,626	1,513	1,550	1.08
LG Telecom	9,795	12,483	12,791	0.68
Hyundai Development Company	9,025	20,610	21,119	0.60
Hyundai Merchant Marine Co., Ltd.	7,329	7,645	7,834	0.55
KT Freetel	10,800	8,229	8,432	0.18
Dong Yang Investment Bank	282	115	118	0.01
Treasury Stock Fund (*)		22,353	22,906	-
		<u>₩ 251,701</u>	<u>\$ 257,917</u>	

(\*) The acquisition costs of Treasury Stock Fund are ₩35,547 million (US\$36,425 thousand) and the lower of the fair value of treasury stock and investments in those fund, amounting to ₩38,023 million (US\$38,962 thousand), is recorded as treasury stock in capital adjustments.



The difference of ₩132,730 million (US\$136,008 thousand) as of December 31, 2005 between the book value and the acquisition cost of equity securities stated at fair value in long-term investment securities consists of gain on valuation of available-for-sale securities in capital adjustments of ₩153,895 million (US\$157,695 thousand) and impairment loss on long-term investment securities of ₩21,165 million (US\$21,688 thousand) reflected before 2005.

Equity securities stated at acquisition cost included in long-term investment securities as of December 31, 2005 consist of the following:

Affiliated company	Korean Won		Translation into U.S. Dollars (Note 2)		Ownership percentage (%)		
	Acquisition		Book value				
	cost	Book value	Book value				
	(In millions)		(In thousands)				
Hyundai Motor Hungary (*)	₩	5,415	₩	5,415	\$	5,549	100.00
Hyundai Motor Norway AS (*)		5,636		5,636		5,775	100.00
NGVTEK.com (*)		571		571		585	53.66
Carnes Co., Ltd. (*)		250		250		256	49.99
Heesung PM Tech Corporation		1,194		1,194		1,223	19.90
Jinil MVC Co., Ltd.		180		180		184	18.00
Clean Air Technology Inc.		500		500		512	16.13
Industry Otomotif Komersial		4,439		4,439		4,549	15.00
Hyundai Technology Investment Co., Ltd.		4,490		4,490		4,601	14.97
Hyundai Research Institute		1,359		1,271		1,302	14.90
Hyundai Unicorns Co., Ltd.		5,795		137		140	14.90
Mando Map & Soft Co., Ltd.		778		778		797	13.97
Kyungnam Credit Information Service Co., Ltd.		2,500		2,500		2,562	13.66
The Sign Corporation (Formerly Mobil.Com Co., Ltd.)		1,200		1,200		1,230	11.59
Micro Infinity		607		607		622	10.51
Kihyup Finance		3,000		3,000		3,074	10.34
Yonhap Capital Co., Ltd.		10,000		10,000		10,248	9.99
Hankyoreh Plus Inc.		4,800		284		291	7.41
Hyundai Oil Refinery Co., Ltd.		88,857		88,857		91,052	7.24
Hyundai Asan Corporation		22,500		5,405		5,538	4.61
ENOVA System		2,204		2,204		2,258	3.80
ROTIS Inc.		1,000		8		8	1.33
Novelis Korea Co., Ltd.		502		502		514	0.33
Other		1,379		1,379		1,414	-
	₩	169,156	₩	140,807	\$	144,284	

(\*) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$7,173 thousand), are not material.

- (3) Debt securities included in held-to-maturity of long-term investment securities as of March 31, 2006 and December 31, 2005 are subordinate debt securities of ₩48,500 million (US\$49,698 thousand) with the maturity on July 19, 2008, issued by Hyundai Capital Service Inc.

6. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Investment securities accounted for using the equity method as of March 31, 2006 consist of the following:

Affiliated company	Korean Won		Translation into U.S. Dollars (Note 2)		Ownership percentage (%)
	Acquisition	Book value	Acquisition	Book value	
	cost	(In millions)	cost	(In thousands)	
Hyundai Motor India	₩ 244,017	₩ 451,018	\$ 250,043	\$ 462,156	100.00
Hyundai Motor America	1,134,406	972,580	1,162,420	996,598	100.00
Hyundai Translead	74,977	96,270	76,829	98,647	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	29,612	24,735	30,343	100.00
Hyundai Motor Japan Co. (*1)	42,292	-	43,336	-	100.00
Hyundai Motor Europe GmbH	17,529	25,544	17,962	26,175	100.00
Hyundai America Technical Center Inc.	9,635	16,415	9,873	16,820	100.00
HMJ R&D Center Inc.	1,510	1,848	1,547	1,894	100.00
Hyundai Motor Company Australia	12,382	33,825	12,688	34,660	100.00
Hyundai Motor Europe Technical Center GmbH	47,634	43,707	48,810	44,786	100.00
Hyundai Motor (UK) Ltd.	36,681	4,507	37,587	4,618	100.00
Hyundai Motor Norway AS	5,636	4,032	5,775	4,132	100.00
Hyundai Motor Hungary	5,415	3,133	5,549	3,210	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,907	2,989	5,028	3,063	91.75
ROTEM	270,222	318,758	276,895	326,630	78.36
Hyundai Assan Otomotive					
Sannayi Ve Ticaret A.S.	91,315	114,426	93,570	117,252	70.00
China Millennium Corporations	53,466	53,129	54,786	54,441	59.60
Hyundai Capital Service Inc.	500,325	330,422	512,681	338,582	56.12
Partecs Co.	22,400	22,391	22,953	22,944	56.00
Beijing-Hyundai Motor Company	201,179	372,987	206,147	382,198	50.00
Hyundai Motor Group China Ltd.	15,371	13,317	15,751	13,646	50.00
Hyundai Powertech	120,000	141,740	122,963	145,240	50.00
KEFICO	20,911	106,124	21,427	108,745	50.00
Haevichi Leisure Co., Ltd.	9,000	9,096	9,222	9,321	50.00
Dymos Inc.	68,872	107,773	70,573	110,434	47.27
WIA Corporation	34,357	124,803	35,205	127,885	39.46
Kia Motors Corporation	923,957	2,012,983	946,774	2,062,694	38.67
Korea Aerospace Industries, Ltd.	129,800	66,245	133,005	67,881	33.33
Hyundai Card Co., Ltd.	435,571	243,717	446,327	249,736	33.28
Hyundai Motor Deutschland GmbH	6,761	14,409	6,928	14,765	30.00
Hyundai HYSCO	200,768	242,980	205,726	248,980	26.13
Autoever Systems Corp.	1,250	9,538	1,281	9,774	25.00
Beijing Mobis Transmission Co., Ltd.	13,518	16,153	13,852	16,552	21.04
Korea Economy Daily	29,973	24,344	30,713	24,945	20.55
Iljin Bearing Co., Ltd.	826	14,139	846	14,488	20.00
Daesung Automotive Co., Ltd.	400	6,375	411	6,532	20.00
Hyundai Autonet Co., Ltd. (*2)	118,554	121,299	121,483	124,294	16.77
Eukor Car Carriers Inc. (*2)	29,347	69,991	30,073	71,720	12.00
	<u>₩4,959,303</u>	<u>₩6,242,619</u>	<u>\$5,081,774</u>	<u>\$6,396,781</u>	

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

(\*2) Accounted for using the equity method because the total ownership percentage combining the ownership which Kia Motors Corp. holds is more than 20%; therefore, the Company is considered to be able to exercise significant influence over the operating and financial policies.

Investment securities accounted for using the equity method as of December 31, 2005 consist of the following:

Affiliated company	Korean Won		Translation into U.S. Dollars (Note 2)		Ownership percentage (%)
	Acquisition	Book value	Acquisition	Book value	
	cost	(In millions)	cost	(In thousands)	
Hyundai Motor India	₩ 244,017	₩ 416,611	\$ 250,043	\$ 426,899	100.00
Hyundai Motor America	1,134,406	999,839	1,162,420	1,024,530	100.00
Hyundai Translead	74,977	96,769	76,829	99,159	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	28,118	24,735	28,812	100.00
Hyundai Motor Japan Co. (*1)	42,292	-	43,336	-	100.00
Hyundai Motor Europe GmbH	17,529	22,002	17,962	22,545	100.00
Hyundai America Technical Center Inc.	9,635	16,375	9,873	16,779	100.00
HMJ R&D Center Inc.	1,510	1,941	1,547	1,989	100.00
Hyundai Motor Company Australia	12,382	26,305	12,688	26,955	100.00
Hyundai Motor Europe Technical Center GmbH	47,634	43,458	48,810	44,531	100.00
Hyundai Motor (UK) Ltd. (*1)	36,681	-	37,587	-	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,907	4,222	5,028	4,326	91.75
ROTEM	270,222	304,341	276,895	311,857	78.36
Hyundai Assan Otomotive					
Sannayi Ve Ticaret A.S.	91,315	122,906	93,570	125,941	70.00
China Millennium Corporations	53,466	53,039	54,786	54,349	59.60
Hyundai Capital Service Inc.	500,325	346,834	512,681	355,399	56.12
Partecs Co.	22,400	22,400	22,953	22,953	56.00
Beijing-Hyundai Motor Company	201,179	357,744	206,147	366,579	50.00
Hyundai Motor Group China Ltd.	15,371	14,068	15,751	14,415	50.00
Hyundai Powertech	120,000	139,089	122,963	142,524	50.00
KEFICO	20,911	109,487	21,427	112,191	50.00
Haevichi Leisure Co., Ltd.	9,000	9,097	9,222	9,322	50.00
Dymos Inc.	68,872	105,983	70,573	108,600	47.27
WIA Corporation	34,357	124,665	35,205	127,744	39.46
Kia Motors Corporation	923,957	2,053,260	946,774	2,103,966	38.67
Korea Aerospace Industries, Ltd.	129,800	82,075	133,005	84,102	33.33
Hyundai Card Co., Ltd.	293,031	104,858	300,267	107,447	31.04
Hyundai Motor Deutschland GmbH	6,761	11,045	6,928	11,318	30.00
Hyundai HYSCO	200,768	246,740	205,726	252,833	26.13
Autoever Systems Corp.	1,250	8,998	1,281	9,220	25.00
Hyundai Autonet Co., Ltd.	118,554	117,970	121,482	120,883	21.62
Beijing Mobis Transmission Co., Ltd.	13,518	16,696	13,852	17,108	21.04
Korea Economy Daily	29,973	24,378	30,713	24,980	20.55
Iljin Bearing Co., Ltd.	826	14,128	847	14,477	20.00
Daesung Automotive Co., Ltd.	400	6,017	411	6,166	20.00
Eukor Car Carriers Inc. (*2)	29,347	63,989	30,073	65,570	12.00
	<u>₩4,805,712</u>	<u>₩6,115,447</u>	<u>\$4,924,390</u>	<u>\$6,266,469</u>	

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

(\*2) Accounted for using the equity method because the total ownership percentage on Eukor Car Carriers Inc. is 20% (Kia Motors Corp. 8% and the Company 12%); therefore, the Company is considered to be able to exercise significant influence over the operating and financial policies.

(2) The changes in investment securities accounted for using the equity method for the three months ended March 31, 2006 are as follows:

Affiliated company	Korean Won				Translation into
	Beginning of period	Gain (loss)		End of period	U.S. Dollars
		on valuation	Other changes (*)		(Note 2)
		(In millions)			End of period
					(In thousands)
Hyundai Motor India	₩ 416,611	₩ 44,095	₩ (9,688)	₩ 451,018	\$ 462,156
Hyundai Motor America	999,839	56,172	(83,431)	972,580	996,598
Hyundai Translead	96,769	2,023	(2,522)	96,270	98,647
Hyundai Motor Poland Sp.zo.o.	28,118	1,947	(453)	29,612	30,343
Hyundai Motor Japan Co.	-	-	-	-	-
Hyundai Motor Europe GmbH	22,002	3,744	(202)	25,544	26,175
Hyundai America Technical Center Inc.	16,375	641	(601)	16,415	16,820
HMJ R&D Center Inc.	1,941	(29)	(64)	1,848	1,894
Hyundai Motor Company Australia	26,305	11,551	(4,031)	33,825	34,660
Hyundai Motor Europe Technical Center GmbH	43,458	713	(464)	43,707	44,786
Hyundai Motor(UK) Ltd.	-	4,877	(370)	4,507	4,618
Hyundai Motor Norway AS	-	(1,002)	5,034	4,032	4,132
Hyundai Motor Hungary	-	(1,287)	4,420	3,133	3,210
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,222	(1,099)	(134)	2,989	3,063
ROTEM	304,341	13,125	1,292	318,758	326,630
Hyundai Assan Otomotive					
Sannayi Ve Ticaret A.S.	122,906	(3,422)	(5,058)	114,426	117,252
China Millennium Corporations	53,039	440	(350)	53,129	54,441
Hyundai Capital Service Inc.	346,834	11,506	(27,918)	330,422	338,582
Partecs Co.	22,400	(9)	-	22,391	22,944
Beijing-Hyundai Motor Company	357,744	26,825	(11,582)	372,987	382,198
Hyundai Motor Group China Ltd.	14,068	(309)	(442)	13,317	13,646
Hyundai Powertech	139,089	2,654	(3)	141,740	145,240
KEFICO	109,487	5,330	(8,693)	106,124	108,745
Haevich Leisyre Co., Ltd.	9,097	(1)	-	9,096	9,321
Dymos Inc.	105,983	1,790	-	107,773	110,434
WIA Corporation	124,665	365	(227)	124,803	127,885
Kia Motors Corporation	2,053,260	25,772	(66,049)	2,012,983	2,062,694
Korea Space & Aircraft Co., Ltd.	82,075	(15,830)	-	66,245	67,881
Hyundai Card Co., Ltd.	104,858	5,004	133,855	243,717	249,736
Hyundai Motor Deutschland GmbH	11,045	3,482	(118)	14,409	14,765
Hyundai HYSCO	246,740	437	(4,197)	242,980	248,980
Autoever Systems Corp.	8,998	542	(2)	9,538	9,774
Hyundai Autonet Co., Ltd.	117,971	2,570	758	121,299	124,294
Beijing Mobis Transmission Co., Ltd.	16,696	367	(910)	16,153	16,552
Korea Economy Daily	24,378	(33)	(1)	24,344	24,945
Iljin Bearing Co., Ltd.	14,128	236	(225)	14,139	14,488
Daesung Automotive Co., Ltd.	6,017	478	(120)	6,375	6,532
Eukor Car Carriers Inc.	63,988	6,003	-	69,991	71,720
	<u>₩ 6,115,447</u>	<u>₩ 209,668</u>	<u>₩ (82,496)</u>	<u>₩ 6,242,619</u>	<u>\$ 6,396,781</u>

(\*) Other changes consist of the increase of acquisition cost by ₩153,590 million (US\$157,383 thousand) due to the acquisition and participation in investees' additional paid-in capital and transfer from long-term investment securities, decrease by ₩46,458 million (US\$47,605 thousand) due to the dividends, increase of retained earnings by ₩5,096 million (US\$5,222 thousand) and decrease of capital adjustments by ₩194,724 million (US\$199,533 thousand).

The changes in investment securities accounted for using the equity method for the three months ended March 31, 2005 are as follows:

Affiliated company	Korean Won				Translation into
	Beginning of period	Gain (loss)		End of period	U.S. Dollars
		on valuation	Other changes (*)		(Note 2)
		(In millions)			End of period
					(In thousands)
Hyundai Motor India	₩ 359,233	₩ 38,172	₩ (7,811)	₩ 389,594	\$ 399,215
Hyundai Motor America	711,431	(32,385)	56,930	735,976	754,151
Hyundai Translead	61,278	3,686	(581)	64,383	65,973
Hyundai Machine Tool Europe GmbH	9,288	-	(9,288)	-	-
Hyundai Motor Poland Sp.zo.o.	25,543	2,089	(755)	26,877	27,541
Hyundai Motor Japan Co.	-	-	-	-	-
Hyundai Motor Europe GmbH	35,044	(9,891)	(2,306)	22,847	23,411
Hyundai America Technical Center Inc.	15,148	255	(282)	15,121	15,494
HMJ R&D Center Inc.	2,244	(35)	(131)	2,078	2,129
Hyundai Motor Company Australia	30,932	(14,973)	(689)	15,270	15,647
Hyundai Motor Europe Technical Center GmbH	-	273	32,645	32,918	33,731
ROTEM	288,532	(2,511)	(27)	285,994	293,057
Hyundai Capital Service Inc.	259,656	(7,290)	46,090	298,456	305,826
China Millennium Corporations	53,450	146	(176)	53,420	54,739
Hyundai Card Co., Ltd.	97,706	2,873	9,995	110,574	113,305
Hyundai Assan Otomotive					
Sannayi Ve Ticaret A.S.	24,765	27,615	(1,138)	51,242	52,507
Beijing-Hyundai Motor Company	304,040	27,572	(5,887)	325,725	333,769
Hyundai Powertech	134,475	(5,130)	1,309	130,654	133,881
KEFICO	93,566	9,031	(4,106)	98,491	100,923
Dymos Inc.	93,620	4,086	(39)	97,667	100,079
WIA Corporation	88,604	8,356	13,589	110,549	113,279
Kia Motors Corporation	1,960,439	64,062	(100,820)	1,923,681	1,971,187
Korea Space & Aircraft Co., Ltd.	81,827	(4,715)	18	77,130	79,035
Beijing Mobis Transmission Co., Ltd.	13,205	1,112	(231)	14,086	14,434
Hyundai Motor Deutschland GmbH	12,588	(370)	(1,082)	11,136	11,411
Korea Economy Daily	14,247	479	(10)	14,716	15,079
Hyundai HYSCO	243,925	7,851	(4,202)	247,574	253,688
Autoever Systems Corp.	5,968	459	-	6,427	6,586
Iljin Bearing Co., Ltd.	13,102	228	338	13,668	14,006
Daesung Automotive Co., Ltd.	6,094	(96)	(120)	5,878	6,023
Eukor Car Carriers Inc.	50,008	7,271	-	57,279	58,693
	<u>₩ 5,089,958</u>	<u>₩ 128,220</u>	<u>₩ 21,233</u>	<u>₩ 5,239,411</u>	<u>\$ 5,368,799</u>

(\*) Other changes consist of the increase of acquisition cost by ₩153,902 million (US\$157,703 thousand) mainly due to the acquisition and participation in investees' additional paid-in capital, decrease by ₩9,288 million (US\$9,517 thousand) mainly due to disposal of investments, decrease by ₩55,486 million (US\$56,856 thousand) due to the dividends, increase of retained earnings by ₩17,581 million (US\$18,015 thousand) and decrease of capital adjustments by ₩85,476 million (US\$87,587 thousand).

Investment securities accounted for using the equity method as of March 31, 2006 and 2005 and December 31, 2005 are valued based on the financial statements of the investees as of the same balance sheet date, respectively, which were neither audited nor reviewed by an external auditor.

(3) Condensed financial information of the affiliates as of and for the three months ended March 31, 2006 is as follows:

Affiliated company	Korean Won				Translation into U.S. Dollars (Note 2)			
	Assets	Liabilities	Sales	Net income (loss)	Assets	Liabilities	Sales	Net income (loss)
	(In millions)				(In thousands)			
Hyundai Motor India	₩ 982,111	₩ 525,192	₩ 441,816	₩ 41,850	\$ 1,006,364	\$ 538,162	\$ 452,727	\$ 42,883
Hyundai Motor America	3,622,159	2,533,861	1,933,076	51,015	3,711,609	2,596,435	1,980,814	52,275
Hyundai Translead	250,690	181,935	85,111	3,588	256,881	186,428	87,213	3,677
Hyundai Motor Poland Sp.zo.o.	36,105	22,076	38,869	2,248	36,997	22,621	39,829	2,304
Hyundai Motor Japan Co.	24,904	64,108	8,199	(1,316)	25,519	65,691	8,401	(1,348)
Hyundai Motor Europe GmbH	431,811	406,265	770,426	2,019	442,475	416,298	789,452	2,069
Hyundai America Technical Center Inc.	37,786	21,371	20,247	500	38,719	21,899	20,747	512
HMJ R&D Center Inc.	5,751	3,903	2,815	25	5,893	3,999	2,885	26
Hyundai Motor Company Australia	155,466	115,052	176,549	2,480	159,305	117,893	180,909	2,541
Hyundai Motor Europe Technical Center GmbH	97,384	53,677	9,721	794	99,789	55,003	9,961	814
Hyundai Motor(UK) Ltd.	322,099	308,642	180,242	(3,384)	330,053	316,264	184,693	(3,468)
Hyundai Motor Norway AS	28,880	24,893	21,442	48	29,593	25,508	21,972	49
Hyundai Motor Hungary	639	874	6,317	(187)	655	896	6,473	(192)
Beijing Jinxian Motor Safeguard Service Co., Ltd.	8,257	4,999	5,761	(346)	8,461	5,122	5,903	(355)
ROTEM	1,487,403	1,167,597	324,440	14,735	1,524,135	1,196,431	332,452	15,099
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	466,332	281,098	178,324	(5,029)	477,848	288,040	182,728	(5,153)
China Millennium Corporations	83,219	63,334	4,227	1,407	85,274	64,898	4,331	1,442
Hyundai Capital Service Inc.	11,552,632	10,643,078	507,037	97,651	11,837,926	10,905,910	519,558	100,063
Partecs Co.	40,829	846	-	40	41,837	867	-	41
Beijing-Hyundai Motor Company	1,433,756	667,286	871,735	50,172	1,469,163	683,765	893,263	51,411
Hyundai Motor Group China Ltd.	27,242	36	2	(777)	27,915	37	2	(796)
Hyundai Powertech	871,490	571,178	241,784	3,621	893,012	585,283	247,755	3,710
KEFICO	355,606	121,702	120,455	9,016	364,388	124,707	123,430	9,239
Haevich Leisyre Co., Ltd.	18,227	32	-	195	18,677	33	-	200
Dymos Inc.	691,513	458,879	299,781	4,928	708,590	470,211	307,184	5,050
WIA Corporation	1,503,937	1,121,528	634,812	(10,080)	1,541,077	1,149,224	650,489	(10,329)
Kia Motors Corporation	11,410,603	6,210,931	4,385,936	38,373	11,692,390	6,364,311	4,494,247	39,321
Korea Space & Aircraft Co., Ltd.	1,481,900	1,209,700	148,000	(47,500)	1,518,496	1,239,574	151,655	(48,673)
Hyundai Card Co., Ltd.	3,161,368	2,453,245	211,667	21,726	3,239,438	2,513,828	216,894	22,263
Hyundai Motor Deutschland GmbH	165,409	107,604	225,857	(1,332)	169,494	110,261	231,435	(1,365)
Hyundai HYSCO	2,473,134	1,488,010	639,222	(179)	2,534,208	1,524,757	655,008	(183)
Autoever Systems Corp.	109,444	71,293	79,631	2,307	112,147	73,054	81,597	2,364
Beijing Mobis Transmission Co., Ltd.	141,390	62,766	56,946	1,751	144,882	64,316	58,352	1,794
Korea Economy Daily	202,090	100,580	25,836	81	207,081	103,064	26,474	83
Iljin Bearing Co., Ltd.	132,687	61,993	50,473	778	135,964	63,524	51,719	797
Daesung Automotive Co., Ltd.	67,220	23,216	20,550	798	68,880	23,789	21,057	818
Hyundai Autonet Co., Ltd.	587,778	151,670	226,028	20,442	602,293	155,416	231,610	20,947
Eukor Car Carriers Inc.	1,603,853	941,721	407,671	86,761	1,643,460	964,977	417,738	88,904

- (4) Significant unrealized profits (losses) that occurred in transactions with investees as of March 31, 2006 are as follows:

<u>Transaction type</u>	<u>Korean Won</u>				<u>Translation into</u>
	<u>Beginning of period</u>	<u>Increase</u>	<u>Decrease</u>	<u>End of period</u>	<u>U.S. Dollars (Note 2)</u>
		(In millions)			(In thousands)
Inventories	₩ 202,968	₩ 221,823	₩ (202,968)	₩ 221,823	\$ 227,301
Property	100,908	30,661	(6,359)	125,210	128,302
Accrued warranties	<u>(37,354)</u>	<u>(69,440)</u>	<u>37,354</u>	<u>(69,440)</u>	<u>(71,155)</u>
	<u>₩ 266,522</u>	<u>₩ 183,044</u>	<u>₩ (171,973)</u>	<u>₩ 277,593</u>	<u>\$ 284,448</u>

- (5) The significant differences of accounting treatments between the Company and investees for similar transactions and accounting events are adjusted. Such adjustments of the difference of accounting treatments decreased the gain on equity method valuation included in current operations by ₩1,083 million (US\$1,110 thousand) for the three months ended March 31, 2006 and increased the gain on equity method valuation included in current operations by ₩5,697 million (US\$5,838 thousand) and increased retained earnings by ₩15,814 million (US\$16,205 thousand) for the three months ended and as of March 31, 2005.
- (6) The difference between the acquisition cost and the Company's portion of an investee's net equity at the date the Company was considered to be able to exercise significant influence over the operating and financial policy of an investee is amortized (or reversed) over 20 years, using the straight-line method. Also, the Company assesses any possible recognition of impairment loss on unamortized balance of the difference considered as goodwill. The unamortized (or reversed) balance of goodwill and negative goodwill as of March 31, 2006 are ₩296,511 million (US\$303,833 thousand) and ₩52,797 million (US\$54,101 thousand), respectively. In addition, the unamortized (or reversed) balance of goodwill and negative goodwill as of December 31, 2005 are ₩301,333 million (US\$308,774 thousand) and ₩53,646 million (US\$54,971 thousand), respectively.
- (7) The market price of listed equity securities as of March 31, 2006 is as follows:

<u>Affiliated company</u>	<u>Korean Won</u>			<u>Translation into</u>
	<u>Price per share</u>	<u>Number of shares</u>	<u>Market value</u>	<u>U.S. Dollars (Note 2)</u>
			(In millions)	(In thousands)
Kia Motors Corporation	₩ 19,950	134,285,491	₩ 2,678,996	\$ 2,745,154
Hyundai HYSCO	12,050	20,954,188	252,498	258,733

7. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipments as of March 31, 2006 and December 31, 2005 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2006	December 31, 2005	March 31, 2006	December 31, 2005
	(In millions)		(In thousands)	
Buildings and structures	₩ 3,285,511	₩ 3,254,559	\$ 3,366,647	\$ 3,334,931
Machinery and equipment	4,860,013	4,746,662	4,980,032	4,863,882
Vehicles	73,206	72,101	75,014	73,882
Dies, molds and tools	2,488,108	2,451,778	2,549,552	2,512,325
Other equipment	<u>617,062</u>	<u>600,039</u>	<u>632,300</u>	<u>614,856</u>
	11,323,900	11,125,139	11,603,545	11,399,876
Less: Accumulated depreciation	(5,259,358)	(5,093,631)	(5,389,238)	(5,219,419)
	6,064,542	6,031,508	6,214,307	6,180,457
Land	1,919,701	1,899,548	1,967,108	1,946,458
Construction in progress	<u>1,041,087</u>	<u>1,014,506</u>	<u>1,066,797</u>	<u>1,039,559</u>
	<u>₩ 9,025,330</u>	<u>₩ 8,945,562</u>	<u>\$ 9,248,212</u>	<u>\$ 9,166,474</u>

The changes in property, plant and equipment for the three months ended March 31, 2006 are as follows:

Description	Korean Won							Translation into U. S. Dollars (Note 2)
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other changes(*)	End of period	End of period
	(In millions)							(In thousands)
Land	₩ 1,899,548	₩ -	₩ 20,153	₩ -	₩ -	₩ -	₩ 1,919,701	\$ 1,967,108
Buildings and structures	2,555,048	-	33,386	(2,036)	(26,041)	-	2,560,357	2,623,585
Machinery and equipment	2,620,856	-	141,586	(13,027)	(89,950)	-	2,659,465	2,725,141
Vehicles	35,003	-	1,796	(261)	(2,258)	-	34,280	35,127
Dies, molds and tools	583,581	-	46,389	(654)	(53,418)	-	575,898	590,120
Other equipment	237,020	-	18,505	(259)	(20,724)	-	234,542	240,334
Construction in progress	<u>1,014,506</u>	<u>248,564</u>	<u>(261,815)</u>	<u>-</u>	<u>-</u>	<u>39,832</u>	<u>1,041,087</u>	<u>1,066,797</u>
End of the period	<u>₩ 8,945,562</u>	<u>₩ 248,564</u>	<u>₩ -</u>	<u>₩ (16,237)</u>	<u>₩ (192,391)</u>	<u>₩ 39,832</u>	<u>₩ 9,025,330</u>	<u>\$ 9,248,212</u>

(\*) Other changes consist of decrease in transfer of ₩2,063 million (US\$ 2,114 thousand) from construction in progress to industrial property rights and increase in transfer of ₩41,895 million (US\$42,930 thousand) from inventories to construction in progress.

As of March 31, 2006, a substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩864,433 million (US\$885,780 thousand) (See Note 14).

As of March 31, 2006, the published value of the Company-owned land (12,573 thousand square meters) totals ₩2,014,872 million (US\$ 2,064,630 thousand) in terms of land prices officially announced by the Korean government.

8. INSURANCE:

As of March 31, 2006, property, plant and equipment are insured for ₩5,394,528 million (US\$5,527,747 thousand) with Hyundai Fire & Marine Insurance Co. In addition, the Company carries products and completed operations liability insurance with a maximum coverage of US\$155,000 thousand and ₩1,000 million (US\$1,025 thousand), general insurance for vehicles and workers' compensation and casualty insurance for employees.



9. LEASED ASSETS:

The Company has entered into financing lease agreements for certain machinery and equipment with the book value of ₩7,807 million (US\$8,000 thousand) as of March 31, 2006. The lease obligations are included in long-term debt in the accompanying balance sheets. Annual payments on the lease agreements as of March 31, 2006 are as follows:

	Korean Won			Translation into
	Lease payments	Interest portion (In millions)	Lease obligations	U. S. Dollars (Note 2) Lease obligations (In thousands)
April 1, 2006 ~ March 31, 2007	₩ 50	₩ 2	₩ 48	\$ 49
	₩ 50	₩ 2	₩ 48	\$ 49

10. INTANGIBLES:

Intangibles as of March 31, 2006 and December 31, 2005 consist of the following:

Description	Korean Won			Translation into U. S. Dollars (Note 2)		
	March 31, 2006		December 31, 2005	March 31, 2006	December 31, 2005	
	Acquisition cost	Accumulated amortization (In millions)	Book value	Book value	Book value	
Industrial property rights	33,451	(17,555)	15,896	15,573	16,289	15,958
Development costs	1,902,799	(997,416)	905,383	893,309	927,742	915,369
Other	37,532	(26,477)	11,055	11,513	11,327	11,797
	₩1,973,782	₩(1,041,448)	₩ 932,334	₩ 920,395	\$ 955,358	\$ 943,124

The changes in intangibles for the three months ended March 31, 2006 are as follows:

Description	Korean Won				Translation into
	Industrial property rights	Development costs	Other	Total	U. S. Dollars (Note 2) Total
	(In millions)				(In thousands)
Beginning of period	₩ 15,573	₩ 893,309	₩ 11,513	₩ 920,395	\$ 943,124
Addition:					
Expenditures	2,063	224,956	-	227,019	232,625
Deduction:					
Amortization	(1,740)	(63,624)	(458)	(65,822)	(67,447)
Research	-	(123,018)	-	(123,018)	(126,056)
Ordinary development	-	(26,240)	-	(26,240)	(26,888)
End of period	₩ 15,896	₩ 905,383	₩ 11,055	₩ 932,334	\$ 955,358

For the three months ended March 31, 2006, amortization of ₩65,822 million (US\$67,447 thousand) is recorded in selling and administrative expenses of ₩2,197 million (US\$2,251 thousand) and manufacturing cost of ₩63,624 million (US\$65,195 thousand). In addition, the Company accounted for ordinary development expenses, research expenses and impairment loss as manufacturing cost, selling and administrative expenses and other expenses, respectively.

11. OTHER ASSETS:

Other assets as of March 31, 2006 and December 31, 2005 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2006	December 31, 2005	March 31, 2006	December 31, 2005
	(In millions)		(In thousands)	
Long-term financial instruments	₩ 40	₩ 40	\$ 41	\$ 41
Long-term notes and accounts receivable, less unamortized present value discount of ₩1,504 million in 2006 and ₩1,471 million in 2005	8,990	11,034	9,212	11,306
Long-term other accounts receivable, less unamortized present value discount of ₩947 million in 2006 and ₩1,154 million in 2005	84,333	86,260	86,416	88,390
Long-term loans	17,467	18,786	17,898	19,250
Lease and rental deposits	190,558	192,531	195,264	197,286
Long-term deposits	50,456	49,732	51,702	50,960
Deferred gain on valuation of derivatives	519,786	749,861	532,622	768,379
	<u>₩ 871,630</u>	<u>₩ 1,108,244</u>	<u>\$ 893,155</u>	<u>\$ 1,135,612</u>

Long-term notes and accounts receivable included in other assets are stated net of unamortized present value discount of ₩1,504 million (US\$1,541 thousand) and ₩1,471 million (US\$1,507 thousand) as of March 31, 2006 and December 31, 2005, respectively, using an interest rate of 8.25 percent for the three months ended March 31, 2006 and for the year ended December 31, 2005.

12. SHORT-TERM BORROWINGS:

Short-term borrowings as of March 31, 2006 and December 31, 2005 amount to ₩577,641 million (US\$591,906 thousand) and ₩780,445 million (US\$799,718 thousand), respectively, and consist primarily of overdrafts and export financing loans with annual interest rates ranging from Libor +0.16 percent to 6.01 percent.

13. LONG-TERM DEBT:

Long-term debt as of March 31, 2006 and December 31, 2005 consists of the following:

Description	Annual interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
		March 31, 2006	December 31, 2005	March 31, 2006	December 31, 2005
		(In millions)		(In thousands)	
Debentures	3.75 ~ 7.80	₩ 1,374,177	₩ 1,381,196	\$ 1,408,113	\$ 1,415,305
Local currency loans					
General loans	3.00 ~ 5.00	16,965	17,917	17,383	18,360
Foreign currency loans					
Capital lease	Libor + 0.98	48	99	49	101
		1,391,190	1,399,212	1,425,545	1,433,766
Less: Current maturities		(459,582)	(464,163)	(470,931)	(475,626)
		<u>₩ 931,608</u>	<u>₩ 935,049</u>	<u>\$ 954,614</u>	<u>\$ 958,140</u>

Debentures as of March 31, 2006 and December 31, 2005 consist of the following:

Description	Maturity	Interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
			March 31, 2006	December 31, 2005	March 31, 2006	December 31, 2005
			(In thousands)		(In thousands)	
Non-guaranteed debentures	24 May, 2006 ~ 11 Aug., 2010	3.75 ~ 7.00	₩ 1,150,000	₩ 1,150,000	\$ 1,178,399	\$ 1,178,399
Overseas debentures	18 Jul., 2006 ~ 15 Jul., 2007	7.60 ~ 7.80	227,165	235,801	232,775	241,624
			1,377,165	1,385,801	1,411,174	1,420,023
	Discount on debentures		(2,988)	(4,605)	(3,061)	(4,718)
			<u>₩ 1,374,177</u>	<u>₩ 1,381,196</u>	<u>\$ 1,408,113</u>	<u>\$ 1,415,305</u>

The maturity of long-term debt as of March 31, 2006 is as follows:

Description	Debentures	Korean Won		Translation into
		Local currency loans	Total	U.S Dollars (Note 2)
		(In millions)		(In thousands)
April 1, 2007~March 31, 2008	₩ 119,816	₩ 1,807	₩ 121,623	\$ 124,626
April 1, 2008~March 31, 2009	200,000	1,197	201,197	206,166
April 1, 2009~March 31, 2010	300,000	957	300,957	308,389
Thereafter	<u>300,000</u>	<u>10,819</u>	<u>310,819</u>	<u>318,495</u>
	19,816	14,780	934,596	957,676
Less: Discount on debentures	(2,988)	-	(2,988)	(3,062)
	<u>₩ 916,828</u>	<u>₩ 14,780</u>	<u>₩ 931,608</u>	<u>\$ 954,614</u>

#### 14. COMMITMENTS AND CONTINGENCIES:

- (1) The Company is contingently liable for guarantees of indebtedness, primarily for the following affiliates (including foreign subsidiaries), as of March 31, 2006.

Description	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Hyundai Merchant Marine	₩ 239,120	\$ 245,025
Hyundai Card Co., Ltd.	3,904	4,000
Hyundai Capital Co., Ltd	328,605	336,720
Hyundai Motor Manufacturing Alabama LLC	658,733	675,001
Hyundai America Technical Center Inc.	19,518	20,000
Hyundai Motor Finance Company	614,817	630,000
Smart Alabama LLC	64,409	66,000
ROTEM	64,589	66,184
Hyundai Motor Europe GmbH	28,491	29,195
Hyundai Translead	96,614	99,000
Hyundai Auto Canada Captive Insurance Incorporation	14,018	14,364
Hyundai Motor Poland Sp.zo.o.	5,936	6,083
Hyundai Motor Japan Co.	33,269	34,090
HMJ R&D Center Inc.	4,574	4,687
Beijing Hines Millennium Real Estate Development Co., Ltd.	14,639	15,001
Beijing Jingxian Motor Safeguard Service Co., Ltd	2,440	2,500
Hyundai Motor Europe Technical Center GmbH	47,485	48,657
Equus Cayman Finance Ltd.	<u>390,360</u>	<u>400,000</u>
	<u>₩ 2,631,521</u>	<u>\$ 2,696,507</u>

(\*) Guaranteed amounts in foreign currency are translated using the Base Rate of ₩975.90 to US\$1.00 at March 31, 2006 (Note 2).

- (2) As of March 31, 2006, investment securities of ₩93,916 million (US\$ 96,235 thousand) at book value in long-term investment securities and investment securities accounted for using the equity method, 9 blank promissory notes, 1 check amounting to ₩2,624 million (US\$ 2,689 thousand) and property, plant and equipment are pledged as collateral for short-term borrowings, long-term debt and other payables (see Note 7). Certain bank deposits of ₩15,356 million (US\$ 15,735 thousand) in short-term and long-term financial instruments are restricted for use due to guarantees for customer financing transactions, research and development and other obligations.
- (3) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩90,894 million (US\$ 93,139 thousand) to the banks concerned as of March 31, 2006. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.
- (4) As of March 31, 2006, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,034,098 million (US\$ 1,059,635 thousand), including discounted overseas accounts receivable translated using the foreign exchange rate at March 31, 2006 (Note 2).
- (5) The Company accrues estimated product liabilities expenses (See Note 2) and carries the products and completed operations liability insurance (See Note 8) in order to cover the potential loss, which may occur due to the law suits related to its operation such as product liabilities. The Company expects that the resolution of pending cases against the Company as of March 31, 2006 will not have any material effect on its financial position.

15. ACCRUED WARRANTIES:

The changes in accrued warranties in current and long-term liabilities for the three months ended March 31, 2006 are as follows:

<u>Description</u>	<u>Korean Won</u> (In millions)	<u>Translation into</u> <u>U.S. Dollars (Note 2)</u> (In thousands)
Beginning of year	₩ 3,168,283	\$ 3,246,524
Accrual	82,097	84,124
Use	(78,945)	(80,894)
End of year	<u>₩ 3,171,435</u>	<u>\$ 3,249,754</u>

16. CAPITAL STOCK:

Capital stock as of March 31, 2006 and December 31, 2005 consists of the following:

	<u>Authorized</u>	<u>Issued</u>	<u>Par value</u>	<u>Korean Won</u> (In millions)	<u>Translation into</u> <u>U.S. Dollars</u> (Note 2) (In thousands)
Common stock	450,000,000 shares	219,058,702 shares	₩ 5,000	₩ 1,151,894	\$ 1,180,340
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	339,186
				<u>₩ 1,482,905</u>	<u>\$ 1,519,526</u>

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

The preferred shares are non-cumulative, participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as of March 31, 2006, a total of 27,588,281 preferred shares (First and Third preferred shares) are eligible to receive cash dividends, if declared, equal to that declared for common shares plus an additional 1 percent minimum increase while the dividend rate for the remaining 37,613,865 preferred shares (Second preferred shares) is 2 percent higher than that declared for common shares.

17. CAPITAL SURPLUS:

Capital surplus as of March 31, 2006 and December 31, 2005 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2006	December 31, 2005	March 31, 2006	December 31, 2005
	(In millions)		(In thousands)	
Paid-in capital in excess of par value	₩ 3,280,839	₩ 3,280,839	\$ 3,361,860	\$ 3,361,860
Asset revaluation surplus	1,852,871	1,852,871	1,898,628	1,898,628
Other	261,617	257,910	268,077	264,279
	<u>₩ 5,395,327</u>	<u>₩ 5,391,620</u>	<u>\$ 5,528,565</u>	<u>\$ 5,524,767</u>

On January 1, 1981, January 1, 1993 and July 1, 1998, the Company revalued its property, plant and equipment at their respective appraised values (which were appraised by the Korea Appraisal Board and approved by the relevant tax office). The resultant cumulative appraisal gains, amounting to ₩2,547,417 million (US\$2,610,326 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US\$16,418 thousand), a deferred foreign currency translation loss of ₩594,275 million (US\$608,951 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US\$69,215 thousand) and adjustment of ₩16,702 million (US\$17,114 thousand) due to the disposal of revalued assets within 1 year after revaluation.

18. RETAINED EARNINGS:

Retained earnings as of March 31, 2006 and December 31, 2005 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2006	December 31, 2005	March 31, 2006	December 31, 2005
	(In millions)		(In thousands)	
Appropriated:				
Legal reserve	₩ 223,370	₩ 188,870	\$ 228,886	\$ 193,534
Reserve for business rationalization	545,800	545,800	559,279	559,279
Reserve for improvement of financial structure	98,947	98,947	101,391	101,391
Reserve for overseas market development	48,800	48,800	50,005	50,005
Reserve for technology development	7,628,100	5,358,100	7,816,476	5,490,418
	8,545,017	6,240,517	8,756,037	6,394,627
Before appropriation	350,147	2,647,835	358,794	2,713,224
	<u>₩ 8,895,164</u>	<u>₩ 8,888,352</u>	<u>\$ 9,114,831</u>	<u>\$ 9,107,851</u>

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

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

Appropriations of retained earnings for the year ended December 31, 2005 was approved at the shareholders' meeting on March 10, 2006 and the appropriations including the cash dividends of ₩342,310 million (US\$350,763 thousand) are reflected in retained earnings on that date.

19. CAPITAL ADJUSTMENTS:

Capital adjustments as of March 31, 2006 and December 31, 2005 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2006	December 31, 2005	March 31, 2006	December 31, 2005
	(In millions)		(In thousands)	
Treasury stock	₩ (719,904)	₩ (736,113)	\$ (737,682)	\$ (754,291)
Gain on valuation of available-for-sale securities, net	122,841	120,301	125,875	123,272
Gain on valuation of investment securities accounted for using the equity method	253,256	268,109	259,510	274,730
Loss on valuation of investment securities accounted for using the equity method	(675,137)	(500,899)	(691,810)	(513,269)
Stock option cost	14,155	14,231	14,505	14,582
Gain on valuation of derivatives	29,642	24,352	30,374	24,953
	<u>₩ (975,147)</u>	<u>₩ (810,019)</u>	<u>\$ (999,228)</u>	<u>\$ (830,023)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 11,289,290 common shares and 2,950,960 preferred shares with a carrying value of ₩719,904 million (US\$737,682 thousand) as of March 31, 2006, 11,416,470 common shares and 2,950,960 preferred shares with a carrying value of ₩736,113 million (US\$754,291 thousand) as of December 31, 2005, which were acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund.

(2) Gain on valuation of available-for-sale securities

Net gain on valuation of available-for-sale securities amounting to ₩122,841 million (US\$125,875 thousand) as of March 31, 2006 consists of gain on valuation of short-term investment securities of ₩10,567 million (US\$10,828 thousand), gain on valuation of long-term investment securities of ₩158,868 million (US\$162,791 thousand) and the deduction of the deferred income tax of ₩46,594 million (US\$47,744 thousand). Net gain on valuation of available-for-sale securities amounting to ₩120,301 million (US\$123,272 thousand) as of December 31, 2005 consists of gain on valuation of short-term investment securities of ₩12,036 million (US\$12,333 thousand), gain on valuation of long-term investment securities of ₩153,895 million (US\$157,695 thousand) and the deduction of the deferred income tax of ₩45,630 million (US\$46,756 thousand) (Notes 4 and 5).

(3) Stock option cost

The Company granted directors stock options at an exercise price of ₩26,800 (grant date: February 14, 2003, beginning date for exercise: February 14, 2006, expiry date for exercise: February 13, 2011). These stock options all require at least two-year continued service starting from the grant date. If all of the stock options as of March 31, 2006 are exercised, 1,235,904 shares will be issued as new shares or treasury stock or will be compensated by cash, according to the decision of the Board of Directors.

The Company calculates the total compensation expense using an option-pricing model, in which the risk-free rate of 4.94%, an expected exercise period of 5.5 years and an expected variation rate of stock price of 63.29 percent are used. Total compensation expenses amounting to ₩14,155 million (US\$14,505 thousand) have been accounted for as a charge to current operations and a credit to stock option cost in capital adjustments over the required period of service (two years) from the grant date using the straight-line method.

(4) Gain on valuation of derivatives

As of March 31, 2006 and December 31, 2005, net gain of ₩29,642 million (US\$30,374 thousand) and ₩24,352 million (US\$24,953 thousand), after deducting the deferred income tax effect, respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports is included in capital adjustments on the basis set forth in Note 2.

20. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

Income tax expense for the three months ended March 31, 2006 and 2005 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Income tax currently payable	₩ 85,266	₩ 107,086	\$ 87,372	\$ 109,731
Changes in deferred income taxes due to temporary differences	82,932	222,426	84,979	227,919
Changes in deferred income taxes due to carryover tax deduction	(16,939)	-	(17,357)	-
Deferred income taxes directly reflected to equity	21,265	(175,301)	21,791	(179,631)
Income tax expense	<u>₩ 172,524</u>	<u>₩ 154,211</u>	<u>\$ 176,785</u>	<u>\$ 158,019</u>

For the three months ended March 31, 2006 and 2005, the differences between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Income before tax	₩ 491,355	₩ 663,988	\$ 503,489	\$ 680,385
Addition	1,035,002	1,611,971	1,060,562	1,651,779
Deduction	(1,047,783)	(1,771,050)	(1,073,659)	(1,814,786)
Taxable income	<u>₩ 478,574</u>	<u>₩ 504,909</u>	<u>\$ 490,392</u>	<u>\$ 517,378</u>

The net changes in accumulated temporary differences for the three months ended March 31, 2006 and 2005 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2005	2004
	(In millions)		(In thousands)	
Beginning of period, net	₩ 305,734	₩ 1,930,809	\$ 313,284	\$ 1,978,491
Changes for period, net	149,798	(811,582)	153,497	(831,625)
End of period, net	<u>₩ 455,532</u>	<u>₩ 1,119,227</u>	<u>\$ 466,781</u>	<u>\$ 1,146,866</u>

Deferred income tax assets as of March 31, 2006 and December 31, 2005 are computed as follows:

Particulars	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Accumulated temporary differences, net	₩ 455,532	₩ 305,734	\$ 466,781	\$ 313,284
Adjustments (*)	(572,404)	(121,040)	(586,539)	(124,029)
	(116,872)	189,694	(119,758)	189,255
Statutory tax rate	x 27.5%	x 27.5%	x 27.5%	x 27.5%
Deferred income tax assets for accumulated temporary differences, net	<u>₩ (32,140)</u>	<u>₩ 50,791</u>	<u>\$ (32,934)</u>	<u>\$ 52,045</u>
Deferred income tax assets for carryover tax deduction	18,277	1,337	18,729	1,371
Deferred income tax assets, net	<u>₩ (13,863)</u>	<u>₩ 52,128</u>	<u>\$ (14,205)</u>	<u>\$ 53,416</u>
Current assets	<u>₩ 133,872</u>	<u>₩ 24,929</u>	<u>\$ 137,178</u>	<u>\$ 25,545</u>
Non-current assets (liabilities)	<u>₩ (147,735)</u>	<u>₩ 27,199</u>	<u>\$ (151,383)</u>	<u>\$ 27,871</u>

(\*) The Company did not recognize deferred income tax assets related to gain of revaluation of land and others since the probability of its realization in the near future is uncertain.

When each temporary difference reverses in the future, it will result in a decrease (increase) of taxable income and income tax payable. Deferred income tax assets are recognized only when it is probable the tax benefits from temporary differences will be realized in the future and calculated using the expected corporate tax rate in the period when the tax benefits will be realized. As of March 31, 2006, the Company believes the total current and non-current deferred income tax assets of ₩229,572 million (US\$235,241 thousand) and ₩932,968 million (US\$956,008 thousand), respectively, before deduction of the total deferred income tax liabilities of ₩95,700 million (US\$98,063 thousand) and ₩1,080,703 million (US\$1,107,391 thousand), respectively, can be realized in the future. Additionally, the Company believes average ordinary income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. The effective tax rates are 35.1 percent and 23.2 percent for the three months ended March 31, 2006 and 2005, respectively.

21. RELATED PARTY AND RELATED PARTY TRANSACTIONS:

(1) The consolidated subsidiaries as of March 31, 2006 are as follows:

Subsidiaries	Business
Kia Motors Corporation (KIA)	Manufacturing
Hyundai HYSKO	"
Hyundai Capital Service Inc. (HCS)	Financing service
Hyundai Card Co., Ltd.	"
KEFICO Corporation	Manufacturing
Hyundai Powertech	"
WIA Corporation (WIA)	"
Dymos Inc. (DYMOS)	"
Automobile Industrial Ace Corporation	"
ROTEM	Manufacturing
Haevichi Resort	Real estate development
METIA Co., Ltd. (Formerly Aju Metal Co., Ltd.)	"
Mseat Co., Ltd.	"
Autoever Systems Corp.	Information Technology
Partecs Co.	Manufacturing
Hyundai Autonet Co., Ltd.	"
Haevichi Leisure Co., Ltd.	Real estate development
Hyundai Motor India (HMI)	Manufacturing
Hyundai Motor America (HMA)	Sales
Hyundai Motor Japan Co. (HMJ)	"
Hyundai Motor Poland Sp. Zo.O (HMP)	"
Hyundai Motor Europe GmbH (HME)	"
Hyundai Motor Company Australia (HMCA)	"
Hyundai Motor (UK) Ltd. (HMUK)	"
Hyundai Motor Norway AS (HMN)	"
Hyundai Motor Hungary (HMH)	"
Carnes Co., Ltd.	"
Hyundai Translead (HT)	"
Hyundai America Technical Center Inc. (HATCI)	Research and development
Hyundai Motor Europe Technical Center GmbH (HMETC)	"
Beijing Mobis Transmission Co., Ltd. (BMT)	Manufacturing
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (HAOSVT)	"
Hyundai Motor Group (China) Ltd. (HMGC)	Investment
Hyundai Jingxian Motor Safeguard Service Co. Ltd.	"
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing
Hyundai Motor Finance Company (HMFC)	Financing service
Hyundai Auto Canada Captive Insurance Incorporation (HACCII)	Insurance
Sevenwood Property Inc.	Real estate rent
World Marketing Group LLC (WMG)	Sales
Hyundai de Mexico, S.A. de C.V. (HYMEX)	Manufacturing
Stampted Metal America Research Technology Inc. (SMARTI)	Managing subsidiaries
Stampted Metal America Research Technology LLC	Manufacturing
China Millennium Corporations (CMEs)	Real estate development
Beijing Hines Millennium Real Estate Development	"



Subsidiaries	Business
Kia Japan Co., Ltd. (KJC)	Sales
Kia Motors America Inc. (KMA)	"
Kia Motors Deutschland GmbH (KMD)	"
Kia Canada, Inc. (KCI)	"
Kia Motors Polska Sp.z.o.o. (KMP)	"
Kia Motors Europe GmbH (KME)	Managing subsidiaries
Kia Motors Slovakia S.r.o. (KMS)	Sales
Kia Motors Belgium (KMB)	"
Kia Motors Czech s.r.o. (KMCZ)	"
Kia Motors (UK) Ltd. (KMUK)	"
Kia Motors Austria GmbH (KMAS)	"
Kia Motors Hungary Kft (KMH)	"
Kia Motors Iberia (KMIB)	"
Kia Motors Sweden AB (KMSW)	"
Kia Automobiles France (KMF)	"
Dong Feng Yueda Kia Motor Co., Ltd.	Manufacturing
Hyundai Pipe of America, Inc.	Sales
Hysco America Co. Inc	"
Beijing Hyundai Hysco Steel Process Co., Ltd.	Manufacturing
Hyundai-Kia Machine America Corp. (HKMA)	"
Hyundai-Kia Machine Europe GmbH (HKME)	"
Wia Automotive Parts (WAP)	"

(2) Significant transactions with subsidiaries and affiliates for the three months ended March 31, 2006 are as follows:

The companies	2006			
	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
<b>Subsidiaries:</b>				
Hyundai HYSCO	₩ 453	₩ 51,248	\$ 464	\$ 52,514
KEFICO Corporation	16	75,549	16	77,415
Autoever Systems Corp.	33	29,108	34	29,827
Dymos Inc.	616	149,869	631	153,570
Kia Motors Corporation	170,251	194,197	174,455	198,993
Hyundai Capital Service Inc.	110,976	10,883	113,717	11,152
Hyundai Card Co., Ltd.	69	15,399	71	15,779
WIA Corporation	31,435	59,371	32,211	60,837
Hyundai Powertech	3,547	45,132	3,635	46,247
ROTEM	80	5,002	82	5,126
METIA Co., Ltd. (Formerly Aju Metal Co., Ltd.)	397	6,297	407	6,453
Bontec Co., Ltd.	-	1,730	-	1,773
Hyundai Autonet Co., Ltd.	4	38,500	4	39,451
Hyundai America Technical Center Inc.	11	18,437	11	18,892
HAOSVT	179,300	-	183,728	-
Hyundai Motor America	1,072,549	-	1,099,036	-
Hyundai Motor Manufacturing Alabama, LLC	29,324	-	30,048	-
Hyundai Motor India	100,545	2,398	103,028	2,457
Hyundai Motor Japan Co.	2,233	-	2,288	-
Hyundai Motor Poland Sp. Zo.O	30,799	-	31,560	-
Hyundai Motor Company Australia	92,909	-	95,203	-
Hyundai Motor Europe GmbH	754,333	-	772,961	-
Hyundai Motor Europe Technical Center GmbH	28	7,440	29	7,624
Hyundai Motor Norway AS	10,816	-	11,083	-

The companies	2006							
	Korean Won		Translation into U.S. Dollars (Note 2)					
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense				
	(In millions)		(In thousands)					
Affiliates:								
Hyundai Steel Company	₩	386	₩	8,023	\$	396	\$	8,221
Hyundai MOBIS		128,635		668,906		131,812		685,425
EUKOR Car Carriers, Inc.		361		135,638		370		138,988
Iljin Bearing Co., Ltd.		12		8,658		12		8,872
Beijing-Hyundai Motor Company		128,575		-		131,750		-
HMJ R&D Center Inc.		2		2,008		2		2,058
GEA		-		212		-		217
Innotion Corp.		20		7,755		20		7,947
Wisco Co., Ltd.		-		6,602		-		6,765
Korea Automotive Systems Co., Ltd.		1		13,620		1		13,956
BNG Steel Co., Ltd.		1		18,994		1		19,463
Ecoplastic Corp.		3,225		53,218		3,305		54,532
Glovis Co., Ltd.		701		82,462		718		84,498
Amco Corp.		353		92,898		362		95,192
IHL Corp.		529		21,826		542		22,365
Others		1,135		-		1,163		-

Significant transactions with affiliated companies for three months ended March 31, 2005 are as follows:

The companies	2005							
	Korean Won		Translation into U.S. Dollars (Note 2)					
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense				
	(In millions)		(In thousands)					
Hyundai HYSCO	₩	511	₩	58,205	\$	524	\$	59,642
KEFICO Corporation		1		78,524		1		80,463
Autoever Systems Corp.		-		9,430		-		9,663
Dymos Inc.		184		124,382		189		127,454
Kia Motors Corporation		158,685		82,985		162,604		85,034
Hyundai Capital Service Inc.		38,632		9,843		39,586		10,086
WIA Corporation		62,289		63,570		63,827		65,140
Hyundai Powertech		2,861		49,723		2,932		50,951
HAOSVT		123,502		-		126,552		-
Hyundai Motor America		1,329,381		-		1,362,210		-
Hyundai Motor India		75,677		5,409		77,546		5,543
Hyundai Motor Japan Co.		2,424		-		2,484		-
Hyundai Motor Poland Sp. Zo.O		30,543		-		31,297		-
Hyundai Motor Company Australia		126,711		-		129,840		-
Hyundai Motor Europe GmbH		697,176		-		714,393		-
Hyundai Motor Group (China) Ltd.		143,616		-		147,163		-
Hyundai MOBIS		145,050		481,248		148,632		493,132
Glovis Co., Ltd.		-		73,760		-		75,582
Amco Corp.		-		54,661		-		56,011

(3) Significant outstanding balances as of March 31, 2006 are as follows:

The companies	2006			
	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Hyundai HYSCO	₩ 6,109	₩ 50,871	\$ 6,260	\$ 52,127
KEFICO Corporation	9,274	56,538	9,503	57,934
Autoever Systems Corp.	72	33,511	74	34,339
Dymos Inc.	9,310	114,161	9,540	116,980
Kia Motors Corporation	215,098	238,662	220,410	244,556
Hyundai Capital Service Inc.	64,470	10,822	66,062	11,089
Hyundai Card Co., Ltd.	21,510	140,586	22,041	144,058
WIA Corporation	12,145	71,197	12,445	72,955
Hyundai Powertech	3,025	48,791	3,100	49,996
ROTEM	961	19,027	985	19,497
METIA Co., Ltd. (Formerly Aju Metal Co., Ltd.)	248	5,930	254	6,076
Hyundai Autonet Co., Ltd.	166	58,853	170	60,306
Hyundai America Technical Center Inc.	11	9,581	11	9,818
HAOSVT	28,620	-	29,327	-
Hyundai Motor America	131,362	18,156	134,606	18,604
Hyundai Motor Manufacturing Alabama, LLC	28,340	54	29,040	55
Hyundai Motor India	57,890	86	59,320	88
Hyundai Motor Japan Co.	254	68	260	70
Hyundai Motor Poland Sp. Zo.O	2,860	955	2,931	979
Hyundai Motor Company Australia	30,776	366	31,536	375
Hyundai Motor Europe GmbH	113,739	2,169	116,548	2,223
Hyundai Motor Europe Technical Center GmbH	28	3,952	29	4,050
Hyundai Motor Norway AS	4,556	14	4,669	14
Hyundai Steel Company	343	8,822	351	9,040
Hyundai MOBIS	115,110	651,332	117,953	667,417
EUKOR Car Carriers, Inc.	-	32,223	-	33,019
Iljin Bearing Co., Ltd.	33	4,449	34	4,559
Beijing-Hyundai Motor Company	36,781	-	37,689	-
Innotion Corp.	2	43,404	2	44,476
Wisco Co., Ltd.	820	7,518	840	7,704
Korea Automotive Systems Co., Ltd	28	11,649	29	11,937
BNG Steel Co., Ltd	-	20,893	-	21,409
Ecoplastic Corp.	563	44,054	577	45,142
Glovis Co., Ltd.	190	50,474	195	51,720
Amco Corp.	229	188,929	235	193,595
IHL Corp.	309	19,453	317	19,933
Others	362	850	371	871

Significant outstanding balances as of December 31, 2005 are as follows:

The companies	2005			
	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Hyundai HYSCO	₩ 1,478	₩ 29,244	\$ 1,514	\$ 29,966
KEFICO Corporation	1,059	51,346	1,085	52,614
Autoever Systems Corp.	-	38,077	-	39,017
Dymos Inc.	10,408	127,408	10,665	130,554
Kia Motors Corporation	165,081	201,858	169,158	206,843
Hyundai Capital Service Inc.	48,500	5,602	49,698	5,740
Hyundai Card Co., Ltd.	44,292	52,501	45,386	53,798
WIA Corporation	17,506	95,182	17,938	97,533
Hyundai Powertech	12,910	74,958	13,229	76,809
ROTEM	-	26,127	-	26,772
Hyundai Autonet Co., Ltd.	-	47,894	-	49,077
HAOSVT	19,547	7,823	20,030	8,016
Hyundai Motor America	130,554	15,374	133,778	15,754
Hyundai Motor Manufacturing Alabama, LLC	60,997	-	62,503	-
Hyundai Motor India	31,132	-	31,901	-
Hyundai Motor Poland Sp. Zo.O	2,646	-	2,711	-
Hyundai Motor Company Australia	30,539	-	31,293	-
Hyundai Motor Europe GmbH	57,589	-	59,011	-
Hyundai MOBIS	112,481	632,193	115,259	647,805
Glovis Co., Ltd.	-	49,599	-	50,824
Amco Corp.	-	188,196	-	192,844

- (4) Compensations for registered directors and unregistered directors of the Company for three months ended March 31, 2006 are as follows:

Description	Korean Won	Translation into U.S. Dollars (Note 2)
	(In millions)	(In thousands)
Short-term salaries	14,634	14,995
Retirement salaries (*)	57,341	58,757
Total compensation cost of outstanding stock option	8,966	9,187

- (\*) Retirement salaries represents accrued severance benefits as of March 31, 2006 and the expense recognized for accrued severance benefits for the three months ended March 31, 2006 amounts to ₩2,911 million (US\$2,983 thousand).

22. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

The assets and liabilities denominated in foreign currencies as of March 31, 2006 and December 31, 2005 are summarized below.

	Foreign currencies				Korean Won			
	March 31, 2006		December 31, 2005		March 31, 2006		December 31, 2005	
	(In millions)							
Assets	US\$	442,628,709	US\$	459,845,839	₩	431,961	₩	465,824
	JP ¥	31,274,433	JP ¥	521,943,349		260		4,489
	GBP	15,339,994	GBP	5,842,779		26,154		10,197
	CAD	39,423,761	CAD	12,841,782		33,211		11,189
	EUR	229,477,324	EUR	173,259,828		272,419		207,938
	AUD	34,867,283	AUD	28,008,337		24,331		20,835
					₩	788,336	₩	720,472
Liabilities	US\$	585,115,138	US\$	620,674,146	₩	571,014	₩	628,743
	JP ¥	26,139,219,264	JP ¥	23,720,378,695		217,405		204,005
	GBP	7,235,997	GBP	10,390,825		12,337		18,134
	CAD	3,854,888	CAD	2,976,134		3,247		2,593
	AUD	8,490,800	AUD	7,838,317		5,925		300,241
	EUR	198,264,903	EUR	250,169,891		235,366		5,831
	SGD	58,519	SGD	123,995		35		76
	CHF	3,439,898	CHF	2,358,819		2,588		1,819
			SEK	442,000		-		56
					₩	1,047,917	₩	1,161,498

23. REGIONAL SALES INFORMATION

Sales by region for the three months ended March 31, 2006 and 2005 are as follows:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Domestic sales	₩ 2,894,185	₩ 2,171,764	\$ 2,965,657	\$ 2,225,396
Export sales - Vehicle products				
North America	1,072,557	1,329,428	1,099,044	1,362,258
Europe	1,115,382	1,029,129	1,142,927	1,054,543
South America	262,182	202,902	268,656	207,913
Asia & Pacific	218,517	266,063	223,913	272,633
Middle East & Africa	534,814	377,166	548,021	386,480
	3,203,452	3,204,688	3,282,561	3,283,827
Export sales - Other	763,880	793,776	782,745	813,380
Export sales	3,967,332	3,998,464	4,065,306	4,097,207
Total sales	₩ 6,861,517	₩ 6,170,228	\$ 7,030,963	\$ 6,322,603

24. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months ended March 31, 2006 and 2005 are as follows:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Salary related expense	₩ 249,784	₩ 212,859	\$ 255,952	\$ 218,116
Export costs	177,081	172,447	181,454	176,706
Sales promotion	107,773	73,824	110,434	75,647
Sales commissions	93,272	66,319	95,575	67,957
Sales warranties	91,951	121,403	94,222	124,401
Taxes and dues	3,232	4,299	3,312	4,405
Communications	4,817	5,257	4,936	5,387
Utilities	6,691	6,993	6,856	7,166
Freight and warehousing	18,161	15,644	18,609	16,030
Rent	5,016	4,471	5,140	4,581
Travel	17,225	14,015	17,650	14,361
Service charges	38,568	29,285	39,520	30,008
Maintenance	2,823	4,687	2,893	4,803
Supplies	4,106	4,424	4,207	4,533
Research	123,018	85,680	126,056	87,796
Depreciation	16,822	16,707	17,238	17,120
Amortization	2,197	2,181	2,252	2,235
Stock option cost	-	854	-	875
Other	2,508	3,503	2,571	3,589
	₩ 965,045	₩ 844,852	\$ 988,877	\$ 865,716

25. INVESTIGATION BY THE PROSECUTOR'S OFFICE

Subsequent to March 31, 2006, the Company and its certain subsidiaries are being investigated by the Prosecutors' Office of the Republic of Korea with respect to certain money transactions of the prior years. Currently, it is impossible to reasonably measure the effect of this investigation on the Company's financial statements; accordingly, no adjustment is reflected in the accompanying financial statements.