

HYUNDAI MOTOR COMPANY

**NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006
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, 2007, and the related non-consolidated statements of income and cash flows for the three months ended March 31, 2007 and 2006 and the related non-consolidated statements of changes in shareholders' equity for the three months ended March 31, 2007, 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, 2006, 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 26, 2007, we expressed an unqualified opinion on those non-consolidated financial statements. The accompanying balance sheet as of December 31, 2006, 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 26, 2007

Notice to Readers

This report is effective as of April 26, 2007, 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, 2007 AND DECEMBER 31, 2006

<u>ASSETS</u>	<u>Korean Won</u>		<u>Translation into</u> <u>U.S. Dollars (Note 2)</u>	
	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Current assets:				
Cash and cash equivalents	₩ 1,048,042	₩ 1,382,678	\$ 1,114,583	\$ 1,470,465
Short-term financial instruments (Note 3)	2,536,855	2,755,381	2,697,921	2,930,321
Short-term investment securities (Note 5)	241,004	310,295	256,305	329,996
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩ 14,331 million as of March 31, 2007 and ₩14,331 million as of December 31, 2006	1,663,054	1,558,631	1,768,642	1,657,589
Trade notes and account receivable - other	423,583	483,304	450,476	513,989
Inventories (Note 4)	1,349,392	1,219,586	1,435,065	1,297,018
Deferred tax assets (Note 21)	165,819	161,426	176,347	171,675
Derivative assets (Note 2)	4,599	14,318	4,891	15,227
Advances and other current assets	292,429	157,386	310,995	167,378
Total current assets	<u>7,724,777</u>	<u>8,043,005</u>	<u>8,215,225</u>	<u>8,553,658</u>
Non-current assets:				
Long-term investment securities (Notes 6 and 14)	666,335	518,009	708,641	550,898
Investments securities accounted for using the equity method (Notes 7 and 14)	6,918,752	6,616,813	7,358,026	7,036,917
Property, plant and equipment, net of accumulated depreciation of ₩5,848,852 million as of March 31, 2007 and ₩5,680,264 million as of December 31, 2006 (Notes 8, 9 and 14)	9,453,694	9,465,474	10,053,913	10,066,440
Intangibles (Note 10)	1,130,867	1,118,597	1,202,666	1,189,617
Derivative assets (Note 2)	236,446	276,607	251,458	294,169
Other assets (Notes 3 and 11)	387,312	391,453	411,903	416,307
Total non-current assets	<u>18,793,406</u>	<u>18,386,953</u>	<u>19,986,607</u>	<u>19,554,348</u>
Total assets	<u>₩ 26,518,183</u>	<u>₩ 26,429,958</u>	<u>\$ 28,201,832</u>	<u>\$ 28,108,006</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF MARCH 31, 2007 AND DECEMBER 31, 2006

	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31,	December 31,	March 31,	December 31,
	2007	2006	2007	2006
	(In millions)		(In thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings (Notes 12 and 14)	₩ 415,705	₩ 474,165	\$ 442,098	\$ 504,270
Current maturities of long-term debt and debentures (Notes 13 and 14)	117,466	116,233	124,924	123,613
Trade notes and accounts payable	2,570,916	2,118,143	2,734,144	2,252,625
Accounts payable-other	1,484,671	1,926,625	1,578,933	2,048,947
Accrued warranties (Note 15)	797,711	800,479	848,358	851,302
Income tax payable	95,814	245,106	101,897	260,668
Accrued expenses	149,122	36,590	158,590	38,913
Derivative liabilities (Note 2)	4,452	184	4,735	196
Withholdings and other current Liabilities	575,376	616,220	611,908	655,343
Total current liabilities	<u>6,211,233</u>	<u>6,333,745</u>	<u>6,605,587</u>	<u>6,735,877</u>
Non-current liabilities:				
Long-term debt and debentures, net of current maturities and discount on debentures issued of ₩2,157 million in 2007 and ₩2,321 million in 2006 (Notes 13 and 14)	1,111,310	1,111,569	1,181,867	1,182,143
Accrued severance benefits, net of National Pension payments for employees of ₩22,358 million as of March 31, 2007 and ₩23,680 million as of March 31, 2006, and individual severance insurance deposits of ₩829,533 million as of March 31, 2007 and ₩836,930 million as of March 31, 2006 (Note 2)	442,321	438,592	470,404	466,438
Long-term accrued warranties (Note 15)	2,310,292	2,284,428	2,456,973	2,429,467
Deferred tax liabilities (Note 22)	138,593	119,219	147,392	126,788
Derivative liabilities (Note 2)	45,149	55,322	48,016	58,834
Other non-current liabilities	29,228	36,255	31,084	38,558
Total non-current liabilities	<u>4,076,893</u>	<u>4,045,385</u>	<u>4,335,736</u>	<u>4,302,228</u>
Total liabilities	<u>10,288,126</u>	<u>10,379,130</u>	<u>10,941,323</u>	<u>11,038,105</u>
Commitments and contingencies (Note 14)				
Shareholders' equity:				
Capital stock (Note 16)	1,484,942	1,484,942	1,579,222	1,579,222
Capital surplus (Note 17)	5,409,005	5,409,005	5,752,425	5,752,425
Capital adjustments (Note 18)	(706,633)	(706,979)	(751,498)	(751,865)
Cumulative other comprehensive income (Notes 19 and 20)	(60,635)	(226,605)	(64,485)	(240,993)
Retained earnings (Note 21) (Net income of ₩307,386 million for three months ended March 31, 2007 and ₩1,526,063 million for the year ended December 31, 2006)	<u>10,103,378</u>	<u>10,090,465</u>	<u>10,744,845</u>	<u>10,731,112</u>
Total shareholders' equity	<u>16,230,057</u>	<u>16,050,828</u>	<u>17,260,509</u>	<u>17,069,901</u>
Total liabilities and shareholders' equity	<u>₩ 26,518,183</u>	<u>₩ 26,429,958</u>	<u>\$ 28,201,832</u>	<u>\$ 28,108,006</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions, except per share amounts)		(In thousands, except per share amounts)	
Sales (Note 25):				
Domestic sales	₩ 2,968,734	₩ 2,894,185	\$ 3,157,220	\$ 3,077,938
Export sales	<u>3,715,338</u>	<u>3,967,332</u>	<u>3,951,226</u>	<u>4,219,219</u>
	<u>6,684,072</u>	<u>6,861,517</u>	<u>7,108,446</u>	<u>7,297,157</u>
Cost of sales	<u>5,485,667</u>	<u>5,561,139</u>	<u>5,833,954</u>	<u>5,914,218</u>
Gross profit	1,198,405	1,300,378	1,274,492	1,382,939
Selling and administrative expenses (Note 26)	<u>906,967</u>	<u>965,045</u>	<u>964,551</u>	<u>1,026,316</u>
Operating income	<u>291,438</u>	<u>335,333</u>	<u>309,941</u>	<u>356,623</u>
Other income (expenses), net:				
Interest income, net	21,119	23,276	22,460	24,754
Gain (Loss) on foreign currency translation, net	(4,949)	16,139	(5,263)	17,164
Gain (Loss) on foreign exchange transaction, net	(4,122)	525	(4,384)	558
Gain on valuation of investment securities accounted for using the equity method, net (Note 7)	29,997	209,668	31,902	222,980
Loss on valuation of derivatives, net (Note 2)	(21,805)	(134,515)	(23,189)	(143,055)
Rental and royalty income	57,266	53,499	60,902	56,896
Loss on disposal of trade note and account receivables	(19,890)	(18,824)	(21,153)	(20,019)
Loss on disposal of property, plant and equipment, net	(12,490)	(10,091)	(13,283)	(10,732)
Gain on disposal of short-term investment securities, net	2,314	4,137	2,461	4,400
Gain (Loss) on disposal of long-term investment securities, net	298	(774)	317	(823)
Other, net	<u>25,220</u>	<u>12,982</u>	<u>26,820</u>	<u>13,805</u>
	<u>72,958</u>	<u>156,022</u>	<u>77,590</u>	<u>165,928</u>
Ordinary income	364,396	491,355	387,531	522,551
Income tax expense (Note 22)	<u>57,010</u>	<u>148,968</u>	<u>60,630</u>	<u>158,426</u>
Net income	<u>₩ 307,386</u>	<u>₩ 342,387</u>	<u>\$ 326,901</u>	<u>\$ 364,125</u>
Basic earnings per common share (Note 2)	<u>₩ 1,396</u>	<u>₩ 1,549</u>	<u>\$ 1.48</u>	<u>\$ 1.65</u>
Diluted earnings per common share (Note 2)	<u>₩ 1,393</u>	<u>₩ 1,542</u>	<u>\$ 1.48</u>	<u>\$ 1.64</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, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Cash flows from operating activities:				
Net income	₩ 307,386	₩ 342,387	\$ 326,901	\$ 364,125
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation	199,108	192,391	211,749	204,606
Amortization of intangibles	88,085	65,822	93,678	70,001
Loss (Gain) on foreign currency translation, net	4,949	(16,139)	5,263	(17,164)
Gain on valuation of investment securities accounted for using the equity method, net	(29,997)	(209,668)	(31,902)	(222,980)
Loss on valuation of derivatives, net	21,805	134,515	23,189	143,055
Loss on disposal of trade notes and accounts receivable	19,890	18,824	21,153	20,019
Loss on disposal of property, plant and equipment, net	12,490	10,091	13,283	10,732
Gain on disposal of short-term investment securities, net	(2,314)	(4,137)	(2,461)	(4,400)
Loss (Gain) on disposal of long-term investment securities, net	(298)	774	(317)	823
Amortization of discount on debentures	164	1,617	174	1,720
Provision for severance benefits	54,045	74,615	57,476	79,352
Provision for warranties	96,981	82,097	103,138	87,309
Other	3,466	1,084	3,688	1,153
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable	(121,350)	(267,831)	(129,055)	(284,836)
Decrease in trade notes and accounts receivable-other	74,815	103,749	79,565	110,336
Increase in inventories	(162,608)	(250,079)	(172,932)	(265,957)
Decrease in other current assets	(135,399)	(136,899)	(143,995)	(145,590)
Decrease (Increase) in deferred tax assets	(43,701)	58,046	(46,476)	61,731
Decrease (Increase) in derivative assets	14,876	(11,822)	15,820	(12,573)
Increase (Decrease) in trade notes and accounts payable	452,537	(21,340)	481,269	(22,695)
Decrease in accounts payable-other	(728,736)	(290,809)	(775,003)	(309,271)
Increase (Decrease) in income tax payable	(149,292)	69,396	(158,771)	73,802
Increase in accrued expenses	112,532	171,959	119,677	182,877
Increase in deferred tax liabilities	24,893	10,842	26,473	11,530
Increase (Decrease) in derivative liabilities	(148)	17,462	(157)	18,571
Decrease in withholding and other current liabilities	(41,248)	(125,972)	(43,867)	(133,970)
Decrease in accrued warranties	(73,885)	(78,945)	(78,576)	(83,957)
Payment of severance benefits	(59,123)	(97,885)	(62,877)	(104,100)
Decrease in individual severance insurance deposits	7,397	54,893	7,867	58,378
Other	(306)	3,146	(324)	3,347
	<u>(52,986)</u>	<u>(97,816)</u>	<u>(56,350)</u>	<u>(104,026)</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from withdrawal of short-term financial instruments	₩ 500,308	₩ 1,204,633	\$ 532,073	\$ 1,281,116
Proceeds from disposal of short-term investment securities	72,544	84,605	77,150	89,977
Proceeds from disposal of long-term investment securities	-	48,780	-	51,877
Proceeds from disposal of property, plant and equipment	1,154	6,145	1,227	6,535
Reduction in other current assets	1,740	8,040	1,850	8,550
Reduction in other assets	82,088	25,281	87,300	26,886
	<u>657,834</u>	<u>1,377,484</u>	<u>699,600</u>	<u>1,464,941</u>
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(281,781)	(1,150,814)	(299,671)	(1,223,880)
Acquisition of short-term investment securities	(230)	(70,222)	(245)	(74,680)
Acquisition of long-term investment securities	(15,005)	(1,997)	(15,958)	(2,124)
Acquisition of investment securities accounted for using the equity method	(230,440)	(142,539)	(245,071)	(151,589)
Acquisition of property, plant and equipment	(169,505)	(248,564)	(180,267)	(264,345)
Expenditures for development costs	(99,019)	(75,698)	(105,306)	(80,504)
Additions to other assets	(78,885)	(30,453)	(83,892)	(32,387)
	<u>(874,865)</u>	<u>(1,720,287)</u>	<u>(930,410)</u>	<u>(1,829,509)</u>
	<u>(217,031)</u>	<u>(342,803)</u>	<u>(230,810)</u>	<u>(364,568)</u>
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	<u>1,620,847</u>	<u>2,648,150</u>	<u>1,723,755</u>	<u>2,816,282</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	(1,684,963)	(2,844,646)	(1,791,942)	(3,025,254)
Repayment of long-term debt	(503)	(1,000)	(535)	(1,063)
	<u>(1,685,466)</u>	<u>(2,845,646)</u>	<u>(1,792,477)</u>	<u>(3,026,317)</u>
	<u>(64,619)</u>	<u>(197,496)</u>	<u>(68,722)</u>	<u>(210,035)</u>
Net decrease in cash and cash equivalents	(334,636)	(638,115)	(355,882)	(678,629)
Cash and cash equivalents, beginning of period	<u>1,382,678</u>	<u>1,803,282</u>	<u>1,470,465</u>	<u>1,917,773</u>
Cash and cash equivalents, end of period	<u>₩ 1,048,042</u>	<u>₩ 1,165,167</u>	<u>\$ 1,114,583</u>	<u>\$ 1,239,144</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2007

	Korean Won						Translation into
	Capital stock	Capital surplus	Capital adjustments	Cumulative other comprehensive income	Retained earnings	Total amount	U.S. Dollars (Note 2)
	(In millions)						(In thousands)
January 1, 2007	₩ 1,484,942	₩ 5,409,005	₩ (706,979)	₩ (226,605)	₩10,090,465	₩16,050,828	\$ 17,069,901
Payment of cash dividend	-	-	-	-	(275,373)	(275,373)	(292,857)
Gain on valuation of treasury stock fund	-	-	346	-	-	346	369
Gain on valuation of available-for-sale securities	-	-	-	96,921	-	96,921	103,075
Gain on valuation of investment equity securities	-	-	-	70,832	-	70,832	75,329
Loss on valuation of derivatives	-	-	-	(1,783)	-	(1,783)	(1,896)
Net income	-	-	-	-	307,386	307,386	326,901
Changes in retained earnings using the equity method	-	-	-	-	(19,100)	(19,100)	(20,313)
March 31, 2007	<u>₩ 1,484,942</u>	<u>₩ 5,409,005</u>	<u>₩ (706,633)</u>	<u>₩ (60,635)</u>	<u>₩10,103,378</u>	<u>₩16,230,057</u>	<u>\$ 17,260,509</u>

HYUNDAI MOTOR COMPANY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

1. THE COMPANY:

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

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

The shares of the Company have been listed on the Korea Stock Exchange since 1974 and the Global Depositary Receipts issued by the Company have been listed on the London Stock Exchange and Luxemburg Stock Exchange.

As of March 31, 2007, the major shareholders of the Company are Hyundai MOBIS (15.00%), Hyundai Steel (5.86%) and Chung, Mong Koo (5.19%).

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 ₩940.30 to US\$1.00 at March 31, 2007, 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, 2007 in accordance with the Korea Financial Accounting Standards and the Statements of Korea Accounting Standards ("SKAS") No. 1 through No.23, except for No.14.

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements as of March 31, 2007 are identical to those as of December 31, 2006, except for the adoption of additional SKAS No.11 - "Discontinuing Operations", No.21 - "Preparation and presentation of financial statements", No.22 - "Share-based payment" and No.23 - "Earning per share", which were effective from January 1, 2007.

The Company early applied the written opinion for applying Accounting Standards No. 06-2 – “Recognition of deferred tax related to investments in subsidiaries, associates, and interests in joint ventures”, issued on December 29, 2006, effective January 1, 2007 and early application is permitted, and restated the comparative financial statement as of March 31, 2006 to conform to the opinion No.06-2. In addition, the Company did not present comparative statement of changes in shareholders’ equity for the three months ended March 31, 2006 according to the transition provision of SKAS No.21.

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

Allowance for Doubtful Accounts

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

Inventories

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

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

Classification of Securities

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

Valuation of Securities

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

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

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

Investment Securities Accounted for Using the Equity Method

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

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

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

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

Property, Plant and Equipment and Related Depreciation

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

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

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

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

Intangibles

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

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

Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions are stated at present value, if the difference between nominal value and present value is material. The present value discount is amortized using the effective interest rate method, and the amortization is included in interest expense or interest income. As of March 31, 2007 and December 31, 2006, an interest rate of 8.25 percent is used in valuing the receivables and payables at present value.

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 ₩1,294,212 million (US\$1,376,382 thousand) and ₩1,299,202 million (US\$1,381,689 thousand) as of March 31, 2007 and December 31, 2006, respectively.

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

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

Actual payments of severance benefits amounted to ₩59,123 million (US\$62,877 thousand) and ₩97,885 million (US\$104,100 thousand) for the three months ended March 31, 2007 and 2006, respectively.

Accrued Warranties

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

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

Share-based Payment

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

Derivative Instruments

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

The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecast transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as 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, 2007 and December 31, 2006, the Company deferred the net gain of ₩12,767 million (US\$13,578 thousand) and ₩20,068 million (US\$21,342 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as cumulative other comprehensive income. The longest period in which the forecasted transactions are expected to occur is within 56 months from March 31, 2007. Of the net loss on valuation recorded as cumulative other comprehensive income as of March 31, 2007 amounting to ₩1,342 million (US\$1,427 thousand) is expected to be realized and charged to current operations within one year from March 31, 2007.

For the three months ended March 31, 2007 and 2006, the Company recognized the net loss of ₩21,805 million (US\$23,189 thousand) and ₩134,515 million (US\$143,055 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 the shares of Kia Motors Corporation 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
"	Call option (*)	"	12,145,598	US\$ 11.5300
"	Equity swap	"	21,862,076	US\$ 8.2611
JP Morgan Chase Bank, London Branch	"	"	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, 2007 and December 31, 2006, all premiums to be paid by the Company are recorded as accounts payable - other of ₩21,771 million (US\$23,153 thousand) and ₩21,524 million (US\$ 22,891 thousand), respectively, and other non-current liabilities of ₩10,832 million (US\$11,520 thousand) and ₩21,417 million (US\$22,777 thousand), respectively, after deducting the present value discount of ₩2,063 million (US\$2,194 thousand) and ₩2,703 million (US\$2,875 thousand), respectively. Also, as of March 31, 2007 and December 31, 2006, all premiums to be received by the Company are recorded as other current assets of ₩3,569 million (US\$3,796 thousand) and ₩3,529 million (US\$3,753 thousand), respectively, and other assets of ₩1,785 million (US\$1,898 thousand) and ₩3,529 million (US\$3,753 thousand), respectively, after deducting the present value discount of ₩308 million (US\$328 thousand) and ₩448 million (US\$476 thousand), respectively.

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums of ₩241,045 million (US\$256,349 thousand) and ₩290,925 million (US\$309,396 thousand) in current and non-current derivative assets as of March 31, 2007 and December 31, 2006, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums of ₩49,601 million (US\$52,750 thousand) and ₩55,506 million (US\$59,030 thousand) is recorded in current and non-current derivative liabilities as of March 31, 2007 and December 31, 2006, 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 ₩940.30 and ₩929.60 to US\$1.00 at March 31, 2007 and December 31, 2006, respectively, and translation gains or losses are reflected in current operations.

Income Tax Expense

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

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

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

Earnings per Common Share

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

Basic earnings per common share for the three months ended March 31, 2007 and 2006 are computed as follows:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In millions, except per share amounts)		(In thousands, except per share amounts)	
Net income	₩ 307,386	₩ 342,387	\$ 326,901	\$ 364,125
Expected dividends on preferred stock	(16,799)	(20,689)	(17,866)	(22,003)
Net income available to common share	290,587	321,698	309,035	342,122
Weighted average number of common shares outstanding (*)	208,178,785	207,670,494	208,178,785	207,670,494
Basic earnings per common share	₩ 1,396	₩ 1,549	\$ 1.48	\$ 1.65

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

Diluted earnings per common share for the three months ended March 31, 2007 and 2006 are computed as follows:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In millions, except per share amounts)		(In thousands, except per share amounts)	
Net income available to common share	₩ 290,587	₩ 321,698	\$ 309,035	\$ 342,122
Stock option compensation expense	-	-	-	-
Net income available to diluted common share	290,587	321,698	309,035	342,122
Weighted average number of common shares and diluted securities outstanding	208,670,767	208,525,603	208,670,767	208,525,603
Diluted earnings per common share	₩ 1,393	₩ 1,542	\$ 1.48	\$ 1.64

Earnings per common share and diluted earnings per common share for the year ended December 31, 2006 are ₩ 7,021 (US\$7.47) and ₩ 6,995 (US\$7.44), respectively.

3. RESTRICTED FINANCIAL INSTRUMENTS:

Deposits with withdrawal restrictions as of March 31, 2007 and December 31, 2006 consist of the following:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
	(In millions)		(In thousands)	
Short-term financial instruments:				
Ordinary deposit	₩ 45	₩ 44	\$ 48	\$ 47
Term deposit	30,210	28,738	32,127	30,562
	30,255	28,782	32,175	30,609
Long-term financial instruments (Note 11):				
Guarantee deposits for checking accounts	40	40	43	43
	₩ 30,295	₩ 28,822	\$ 32,218	\$ 30,652

4. INVENTORIES:

Inventories as of March 31, 2007 and 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Finished goods and merchandise	₩ 376,150	₩ 305,338	\$ 400,032	\$ 324,724
Semi finished goods and work in process	525,830	458,189	559,215	487,280
Raw materials and supplies	377,700	361,621	401,680	384,580
Materials in transit	69,712	94,438	74,138	100,434
	<u>₩ 1,349,392</u>	<u>₩ 1,219,586</u>	<u>\$ 1,435,065</u>	<u>\$ 1,297,018</u>

5. SHORT-TERM INVESTMENT SECURITIES:

Short-term investment securities as of March 31, 2007 and December 31, 2006, 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, 2007	December 31, 2006	March 31, 2007	December 31, 2006
	(In millions)		(In thousands)	
Beneficiary certificates	₩ 240,994	₩ 310,285	\$ 256,294	\$ 329,985
Government bonds	10	10	11	11
	<u>₩ 241,004</u>	<u>₩ 310,295</u>	<u>\$ 256,305</u>	<u>\$ 329,996</u>

6. LONG-TERM INVESTMENT SECURITIES:

(1) Long -term investment securities as of March 31, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
	(In millions)		(In thousands)	
Available-for-sale securities	₩ 617,835	₩ 469,509	\$ 657,062	\$ 499,319
Held-to-maturity securities	48,500	48,500	51,579	51,579
	<u>₩ 666,335</u>	<u>₩ 518,009</u>	<u>\$ 708,641</u>	<u>\$ 550,898</u>

(2) Available-for-sale securities of long-term investment securities as of March 31, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
	(In millions)		(In thousands)	
Equity securities stated at fair value	₩ 520,040	₩ 369,511	\$ 553,058	\$ 392,972
Equity securities stated at acquisition cost	97,795	99,998	104,004	106,347
	<u>₩ 617,835</u>	<u>₩ 469,509</u>	<u>\$ 657,062</u>	<u>\$ 499,319</u>

Equity securities stated at fair value included in long-term investment securities as of March 31, 2007 consist of the following:

Name of company	Korean Won		Translation into U.S. Dollars (Note 2)	Ownership percentage (%)
	Acquisition cost (In millions)	Book value	Book value (In thousands)	
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 411,720	\$ 437,860	2.88
Hyundai H&S	15,005	14,470	15,389	4.08
Hyundai Corporation	13,626	1,582	1,682	0.37
KT Freetel	10,800	8,796	9,354	0.17
Hyundai Information Technology Co., Ltd.	10,000	1,422	1,512	2.21
LG Telecom	9,795	20,116	21,393	0.68
Hyundai Merchant Marine Co., Ltd.	9,161	15,142	16,103	0.45
Hyundai Development Company	9,025	23,355	24,838	0.60
ENOVA System	2,204	695	739	1.26
Jin Heung Mutual Savings Bank	2,166	2,599	2,764	1.73
Korea Environment Technology Co., Ltd.	1,500	3,555	3,782	6.00
Dong Yang Investment Bank	283	117	125	0.01
Treasury Stock Fund (*)		16,471	17,517	-
		<u>₩ 520,040</u>	<u>\$ 553,058</u>	

(*) The acquisition cost of Treasury Stock Fund is ₩26,647 million (US\$28,339 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩17,880 million (US\$19,015 thousand) is recorded as treasury stock in capital adjustments.

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

Name of company	Korean Won		Translation into U.S. Dollars (Note 2)	Ownership percentage (%)
	Acquisition cost (In millions)	Book value	Book value (In thousands)	
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 275,940	\$ 293,460	2.88
Hyundai Corporation	13,626	1,743	1,854	0.37
KT Freetel	10,800	9,931	10,562	0.17
Hyundai Information Technology Co., Ltd.	10,000	1,400	1,489	2.21
LG Telecom	9,795	18,086	19,234	0.68
Hyundai Merchant Marine Co., Ltd.	9,161	14,068	14,961	0.45
Hyundai Development Company	9,025	25,560	27,183	0.60
Jin Heung Mutual Savings Bank	2,166	2,188	2,327	2.28
Korea Environment Technology Co., Ltd.	1,500	2,520	2,680	6.00
Dong Yang Investment Bank	282	127	134	0.01
Treasury Stock Fund (*)		17,948	19,088	-
		<u>₩ 369,511</u>	<u>\$ 392,972</u>	

(*) The acquisition cost of Treasury Stock Fund is ₩26,647 million (US\$28,339 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩18,227 million (US\$19,384 thousand) is recorded as treasury stock in capital adjustments.

As of March 31, 2007 and December 31, 2006, the difference 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 cumulative other comprehensive income and impairment loss on long-term investment securities of ₩21,165 million (US\$22,509 thousand) reflected before 2006.

Equity securities stated at acquisition cost included in long-term investment securities as of March 31, 2007 consist of the following:

Affiliated company	Korean Won		Translation into U.S. Dollars (Note 2)	Ownership percentage (%)
	Acquisition cost (In millions)	Book value	Book value (In thousands)	
Hyundai Oil Refinery Co., Ltd.	₩ 53,314	₩ 53,314	\$ 56,699	4.35
Hyundai Asan Corporation	22,500	5,405	5,748	4.61
Doosan Yonhap Capital Co., Ltd. (Formerly, Yonhap Capital Co., Ltd.)	10,000	10,000	10,635	9.99
Hyundai Unicorns Co., Ltd.	5,795	137	146	14.90
Hankyoreh Plus Inc.	4,800	284	302	5.43
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,775	14.97
Industry Otomotif Komersial	4,439	4,439	4,721	15.00
HMCIS (*)	3,959	3,959	4,210	80.00
Kihyup Finance	3,000	3,000	3,190	10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,659	13.66
NESSCAP Inc.	1,997	1,997	2,124	12.05
Hyundai Research Institute	1,359	1,271	1,352	14.90
The Sign Corporation	1,200	1,200	1,276	11.59
Heesung PM Tech Corporation	1,194	1,194	1,270	19.90
ROTIS Inc.	1,000	8	9	1.33
Veloxsoft Inc.	1,000	1,000	1,063	8.00
Micro Infinity	607	607	646	9.76
NGVTEK.com (*)	571	571	607	53.66
Clean Air Technology Inc.	500	500	532	16.13
Carnes Co., Ltd. (*)	250	250	266	49.99
Jinil MVC Co., Ltd.	180	180	191	18.00
Other	1,489	1,489	1,583	-
	<u>₩ 126,144</u>	<u>₩ 97,795</u>	<u>\$ 104,004</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 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\$7,444 thousand), are not material.

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

Affiliated company	Korean Won		Translation into	Ownership percentage (%)
			U.S. Dollars	
	Acquisition cost	Book value	(Note 2) Book value	
	(In millions)		(In thousands)	
Hyundai Oil Refinery Co., Ltd.	₩ 53,314	₩ 53,314	\$ 56,699	4.35
Hyundai Asan Corporation	22,500	5,405	5,748	4.61
Doosan Yonhap Capital Co., Ltd. (Formerly, Yonhap Capital Co., Ltd.)	10,000	10,000	10,635	9.99
Hyundai Unicorns Co., Ltd.	5,795	137	146	14.90
Hankyoreh Plus Inc.	4,800	284	302	5.43
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,775	14.97
Industry Otomotif Komersial	4,439	4,439	4,721	15.00
HMCIS (*)	3,959	3,959	4,210	80.00
Kihyup Finance	3,000	3,000	3,190	10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,659	13.66
NESSCAP Inc.	1,997	1,997	2,124	12.05
Hyundai Research Institute	1,359	1,271	1,352	14.90
The Sign Corporation	1,200	1,200	1,276	11.59
Heesung PM Tech Corporation	1,194	1,194	1,270	19.90
ROTIS Inc.	1,000	8	9	1.33
Veloxsoft Inc.	1,000	1,000	1,063	8.00
Micro Infinity	607	607	646	9.76
NGVTEK.com (*)	571	571	607	53.66
Clean Air Technology Inc.	500	500	532	16.13
Carnes Co., Ltd. (*)	250	250	266	49.99
Jinil MVC Co., Ltd.	180	180	191	18.00
ENOVA system	2,204	2,204	2,344	3.80
Other	1,488	1,488	1,582	-
	<u>₩ 128,347</u>	<u>₩ 99,998</u>	<u>\$ 106,347</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 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\$7,444 thousand), are not material.

As of March 31, 2007 and December 31, 2006, the difference between the book value and the acquisition cost of equity securities consists of impairment loss on long-term investment securities of ₩28,349 million (US\$30,149 thousand) reflected before 2006.

- (3) Debt securities included in held-to-maturity of long-term investment securities as of March 31, 2007 and December 31, 2006 are subordinate debt securities of ₩48,500 million (US\$51,579 thousand) with the maturity on July 19, 2008, issued by Hyundai Capital Service Inc.

7. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Investment securities accounted for using the equity method as of March 31, 2007 consist of the following:

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Ownership percentage (%)
	Acquisition cost	Net equity value (In millions)	Book value	Acquisition cost	Net equity value (In thousands)	Book value	
Hyundai Motor America	₩1,227,466	₩ 1,281,957	₩1,056,952	\$ 1,305,398	\$ 1,363,349	\$ 1,124,058	100.00
Beijing-Hyundai Motor Company	266,856	432,049	425,632	283,799	459,480	452,656	50.00
Hyundai Motor India	244,017	559,100	544,730	259,510	594,597	579,315	100.00
Hyundai Motor Manufacturing Czech, Ltd.	194,026	202,736	202,736	206,345	215,608	215,608	100.00
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (*1)	91,315	972	-	97,113	1,034	-	70.00
Hyundai Translead	74,977	83,152	108,739	79,737	88,431	115,643	100.00
Hyundai Motor Europe Technical Center GmbH	53,496	53,221	53,221	56,892	56,600	56,600	100.00
China Millennium Corporations	53,466	14,841	53,917	56,861	15,783	57,340	59.60
Hyundai Motor Japan Co. (*1)	42,292	(44,719)	-	44,977	(47,558)	-	100.00
Hyundai Motor (UK) Ltd. (*1)	36,681	(4,360)	-	39,010	(4,637)	-	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	17,001	31,503	25,672	18,080	33,503	100.00
Beijing Mobis Transmission Co., Ltd.	22,790	27,284	27,284	24,237	29,016	29,016	24.08
Hyundai Motor Europe GmbH	17,529	24,159	24,159	18,642	25,693	25,693	100.00
Hyundai Motor Group China Ltd.	15,371	15,774	15,774	16,347	16,775	16,775	50.00
Hyundai Motor Company Australia WIA Automotive Engine (ShanDong) Company	12,382	43,828	32,875	13,168	46,611	34,962	100.00
Hyundai America Technical Center Inc.	10,298	10,339	10,339	10,952	10,995	10,995	22.00
Hyundai Motor Deutschland GmbH	9,635	18,572	18,572	10,247	19,751	19,751	100.00
Hyundai Motor Norway AS	6,761	18,409	17,893	7,190	19,578	19,029	30.00
Hyundai Motor Hungary	5,636	7,101	5,843	5,994	7,552	6,214	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd.	5,415	2,415	2,415	5,759	2,568	2,568	100.00
HMJ R&D Center Inc.	4,907	3,505	3,505	5,219	3,728	3,728	91.75
Kia Motors Corporation	1,510	1,822	1,822	1,606	1,938	1,938	100.00
Hyundai Capital Service Inc.	923,957	1,947,571	2,004,201	982,619	2,071,223	2,131,448	38.67
Hyundai Card Co., Ltd.	500,325	698,006	484,507	532,091	742,323	515,269	56.47
ROTEM	435,571	297,803	305,431	463,226	316,711	324,823	33.27
Hyundai HYSICO	254,308	272,564	321,398	270,454	289,869	341,804	57.64
Korea Aerospace Industries, Ltd.	200,768	254,691	248,863	213,515	270,861	264,663	26.13
Hyundai Powertech	159,800	88,758	88,553	169,946	94,393	94,175	22.23
Hyundai Autonet Co., Ltd. (*2)	120,000	143,210	143,027	127,619	152,302	152,108	50.00
Dymos Inc.	118,554	75,570	121,266	126,081	80,368	128,965	16.77
Hyundai Commercial Inc.	68,872	119,004	116,858	73,245	126,560	124,277	47.27
WIA Corporation	50,000	30,651	30,651	53,175	32,597	32,597	50.00
Korea Economy Daily	34,357	175,242	150,861	36,538	186,368	160,439	39.46
Eukor Car Carriers Inc. (*2)	29,973	22,192	25,391	31,876	23,601	27,003	20.55
Partecs Co.	29,347	72,652	63,755	31,210	77,265	67,803	12.00
KEFICO Corporation	22,400	22,264	22,264	23,822	23,678	23,678	56.00
Autoever Systems Corp.	20,911	110,908	108,620	22,239	117,950	115,516	50.00
Chasan Co., Ltd.	5,947	13,950	13,950	6,325	14,836	14,836	29.90
Mando Map & Soft Co., Ltd.	4,500	(2,261)	3,115	4,786	(2,405)	3,313	30.00
Iljin Bearing Co., Ltd.	2,278	4,007	4,098	2,423	4,261	4,358	25.82
Daesung Automotive Co., Ltd.	826	14,834	14,834	878	15,776	15,776	20.00
	400	9,198	9,198	422	9,783	9,783	20.00
	<u>₩5,404,059</u>	<u>₩ 7,139,972</u>	<u>₩6,918,752</u>	<u>\$ 5,747,165</u>	<u>\$ 7,593,292</u>	<u>\$ 7,358,026</u>	

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

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

Investment securities accounted for using the equity method as of December 31, 2006 consist of the following:

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Ownership percentage (%)
	Acquisition cost	Net equity	Book value	Acquisition cost	Net equity	Book value	
		value			value		
		(In millions)			(In thousands)		
Hyundai Motor America	₩1,227,466	₩ 1,267,449	₩ 1,076,088	\$ 1,305,398	\$ 1,347,920	\$ 1,144,409	100.00
Hyundai Motor India	244,017	522,508	503,831	259,510	555,682	535,819	100.00
Beijing-Hyundai Motor Company Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (*1)	232,410	380,199	371,464	247,166	404,338	395,048	50.00
Hyundai Translead	91,315	7,825	-	97,113	8,322	-	70.00
Hyundai Motor Europe Technical Center GmbH	74,977	81,595	107,664	79,737	86,775	114,500	100.00
China Millennium Corporations	53,496	51,514	51,514	56,892	54,785	54,785	100.00
Hyundai Motor Manufacturing Czech, Ltd.	53,466	13,868	53,494	56,861	14,748	56,890	59.60
Hyundai Motor Japan Co. (*1)	48,034	50,098	50,098	51,084	53,279	53,279	100.00
Hyundai Motor (UK) Ltd. (*1)	42,292	(42,334)	-	44,977	(45,022)	-	100.00
Hyundai Motor Poland Sp.zo.o.	36,681	(3,661)	-	39,010	(3,893)	-	100.00
Beijing Mobis Transmission Co., Ltd.	24,139	15,047	29,815	25,672	16,002	31,708	100.00
Hyundai Motor Europe GmbH	22,790	26,411	26,411	24,237	28,088	28,088	24.08
Hyundai Motor Group China Ltd.	17,529	24,984	24,984	18,642	26,570	26,570	100.00
Hyundai Motor Company Australia	15,371	14,552	14,266	16,347	15,476	15,172	50.00
Hyundai America Technical Center Inc.	12,382	41,049	42,183	13,168	43,655	44,861	100.00
Hyundai Motor Deutschland GmbH	9,635	17,338	17,338	10,247	18,439	18,439	100.00
Hyundai Motor Norway AS	6,761	19,741	19,217	7,190	20,994	20,437	30.00
Hyundai Motor Hungary	5,636	6,309	5,754	5,994	6,710	6,119	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd.	5,415	2,283	2,283	5,759	2,428	2,428	100.00
HMJ R&D Center Inc.	4,907	3,070	3,070	5,219	3,265	3,265	91.75
WIA Automotive Engine (ShanDong) Company	1,510	1,798	1,798	1,606	1,912	1,912	100.00
Kia Motors Corporation	10,298	7,205	10,298	10,952	7,662	10,952	22.00
Hyundai Capital Service Inc.	923,957	1,972,554	2,024,647	982,619	2,097,792	2,153,193	38.67
Hyundai Card Co., Ltd.	500,325	621,176	426,864	532,091	660,615	453,966	56.47
ROTEM	435,571	277,003	284,768	463,226	294,590	302,848	33.27
Hyundai HYSCO	254,308	272,152	336,191	270,454	289,431	357,536	57.64
Korea Aerospace Industries, Ltd.	200,768	259,460	250,199	213,515	275,933	266,084	26.13
Hyundai Powertech	159,800	79,717	79,508	169,946	84,778	84,556	22.23
Hyundai Autonet Co., Ltd. (*2)	120,000	151,265	142,523	127,619	160,869	151,572	50.00
Dymos Inc.	118,554	77,123	123,437	126,081	82,020	131,274	16.77
WIA Corporation	68,872	116,098	113,929	73,245	123,469	121,162	47.27
Korea Economy Daily	34,357	173,803	149,012	36,538	184,838	158,473	39.46
Eukor Car Carriers Inc. (*2)	29,973	22,072	25,341	31,876	23,473	26,950	20.55
Partecs Co.	29,347	77,203	68,165	31,210	82,105	72,493	12.00
KEFICO Corporation	22,400	21,988	21,988	23,822	23,384	23,384	56.00
Autoever Systems Corp.	20,911	115,739	113,412	22,239	123,087	120,613	50.00
Iljin Bearing Co., Ltd.	5,947	13,773	13,773	6,325	14,647	14,647	29.90
Daesung Automotive Co., Ltd.	826	14,823	14,823	878	15,764	15,764	20.00
Mando Map & Soft Co., Ltd.	400	9,081	9,081	425	9,658	9,658	20.00
Chasan Co., Ltd.	2,278	2,989	3,082	2,423	3,179	3,278	25.82
	4,500	(944)	4,500	4,783	(1,003)	4,785	30.00
	<u>₩5,173,621</u>	<u>₩ 6,785,923</u>	<u>₩ 6,616,813</u>	<u>\$ 5,502,096</u>	<u>\$ 7,216,764</u>	<u>\$ 7,036,917</u>	

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

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

- (2) The changes in investment securities accounted for using the equity method for the three months ended March 31, 2007 are as follows:

Affiliated company	Korean Won					Translation into
	Beginning of period	Acquisition / Disposition	Gain (loss) on valuation	Other changes (*)	End of period	U.S. Dollars (Note 2)
	(In millions)					(In thousands)
Hyundai Motor America	₩ 1,076,088	₩ -	₩ (46,646)	₩ 27,510	₩ 1,056,952	\$ 1,124,058
Beijing-Hyundai Motor Company	371,464	34,447	10,881	8,840	425,632	452,656
Hyundai Motor India	503,831	-	26,183	14,716	544,730	579,315
Hyundai Motor Manufacturing Czech, Ltd.	50,098	145,993	(1,650)	8,295	202,736	215,608
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	-	-	-	-	-	-
Hyundai Translead	107,664	-	134	941	108,739	115,643
Hyundai Motor Europe Technical Center GmbH	51,514	-	363	1,344	53,221	56,600
China Millennium Corporations	53,494	-	101	322	53,917	57,340
Hyundai Motor Japan Co.	-	-	-	-	-	-
Hyundai Motor (UK) Ltd.	-	-	-	-	-	-
Hyundai Motor Poland Sp.zo.o.	29,815	-	1,386	302	31,503	33,503
Beijing Mobis Transmission Co., Ltd.	26,411	-	267	606	27,284	29,016
Hyundai Motor Europe GmbH	24,984	-	(1,445)	620	24,159	25,693
Hyundai Motor Group China Ltd.	14,266	-	884	624	15,774	16,775
Hyundai Motor Company Australia	42,183	-	(10,700)	1,392	32,875	34,962
WIA Automotive Engine (ShanDong) Company	10,298	-	(144)	185	10,339	10,995
Hyundai America Technical Center Inc.	17,338	-	1,033	201	18,572	19,751
Hyundai Motor Deutschland GmbH	19,217	-	(1,801)	477	17,893	19,029
Hyundai Motor Norway AS	5,754	-	(196)	285	5,843	6,214
Hyundai Motor Hungary	2,283	-	27	105	2,415	2,568
Beijing Jinxian Motor Safeguard Service Co., Ltd.	3,070	-	363	72	3,505	3,728
HMJ R&D Center Inc.	1,798	-	(16)	40	1,822	1,938
Kia Motors Corporation	2,024,647	-	(10,704)	(9,742)	2,004,201	2,131,448
Hyundai Capital Service Inc.	426,864	-	31,664	25,979	484,507	515,269
Hyundai Card Co., Ltd.	284,768	-	20,283	380	305,431	324,823
ROTEM	336,191	-	(186)	(14,607)	321,398	341,804
Hyundai HYSCO	250,199	-	1,523	(2,859)	248,863	264,663
Korea Aerospace Industries, Ltd.	79,508	-	188	8,857	88,553	94,175
Hyundai Powertech	142,523	-	663	(159)	143,027	152,108
Hyundai Autonet Co., Ltd.	123,437	-	358	(2,529)	121,266	128,965
Dymos Inc.	113,929	-	2,983	(54)	116,858	124,277
Hyundai Commercial Inc.	-	50,000	6	(19,355)	30,651	32,597
WIA Corporation	149,012	-	4,529	(2,680)	150,861	160,439
Korea Economy Daily	25,341	-	(16)	66	25,391	27,003
Eukor Car Carriers Inc.	68,165	-	(4,410)	-	63,755	67,803
Partecs Co.	21,988	-	276	-	22,264	23,678
KEFICO Corporation	113,412	-	3,496	(8,288)	108,620	115,516
Autoever Systems Corp.	13,773	-	176	1	13,950	14,836
Chasan Co., Ltd.	4,500	-	(1,385)	-	3,115	3,313
Mando Map & Soft Co., Ltd.	3,082	-	1,016	-	4,098	4,358
Iljin Bearing Co., Ltd.	14,823	-	236	(225)	14,834	15,776
Daesung Automotive Co., Ltd.	9,081	-	277	(160)	9,198	9,783
	<u>₩ 6,616,813</u>	<u>₩ 230,440</u>	<u>₩ 29,997</u>	<u>₩ 41,502</u>	<u>₩ 6,918,752</u>	<u>\$ 7,358,026</u>

- (*) Other changes consist of the decrease by ₩12,774 million (US\$13,585 thousand) due to receipt of the dividends, decrease of retained earnings by ₩19,100 million (US\$20,313 thousand) and increase of cumulative other comprehensive income by ₩73,376 million (US\$78,035 thousand).

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

Affiliated company	Korean Won					Translation into U.S. Dollars (Note 2)	
	Beginning of period	Acquisition / Disposition	Gain (loss) on valuation	Other changes (*)	End of period	End of period	
	(In millions)					(In thousands)	
Hyundai Motor America	₩ 999,839	₩ -	₩ 56,172	₩ (83,431)	₩ 972,580	\$	1,034,329
Hyundai Motor India	416,611	-	44,095	(9,688)	451,018		479,653
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	122,906	-	(3,422)	(5,058)	114,426		121,691
Hyundai Translead	96,769	-	2,023	(2,522)	96,270		102,382
Hyundai Motor Europe Technical Center GmbH	43,458	-	713	(464)	43,707		46,482
China Millennium Corporations	53,039	-	440	(350)	53,129		56,502
Hyundai Motor Japan Co.	-	-	-	-	-		-
Hyundai Motor (UK) Ltd.	-	-	4,877	(370)	4,507		4,793
Hyundai Motor Poland Sp.zo.o.	28,118	-	1,947	(453)	29,612		31,492
Beijing Mobis Transmission Co., Ltd.	16,696	-	367	(910)	16,153		17,179
Hyundai Motor Europe GmbH	22,002	-	3,744	(202)	25,544		27,166
Hyundai Motor Group China Ltd.	14,068	-	(309)	(442)	13,317		14,163
Hyundai Motor Company Australia	26,305	-	11,551	(4,031)	33,825		35,973
Hyundai America Technical Center Inc.	16,375	-	641	(601)	16,415		17,457
Hyundai Motor Deutschland GmbH	11,045	-	3,482	(118)	14,409		15,324
Hyundai Motor Norway AS	-	-	(1,002)	5,034	4,032		4,288
Hyundai Motor Hungary	-	-	(1,287)	4,420	3,133		3,332
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,222	-	(1,099)	(134)	2,989		3,179
WIA Automotive Engine (ShanDong) Company	357,744	-	26,825	(11,582)	372,987		396,668
HMJ R&D Center Inc.	1,941	-	(29)	(64)	1,848		1,965
Kia Motors Corporation	2,053,260	-	25,772	(66,049)	2,012,983		2,140,788
Hyundai Capital Service Inc.	346,834	-	11,506	(27,918)	330,422		351,401
Hyundai Card Co., Ltd.	104,858	142,539	5,004	(8,684)	243,717		259,191
ROTEM	304,341	-	13,125	1,292	318,758		338,996
Hyundai HYSCO	246,740	-	437	(4,197)	242,980		258,407
Korea Aerospace Industries, Ltd.	82,075	-	(15,830)	-	66,245		70,451
Hyundai Powertech	139,089	-	2,654	(3)	141,740		150,739
Hyundai Autonet Co., Ltd.	117,971	-	2,570	758	121,299		129,000
Dymos Inc.	105,983	-	1,790	-	107,773		114,616
WIA Corporation	124,665	-	365	(227)	124,803		132,727
Korea Economy Daily	24,378	-	(33)	(1)	24,344		25,890
Eukor Car Carriers Inc.	63,988	-	6,003	-	69,991		74,435
Partecs Co.	22,400	-	(9)	-	22,391		23,813
KEFICO Corporation	109,487	-	5,330	(8,693)	106,124		112,862
Autoever Systems Corp.	8,998	-	542	(2)	9,538		10,144
Iljin Bearing Co., Ltd.	14,128	-	236	(225)	14,139		15,037
Daesung Automotive Co., Ltd.	6,017	-	478	(120)	6,375		6,780
Haevichi Leisure Co., Ltd.	9,097	-	(1)	-	9,096		9,670
	<u>₩ 6,115,447</u>	<u>₩ 142,539</u>	<u>₩ 209,668</u>	<u>₩ (225,035)</u>	<u>₩ 6,242,619</u>	<u>\$</u>	<u>6,638,965</u>

(*) Other changes consist of the decrease by ₩46,458 million (US\$49,408 thousand) due to receipt of the dividends, increase of retained earnings by ₩5,096 million (US\$5,420 thousand), decrease of cumulative other comprehensive income by ₩194,724 million (US\$207,087 thousand) and increase by ₩11,051 million (US\$11,753 thousand) due to transfer from long-term investment securities.

Investment securities accounted for using the equity method as of March 31, 2007 and December 31, 2006 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, 2007 is as follows:

Affiliated company	Korean Won				Translation into U.S. Dollars (Note 2)			
	Assets	Liabilities	Sales	Net income (loss)	Assets	Liabilities	Sales	Net income (loss)
	(In millions)				(In thousands)			
Hyundai Motor America	₩ 4,109,830	₩ 2,827,873	₩ 1,978,321	₩ (35,988)	\$ 4,370,765	\$ 3,007,416	\$ 2,103,925	\$ (38,273)
Hyundai Motor India	1,454,546	895,447	535,821	23,173	1,546,896	952,299	569,840	(1,309)
Hyundai Motor Manufacturing Czech, Ltd	224,840	22,104	-	(993)	239,115	23,507	-	(119,959)
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	492,443	491,055	200,888	(9,902)	523,708	522,232	213,642	21,572
Hyundai Translead	278,142	194,989	78,720	598	295,801	207,369	83,718	1,298
Hyundai Motor Europe Technical Center GmbH	126,597	73,376	11,489	409	134,635	78,035	12,218	5,620
China Millennium Corporations	82,937	58,036	4,010	1,094	88,203	61,721	4,265	(7,380)
Hyundai Motor Japan Co.	17,326	62,045	4,662	(1,431)	18,426	65,984	4,958	(22,474)
Hyundai Motor (UK) Ltd.	288,243	292,603	163,969	(387)	306,544	311,180	174,379	2,532
Hyundai Motor Poland Sp.zo.o.	37,992	20,991	44,191	2,020	40,404	22,324	46,997	4,051
Beijing Mobis Transmission Co., Ltd.	180,751	67,443	40,919	1,110	192,227	71,725	43,517	826
Hyundai Motor Europe GmbH	387,216	363,057	511,522	(1,491)	411,800	386,108	543,999	1,862
Hyundai Motor Group China Ltd.	160,089	128,540	184,653	1,769	170,253	136,701	196,377	1,088
Hyundai Motor Company Australia	179,545	135,717	153,668	317	190,944	144,334	163,424	337
WIA Automotive Engine (ShanDong)Company	69,073	22,076	-	(654)	73,458	23,478	-	2,407
Hyundai America Technical Center Inc.	37,610	19,038	18,725	529	39,998	20,247	19,914	14,677
Hyundai Motor Deutschland GmbH	201,098	139,734	170,323	(3,922)	213,866	148,606	181,137	1,646
Hyundai Motor Norway AS	40,011	32,911	17,335	64	42,551	35,001	18,436	(996)
Hyundai Motor Hungary	14,541	12,126	7,688	(101)	15,464	12,896	8,176	(197)
Beijing Jinxian Motor Safeguard Service Co., Ltd.	11,393	7,572	7,845	306	12,116	8,053	8,343	130,321
Beijing-Hyundai Motor Company	1,472,769	608,672	790,457	30,718	1,566,276	647,317	840,643	95
HMJ R&D Center Inc.	5,574	3,752	2,651	34	5,928	3,990	2,819	42,276
Kia Motors Corporation	12,080,800	6,887,800	3,850,500	(30,600)	12,847,815	7,325,109	4,094,970	445,539
Hyundai Capital Service Inc.	12,287,283	10,987,903	584,323	80,125	13,067,407	11,685,529	621,422	304,231
Hyundai Card Co., Ltd.	3,757,779	2,862,664	260,114	63,099	3,996,362	3,044,416	276,629	73,524
ROTEM	1,666,685	1,193,501	361,977	1,899	1,772,503	1,269,277	384,959	9,914
Hyundai HYSCO	2,726,216	1,738,946	885,272	5,465	2,899,304	1,849,352	941,478	(118,976)
Korea Aerospace Industries, Ltd.	1,037,120	637,800	173,600	800	1,102,967	678,294	184,622	5,694
Hyundai Powertech	962,386	659,353	182,489	741	1,023,488	701,216	194,075	52,495
Hyundai Autonet Co., Ltd.	683,797	233,152	228,797	11,118	727,212	247,955	243,323	19,300
Dymos Inc.	794,454	542,695	272,689	5,976	844,894	577,151	290,002	19,300
Hyundai Commercial Inc.	529,823	468,522	37	12	563,462	498,269	39	56,177
WIA Corporation	1,865,480	1,421,408	691,515	1,197	1,983,920	1,511,654	735,420	7,371
Korea Economy Daily	192,495	84,521	26,747	288	204,717	89,887	28,445	73,140
Eukor Car Carriers Inc.	1,456,395	850,959	358,359	(22,233)	1,548,862	904,987	381,111	(730)
Partecs Co.	79,279	39,522	1,400	(5)	84,312	42,031	1,489	25,126
KEFICO Corporation	377,562	155,746	125,737	6,132	401,534	165,634	133,720	11,013
Autoever Systems Corp.	141,833	95,177	82,951	451	150,838	101,220	88,218	(18,101)
Chasan Co., Ltd.	70,020	77,557	-	(2,818)	74,466	82,481	-	3,012
Mando Map & Soft Co., Ltd.	21,892	6,376	10,257	3,669	23,282	6,781	10,908	4,518
Iljin Bearing Co., Ltd.	123,584	49,414	48,593	1,033	131,430	52,551	51,678	5,063
Daesung Automotive Co., Ltd.	67,685	15,393	18,364	815	71,982	16,370	19,530	867

- (4) Significant unrealized profits (losses) that occurred in transactions with investees as of March 31, 2007 are as follows:

Transaction type	Korean Won				Translation into
	Beginning of period	Increase	Decrease	End of period	U.S. Dollars (Note 2)
	(In millions)				(In thousands)
Inventories	₩ 110,485	₩ 140,400	₩ (110,485)	₩ 140,400	\$ 149,314
Property	202,819	34,239	(14,473)	222,585	236,717
Accrued warranties	(52,035)	(59,954)	52,035	(59,954)	(63,761)
	<u>₩ 261,269</u>	<u>₩ 114,685</u>	<u>₩ (72,923)</u>	<u>₩ 303,031</u>	<u>\$ 322,270</u>

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

Transaction type	Korean Won				Translation into
	Beginning of period	Increase	Decrease	End of period	U.S. Dollars (Note 2)
	(In millions)				(In thousands)
Inventories	₩ 202,968	₩ 221,823	₩ (202,968)	₩ 221,823	\$ 235,907
Property	100,908	30,661	(6,359)	125,210	133,160
Accrued warranties	(37,354)	(69,440)	37,354	(69,440)	(73,849)
	<u>₩ 266,522</u>	<u>₩ 183,044</u>	<u>₩ (171,973)</u>	<u>₩ 277,593</u>	<u>\$ 295,218</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 increased the gain on equity method valuation included in current operations by ₩3,193 million (US\$3,396 thousand) and ₩1,083 million (US\$1,152 thousand) for the three months ended March 31, 2007 and 2006, respectively.
- (6) The unamortized (or unreversed) balance of goodwill and negative goodwill as of March 31, 2007 is ₩268,573 million (US\$285,625 thousand) and ₩49,348 million (US\$52,481 thousand), respectively. In addition, the unamortized (or unreversed) balance of goodwill and negative goodwill as of December 31, 2006 is ₩287,583 million (US\$305,842 thousand) and ₩50,207 million (US\$53,395 thousand), respectively.
- (7) The market price of listed equity securities as of March 31, 2007 is as follows:

Affiliated company	Korean Won			Translation into
	Price per share	Number of shares	Market value	U.S. Dollars (Note 2)
	(In millions)			(In thousands)
Kia Motors Corporation	₩ 12,700	134,285,491	₩ 1,705,426	\$ 1,813,704
Hyundai HYSCO	9,250	20,954,188	193,826	206,132
Hyundai Autonet Co., Ltd.	6,970	38,870,000	270,924	288,125

- (8) The cumulative losses not recognized by the Company due to the suspension of the valuation of equity securities using the equity method as of March 31, 2007 and December 31, 2006 are ₩74,157 million (US\$78,865 thousand) and ₩69,663 million (US\$74,086 thousand), respectively.

8. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipments as of March 31, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
	(In millions)		(In thousands)	
Buildings and structures	₩ 3,713,943	₩ 3,683,446	\$ 3,949,743	\$ 3,917,309
Machinery and equipment	5,589,993	5,355,368	5,944,904	5,695,382
Vehicles	77,384	76,282	82,297	81,125
Dies, molds and tools	2,650,404	2,628,159	2,818,679	2,795,022
Other equipment	<u>685,450</u>	<u>659,485</u>	<u>728,969</u>	<u>701,357</u>
	12,717,174	12,402,740	13,524,592	13,190,195
Less accumulated depreciation	<u>5,848,852</u>	<u>5,680,264</u>	<u>6,220,198</u>	<u>6,040,906</u>
	6,868,322	6,722,476	7,304,394	7,149,289
Land	1,959,702	1,948,203	2,084,124	2,071,895
Construction in progress	<u>625,670</u>	<u>794,795</u>	<u>665,395</u>	<u>845,256</u>
	<u>₩ 9,453,694</u>	<u>₩ 9,465,474</u>	<u>\$ 10,053,913</u>	<u>\$ 10,066,440</u>

The changes in property, plant and equipment for the three months ended March 31, 2007 are as follows:

	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	₩ 1,948,203	₩ -	₩ 11,499	₩ -	₩ -	₩ -	₩ 1,959,702	\$ 2,084,124
Buildings and structures	2,876,163	-	41,273	(6,969)	(28,647)	-	2,881,820	3,064,788
Machinery and equipment	2,949,042	-	251,924	(5,294)	(98,716)	-	3,096,956	3,293,583
Vehicles	33,115	-	2,372	(104)	(2,196)	-	33,187	35,294
Dies, molds and tools	644,042	-	25,736	(100)	(49,304)	-	620,374	659,762
Other equipment	220,114	-	37,127	(1,011)	(20,245)	-	235,985	250,967
Construction in progress	<u>794,795</u>	<u>169,505</u>	<u>(369,931)</u>	<u>(166)</u>	<u>-</u>	<u>31,465</u>	<u>625,670</u>	<u>665,395</u>
Total	<u>₩ 9,465,474</u>	<u>₩ 169,505</u>	<u>₩ -</u>	<u>₩ (13,644)</u>	<u>₩ (199,108)</u>	<u>₩ 31,465</u>	<u>₩ 9,453,694</u>	<u>\$ 10,053,913</u>

(*) Other changes consist of decrease in transfer of ₩1,336 million (US\$1,421 thousand) from construction in progress to industrial property rights and increase in transfer of ₩32,801 million (US\$34,884 thousand) from inventories to construction in progress.

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

	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	\$ 2,041,584
Buildings and structures	2,555,048	-	33,386	(2,036)	(26,041)	-	2,560,357	2,722,915
Machinery and equipment	2,620,856	-	141,586	(13,027)	(89,950)	-	2,659,465	2,828,315
Vehicles	35,003	-	1,796	(261)	(2,258)	-	34,280	36,456
Dies, molds and tools	583,581	-	46,389	(654)	(53,418)	-	575,898	612,462
Other equipment	237,020	-	18,505	(259)	(20,724)	-	234,542	249,434
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>1,107,186</u>
Total	<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>\$ 9,598,352</u>

(*) Other changes consist of decrease in transfer of ₩2,063 million (US\$2,194 thousand) from construction in progress to industrial property rights and increase in transfer of ₩41,895 million (US\$44,555 thousand) from inventories to construction in progress.

As of March 31, 2007, a substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩851,343 million (US\$905,395 thousand) (see Note 13).

As of March 31, 2007, the published value of the Company-owned land (12,947 thousand square meters) totals ₩2,272,705 million (US\$2,417,000 thousand) in terms of land prices officially announced by the Korean government.

The Company has entered into financing lease agreements for certain machinery and equipment with the book value of ₩4,895 million (US\$5,206 thousand) as of March 31, 2007. No annual payment on the lease agreements remains as of March 31, 2007.

9. INSURANCE:

As of March 31, 2007, property, plant and equipment are insured for ₩5,524,627 million (US\$5,875,388 thousand). 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\$1,063 thousand) with Hyundai Fire & Marine Insurance Co., general insurance for vehicles and workers' compensation and casualty insurance for employees.

10. INTANGIBLES:

Intangibles as of March 31, 2007 and December 31, 2006 consist of the following:

<u>Description</u>	<u>Korean Won</u>				<u>Translation into U. S. Dollars (Note 2)</u>	
	<u>March 31, 2007</u>		<u>December 31, 2006</u>		<u>March 31, 2007</u>	<u>December 31, 2006</u>
	<u>Acquisition cost</u>	<u>Accumulated amortization</u>	<u>Book value</u>	<u>Book value</u>	<u>Book value</u>	<u>Book value</u>
	(In millions)				(In thousands)	
Industrial property rights	₩ 49,844	₩ (32,786)	₩ 17,058	₩ 17,580	\$ 18,141	\$ 18,696
Development costs	2,332,317	(1,227,735)	1,104,582	1,091,333	1,174,712	1,160,622
Other	37,532	(28,305)	9,227	9,684	9,813	10,299
	<u>₩ 2,419,693</u>	<u>₩ (1,288,826)</u>	<u>₩ 1,130,867</u>	<u>₩ 1,118,597</u>	<u>\$ 1,202,666</u>	<u>\$ 1,189,617</u>

The changes in intangibles for the three months ended March 31, 2007 are as follows:

<u>Description</u>	<u>Korean Won</u>				<u>Translation into U. S. Dollars (Note 2)</u>
	<u>Industrial property rights</u>	<u>Development costs</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
	(In millions)				
Beginning of period	₩ 17,580	₩ 1,091,333	₩ 9,684	₩ 1,118,597	\$ 1,189,617
Addition: Expenditures	1,336	99,019	-	100,355	106,727
Deduction: Amortization	(1,858)	(85,770)	(457)	(88,085)	(93,678)
End of period	<u>₩ 17,058</u>	<u>₩ 1,104,582</u>	<u>₩ 9,227</u>	<u>₩ 1,130,867</u>	<u>\$ 1,202,666</u>

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

Description	Korean Won				Translation into
	Industrial	Development	Other	Total	U. S. Dollars (Note 2)
	property rights	costs			Total
(In millions)					(In thousands)
Beginning of year	₩ 15,573	₩ 893,309	₩ 11,513	₩ 920,395	\$ 978,831
Addition: Expenditures	2,063	75,698	-	77,761	82,698
Deduction: Amortization	(1,740)	(63,624)	(458)	(65,822)	(70,001)
End of year	<u>₩ 15,896</u>	<u>₩ 905,383</u>	<u>₩ 11,055</u>	<u>₩ 932,334</u>	<u>\$ 991,528</u>

Research and development expenditure for the three months ended March 31, 2007 and 2006 are as follows:

Description	Korean Won		Translation into	
	2007	2006	U. S. Dollars (Note 2)	
	(In millions)		2007	2006
(In thousands)				
Development costs (Capitalized)	₩ 99,019	₩ 75,698	\$ 105,306	\$ 80,504
Ordinary development costs				
(Manufacturing costs)	27,394	26,240	29,133	27,907
Research costs (SG&A)	<u>83,153</u>	<u>123,018</u>	<u>88,432</u>	<u>130,828</u>
	<u>₩ 209,566</u>	<u>₩ 224,956</u>	<u>\$ 222,871</u>	<u>\$ 239,239</u>

11. OTHER ASSETS:

Other assets as of March 31, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into	
	March 31,	December 31,	U.S. Dollars (Note 2)	
	2007	2006	March 31,	December 31,
(In millions)				
(In thousands)				
Long-term financial instruments (Note 3)	₩ 40	₩ 40	\$ 43	\$ 43
Long-term notes and accounts receivable, less unamortized present value discount of ₩1,215 million as of March 31, 2007 and ₩1,307 million as of December 31, 2006	11,018	9,210	11,718	9,795
Long-term other accounts receivable, less unamortized present value discount of ₩308 million as of March 31, 2007 and ₩448 million as of December 31, 2006 (Note 2)	81,200	82,804	86,355	88,061
Long-term loans	9,115	13,520	9,694	14,378
Lease and rental deposits	183,804	184,829	195,474	196,564
Long-term deposits	<u>102,135</u>	<u>101,050</u>	<u>108,619</u>	<u>107,466</u>
	<u>₩ 387,312</u>	<u>₩ 391,453</u>	<u>\$ 411,903</u>	<u>\$ 416,307</u>

12. SHORT-TERM BORROWINGS:

Short-term borrowings as of March 31, 2007 and December 31, 2006 amount to ₩415,705 million (US\$ 442,098 thousand) and ₩474,165 million (US\$ 504,270 thousand), respectively, and consist primarily of overdrafts and banker's usance with annual interest rates ranging from Libor + 0.16 percent to 6.18 percent.

13. LONG-TERM DEBT AND DEBENTURES:

Long-term debt and debentures as of March 31, 2007 and December 31, 2006 consist of the following:

Description	Annual interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
		March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
		(In millions)		(In thousands)	
Debentures	3.75 ~ 7.60	₩ 1,213,288	₩ 1,211,811	\$ 1,290,320	\$ 1,288,749
Local currency loans:					
General loans	3.00 ~ 4.75	15,488	15,991	16,471	17,007
		1,228,776	1,227,802	1,306,791	1,305,756
Less: current maturities		117,466	116,233	124,924	123,613
		<u>₩ 1,111,310</u>	<u>₩ 1,111,569</u>	<u>\$ 1,181,867</u>	<u>\$ 1,182,143</u>

Debentures as of March 31, 2007 and December 31, 2006 consist of the following:

Description	Maturity	Interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
			March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
			(In thousands)		(In thousands)	
Non-guaranteed debentures	Nov 10, 2008 ~ Nov 8, 2011	3.75 ~ 5.52	₩ 1,100,000	₩ 1,100,000	\$ 1,169,839	\$ 1,169,839
Overseas debentures	Jul 15, 2007	7.60	115,445	114,132	122,775	121,379
			1,215,445	1,214,132	1,292,614	1,291,218
Less; discount on debentures			2,157	2,321	2,294	2,469
			<u>₩ 1,213,288</u>	<u>₩ 1,211,811</u>	<u>\$ 1,290,320</u>	<u>\$ 1,288,749</u>

The maturity of long-term debt and debentures as of March 31, 2007 is as follows:

Description	Debentures	Korean Won		Translation into U.S. Dollars (Note 2)	
		Local currency loans	Total	Total	
		(In millions)		(In thousands)	
April 1, 2008 ~ March 31, 2009	₩ 200,000	₩ 1,213	₩ 201,213	\$ 213,988	
April 1, 2009 ~ March 31, 2010	300,000	719	300,719	319,812	
April 1, 2010 ~ March 31, 2011	300,000	740	300,740	319,834	
Thereafter	300,000	10,795	310,795	330,527	
	1,100,000	13,467	1,113,467	1,184,161	
Less: discount on debentures	2,157	-	2,157	2,294	
	<u>₩ 1,097,843</u>	<u>₩ 13,467</u>	<u>₩ 1,111,310</u>	<u>\$ 1,181,867</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, 2007.

Description	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Hyundai Merchant Marine	₩ 197,548	\$ 210,090
Hyundai Card Co., Ltd.	3,761	4,000
Hyundai Capital Co., Ltd	318,620	338,849
Hyundai Motor America	94,030	100,000
Hyundai Motor Manufacturing Alabama LLC	634,703	675,001
Hyundai Motor Finance Company	677,016	720,000
Smart Alabama LLC	112,836	120,000
ROTEM	65,171	69,309
Hyundai Motor Europe GmbH	30,094	32,005
Hyundai Translead	93,090	99,000
Hyundai Auto Canada Captive Insurance Incorporation	13,615	14,479
Hyundai Motor Poland Sp.zo.o.	6,270	6,668
Hyundai Motor Japan Co.	39,850	42,380
HMJ R&D Center Inc.	4,384	4,662
Beijing Hines Millennium Real Estate Development Co., Ltd.	14,105	15,001
Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,351	2,500
Hyundai America Technical Center Inc.	18,806	20,000
UTS	225,672	240,000
Hyundai Motor Europe Technical Center GmbH	75,236	80,013
Equus Cayman Finance Ltd.	376,120	400,000
HMI	94,030	100,000
	₩ 3,097,308	\$ 3,293,957

- (2) As of March 31, 2007, 12,071,000 shares of Kia Motors Corporation, 2,640,000 shares of Eukor Car Carriers Inc., 12,000 shares of Eukor Car Carriers Singapore Pte Ltd. and 150 investment certificates of Machinery Insurance Cooperative in long-term investment securities and investment securities accounted for using the equity method, 4 blank promissory notes, 1 check amounting to ₩2,624 million (US\$2,791 thousand) and property, plant and equipment (see Note 8) are pledged as collateral for short-term borrowings, long-term debt and other payables.
- (3) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩47,539 million (US\$50,557 thousand) to the banks concerned as of March 31, 2007. 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, 2007, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,574,919 million (US\$1,674,911 thousand), including accounting receivable from export sales.
- (5) The Company accrues estimated product liabilities expenses and carries the products and completed operations liability insurance (see Note 9) in order to cover the potential loss, which may occur due to the lawsuits related to its operation such as product liabilities. The Company expects that the resolution of pending cases against the Company as of March 31, 2007 will not have any material effect on its financial position.
- (6) The Company made an agreement with its European sales subsidiaries and agents for them to be responsible for projected costs for dismantling and recycling vehicles sold in corresponding countries to comply with European Parliament directive regarding End-of-Life vehicles (ELV).

- (7) In 2006, the Company sold 10,658,367 shares of ROTEM to MSPE Metro Investment AB and entered into a shareholders' agreement. MSPE Metro Investment AB is entitled to put option to sell those shares back to the Company in certain events (as defined) in accordance with the agreement.
- (8) Some directors of the Company are sued in the Seoul District Court with respect to certain money transactions of the prior years. Currently, it is impossible to reasonably measure the probability and amount of an outflow of resources required to settle the consequence of this trial; however, the management estimates that the effect of this trial on the financial statements will not be material. Therefore, no adjustment is reflected in the accompanying financial statements.
- (9) The Company has been investigated by the Fair Trade Commission (FTC) in connection with business activities of the prior years. Currently, it is impossible reasonably measure the expenditure required to settle the consequence of this investigation; however, the management estimates that the effect of this investigation on the financial statements will not be material. Therefore, no adjustment is reflected in the accompanying financial statements.

15. ACCRUED WARRANTIES:

The changes in accrued warranties in current and long-term liabilities for the three months ended March 31, 2007 and 2006 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Beginning of period	₩ 3,084,907	₩ 3,168,283	\$ 3,280,769	\$ 3,369,439
Accrual	96,981	82,097	103,138	87,309
Use	(73,885)	(78,945)	(78,576)	(83,957)
End of period	<u>₩ 3,108,003</u>	<u>₩ 3,171,435</u>	<u>\$ 3,305,331</u>	<u>\$ 3,372,791</u>

16. CAPITAL STOCK:

Capital stock as of March 31, 2007 and December 31, 2006 consists of the following:

	Authorized	Issued	Par value	Korean Won	Translation into U.S. Dollars (Note 2)
				(In millions)	(In thousands)
Common stock	450,000,000 shares	219,466,255 shares	₩ 5,000	₩ 1,153,931	\$ 1,227,195
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	<u>331,011</u>	<u>352,027</u>
				<u>₩ 1,484,942</u>	<u>\$ 1,579,222</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, 2007, 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, 2007 and December 31, 2006 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
	(In millions)		(In thousands)	
Paid-in capital in excess of par value	₩ 3,294,391	₩ 3,294,391	\$ 3,503,553	\$ 3,503,553
Asset revaluation surplus	1,852,871	1,852,871	1,970,510	1,970,510
Other	261,743	261,743	278,362	278,362
	<u>₩ 5,409,005</u>	<u>₩ 5,409,005</u>	<u>\$ 5,752,425</u>	<u>\$ 5,752,425</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\$2,709,153 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US\$17,039 thousand), a deferred foreign currency translation loss of ₩594,275 million (US\$632,006 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US\$71,836 thousand) and adjustment of ₩16,702 million (US\$17,762 thousand) due to the disposal of revalued assets within 1 year after revaluation.

18. CAPITAL ADJUSTMENTS:

Capital adjustments as of March 31, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
	(In millions)		(In thousands)	
Treasury stock	₩ (715,970)	₩ (716,316)	\$ (761,427)	\$ (761,794)
Stock option cost	9,337	9,337	9,929	9,929
	<u>₩ (706,633)</u>	<u>₩ (706,979)</u>	<u>\$ (751,498)</u>	<u>\$ (751,865)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 11,287,470 common shares and 2,950,960 preferred shares with a carrying value of ₩715,970 million (US\$761,427 thousand) as of March 31, 2007, 11,287,470 common shares and 2,950,960 preferred shares with a carrying value of ₩716,316 million (US\$761,795 thousand) as of December 31, 2006, which were acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund.

(2) Stock option cost

The Company granted directors stock options at an exercise price of ₩26,800 (grant date: February 14, 2003, beginning date for exercise: February 14, 2006, expiry date for exercise: February 13, 2011). These stock options all require at least two-year continued service starting from the grant date. If all stock options as of March 31, 2007 are exercised, 815,224 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.

19. CUMULATIVE OTHER COMPREHENSIVE INCOME:

Cumulative other comprehensive income as of March 31, 2007 and December 31, 2006 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
	(In millions)		(In thousands)	
Gain on valuation of available-for-sale securities, net	₩ 292,135	₩ 195,214	\$ 310,683	\$ 207,608
Loss on valuation of investment securities accounted for using the equity method, net	(365,537)	(436,369)	(388,745)	(464,074)
Loss on valuation of derivatives, net	12,767	14,550	13,577	15,473
	<u>₩ (60,635)</u>	<u>₩ (226,605)</u>	<u>\$ (64,485)</u>	<u>\$ (240,993)</u>

20. STATEMENTS OF COMPREHENSIVE INCOME:

Statements of comprehensive income for the three months ended March 31, 2007 and 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Net income	₩ 307,386	₩ 342,387	\$ 326,901	\$ 364,125
Other comprehensive income:				
Gain on valuation of available-for-sale securities, net of deferred tax effect ₩36,763 million in 2007 and ₩963 million in 2006	96,921	2,540	103,075	2,701
Gain (Loss) on valuation of investment securities accounted for using the equity method, net of deferred tax effect ₩2,544 million in 2007 and ₩18,844 million in 2006	70,832	(175,880)	75,329	(187,046)
Gain (Loss) on valuation of derivatives, net of deferred tax effect ₩5,518 million in 2007 and ₩2,007 million in 2006	(1,783)	5,290	(1,896)	5,626
Comprehensive income	<u>₩ 473,356</u>	<u>₩ 174,337</u>	<u>\$ 503,409</u>	<u>\$ 185,406</u>

21. RETAINED EARNINGS:

Retained earnings as of March 31, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
	(In millions)		(In thousands)	
Appropriated:				
Legal reserve	₩ 250,970	₩ 223,370	\$ 266,904	\$ 237,552
Reserve for business rationalization	545,800	545,800	580,453	580,453
Reserve for improvement of financial structure	98,947	98,947	105,229	105,229
Reserve for overseas market development	48,800	48,800	51,898	51,898
Reserve for technology development	8,868,100	7,628,100	9,431,140	8,112,411
	9,812,617	8,545,017	10,435,624	9,087,543
Before appropriations	290,761	1,545,448	309,221	1,643,569
	<u>₩ 10,103,378</u>	<u>₩ 10,090,465</u>	<u>\$ 10,744,845</u>	<u>\$ 10,731,112</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, 2006 were approved at the shareholders' meeting on March 9, 2007 and the appropriations including the cash dividends of ₩275,373 million (US\$292,857 thousand) are reflected in retained earnings on that date.

22. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

Income tax expense for the three months ended March 31, 2007 and 2006 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Income tax currently payable	₩ 75,819	₩ 85,266	\$ 80,633	\$ 90,680
Changes in deferred taxes due to:				
Temporary differences	3,136	46,143	3,335	49,073
Carry forward of unused tax credits	11,845	(16,940)	12,597	(18,016)
Items directly charged to equity	(33,790)	34,499	(35,935)	36,689
Income tax expense	<u>₩ 57,010</u>	<u>₩ 148,968</u>	<u>\$ 60,630</u>	<u>\$ 158,426</u>

For the three months ended March 31, 2007 and 2006, 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)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Income before tax	₩ 364,396	₩ 491,355	\$ 387,531	\$ 522,551
Addition	1,084,840	1,035,002	1,153,717	1,100,715
Deduction	(997,239)	(1,047,783)	(1,060,554)	(1,114,307)
Taxable income	₩ 451,997	₩ 478,574	\$ 480,694	\$ 508,959

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Current	Non current	Current	Non current
	(In millions)		(In thousands)	
Investment securities accounted for using the equity method	₩ -	₩ (499,137)	\$ -	\$ (530,827)
Accrued warranties	219,371	635,330	233,299	675,667
Long-term investment securities	-	(97,190)	-	(103,361)
Reserve for research and manpower development	(42,625)	(92,813)	(45,331)	(98,706)
Depreciation	(10,983)	(81,596)	(11,681)	(86,776)
Development cost	(601)	-	(639)	-
Derivative assets (liabilities)	-	(24,493)	-	(26,048)
Accrued income	(21,435)	-	(22,796)	-
Carry forward of unused tax credits	21,685	-	23,062	-
Other	407	21,306	433	22,659
	₩ 165,819	₩ (138,593)	\$ 176,347	\$ (147,392)

The components of deferred tax assets (liabilities) as of March 31, 2006 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Current	Non current	Current	Non current
	(In millions)		(In thousands)	
Allowance for doubtful accounts	₩ 1,207	₩ -	\$ 1,284	\$ -
Investment securities accounted for using the equity method	-	(448,231)	-	(476,689)
Accrued warranties	197,787	674,358	210,345	717,173
Long-term investment securities	-	(32,975)	-	(35,069)
Reserve for research and manpower development	(61,188)	(52,937)	(65,073)	(56,298)
Depreciation	24	(65,593)	26	(69,757)
Development cost	(5,932)	-	(6,309)	-
Derivative assets (liabilities)	(4,855)	(88,568)	(5,163)	(94,191)
Accrued income	(22,975)	-	(24,434)	-
Carry forward of unused tax credits	18,277	-	19,437	-
Other	11,527	3,105	12,259	3,302
	₩ 133,872	₩ (10,841)	\$ 142,372	\$ (11,529)

The components of items charged to equity for the three months ended March 31, 2007 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Temporary differences	Tax effect	Temporary differences	Tax effect
	(In millions)		(In thousands)	
Deferred tax charged or credited to:				
Cumulative comprehensive income	₩ (122,871)	₩ (33,790)	\$ (130,672)	\$ (35,935)

The components of items charged to equity for the three months ended March 31, 2006 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Temporary differences	Tax effect	Temporary differences	Tax effect
	(In millions)		(In thousands)	
Income tax of gain on disposal of treasury stock	₩ (5,112)	₩ (1,406)	\$ (5,437)	\$ (1,495)
Deferred tax charged or credited to:				
Retained earnings	₩ 72,835	₩ 20,030	\$ 77,459	\$ 21,302
Cumulative comprehensive income	₩ 57,726	₩ 15,875	\$ 61,391	\$ 16,883
	₩ 130,561	₩ 35,905	\$ 138,850	\$ 38,185

The deferred tax assets related to the deductible temporary differences arising from investments in subsidiaries and associates of ₩377,271 million (US\$401,224 thousand), and other deferred tax liabilities of ₩5,650 million (US\$6,009 thousand) for the three months ended March 31, 2007 were not recognized since it is not probable that the temporary difference will be reversed in the foreseeable future. Also, the deferred tax liabilities related to the gain on revaluation of land of ₩449,798 million (US\$478,356 thousand) for the three months ended March 31, 2007 were not recognized since the land may not be disposed of in the foreseeable future.

The Company believes average taxable income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. The tax rate used in calculating deferred tax assets or liabilities arising from temporary differences is 27.5% including resident tax. The effective tax rates are 15.65 percent and 30.32 percent for the three months ended March 31, 2007 and 2006, respectively.

23. RELATED PARTY TRANSACTIONS:

(1) The consolidated subsidiaries as of March 31, 2007 are as follows:

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

(2) Significant transactions with subsidiaries and affiliates for the three months ended March 31, 2007 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 135,220	₩ 103,737	\$ 143,805	\$ 110,323
Hyundai Capital Service Inc.	124,725	1	132,644	1
Dymos Inc.	205	121,924	218	129,665
WIA Corporation	43,734	45,103	46,511	47,967
KEFICO Corporation	18	77,936	19	82,884
Hyundai HYSKO	438	42,039	466	44,708
Hyundai Powertech	3,696	32,650	3,931	34,723
Hyundai Autonet Co., Ltd.	713	28,043	758	29,823
Autoever Systems Corp.	55	27,680	58	29,437
ROTEM	541	12,686	575	13,491
METIA Co., Ltd.	338	8,279	359	8,805
NGVTEK.Com	-	2,340	-	2,489
Haevichi Resort.	23	1,314	24	1,397
Automobile industrial Ace Corp.	-	127	-	135
Hyundai Card Co., Ltd.	50	-	53	-
Hyundai Motor America	783,888	-	833,657	-
Hyundai Motor Europe GmbH	517,999	-	550,887	-
Hyundai Auto Canada	170,181	-	180,986	-
Hyundai Motor India	167,364	156	177,990	166
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	129,617	-	137,846	-
Hyundai Motor Group (China) LTD.	83,697	-	89,011	-
Hyundai Motor Company Australia	80,658	-	85,779	-
Hyundai Motor Manufacturing Alabama, LLC	52,756	-	56,105	-
Hyundai Motor Poland Sp. Zo.O	28,449	-	30,255	-
Hyundai Motor Norway AS	21,808	-	23,193	-
Hyundai America Technical Center Inc.	7	12,853	7	13,669
Hyundai Motor Europe Technical Center GmbH	28	6,391	30	6,797
Hyundai Motor Japan Co.	3,069	-	3,264	-
Hyundai Motor Hungary	1,136	-	1,208	-
Hyundai Motor Finance Company	237	-	252	-
Others	105	421	112	448
Affiliates:				
Hyundai MOBIS	73,637	659,920	78,312	701,819
Hyundai Steel Company	791	257	841	273
EUKOR Car Carriers, Inc.	345	120,708	367	128,372
Iljin Bearing Co., Ltd.	-	8,360	-	8,891
Beijing-Hyundai Motor Company	115,501	-	122,834	-
HMJ R&D Center Inc.	2	1,908	2	2,029
Others	11	148	12	157
Others:				
Glovis Co., Ltd.	32,139	80,212	34,180	85,305
Amco Corp.	477	63,479	507	67,509
IHL Corp.	30	18,798	32	19,991
BNG Steel Co., Ltd.	-	17,193	-	18,285
Wisco Co., Ltd.	1	12,270	1	13,049
Korea Automotive Systems Co., Ltd.	1	12,225	1	13,001
Innotion Corp.	8	5,434	10	5,779
Others	36	66	39	71
	<u>₩ 2,573,734</u>	<u>₩ 1,524,658</u>	<u>\$ 2,737,141</u>	<u>\$ 1,621,459</u>

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

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 170,251	₩ 194,197	\$ 181,060	\$ 206,527
Hyundai Capital Service Inc.	110,976	10,883	118,022	11,574
Dymos Inc.	616	149,869	655	159,384
WIA Corporation	31,435	59,371	33,431	63,140
KEFICO Corporation	16	75,549	17	80,346
Hyundai HYSCO	453	51,248	482	54,502
Hyundai Powertech	3,547	45,132	3,772	47,997
Hyundai Autonet Co., Ltd.	4	38,500	4	40,944
Autoever Systems Corp.	33	29,108	35	30,956
ROTEM	80	5,002	85	5,320
METIA Co., Ltd.	397	6,297	422	6,697
Hyundai Card Co., Ltd.	69	15,399	73	16,377
Bontec Co., Ltd.	-	1,730	-	1,840
Hyundai Motor America	1,072,549	-	1,140,646	-
Hyundai Motor Europe GmbH	754,533	-	802,439	-
Hyundai Motor India	100,545	2,398	106,929	2,550
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	179,300	-	190,684	-
Hyundai Motor Company Australia	92,909	-	98,808	-
Hyundai Motor Manufacturing Alabama, LLC	29,324	-	31,186	-
Hyundai Motor Poland Sp. Zo.O	30,799	-	32,754	-
Hyundai Motor Norway AS	10,816	-	11,503	-
Hyundai America Technical Center Inc.	11	18,437	12	19,608
Hyundai Motor Europe Technical Center GmbH	28	7,440	30	7,912
Hyundai Motor Japan Co.	2,233	-	2,375	-
Affiliates:				
Hyundai MOBIS	128,635	668,906	136,802	711,375
Hyundai Steel Company	386	8,023	411	8,532
EUKOR Car Carriers, Inc.	361	135,638	384	144,250
Iljin Bearing Co., Ltd.	12	8,658	13	9,208
Beijing-Hyundai Motor Company	128,575	-	136,738	-
HMJ R&D Center Inc.	2	2,008	2	2,135
GEA	-	212	-	225
Others:				
Glovis Co., Ltd.	701	82,462	746	87,698
Amco Corp.	353	92,898	375	98,796
Ecoplastic Corp.	3,225	53,218	3,430	56,597
IHL Corp.	529	21,826	563	23,212
BNG Steel Co., Ltd.	1	18,994	1	20,200
Wisco Co., Ltd.	-	6,602	-	7,021
Korea Automotive Systems Co., Ltd.	1	13,620	1	14,485
Innotion Corp.	20	7,755	20	8,247
Others	1,135	-	1,206	-
	<u>₩ 2,854,860</u>	<u>₩ 1,831,380</u>	<u>\$ 3,036,116</u>	<u>\$ 1,947,655</u>

(3) Significant outstanding balances as of March 31, 2007 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 140,564	₩ 112,689	\$ 149,488	\$ 119,844
Hyundai Card Co., Ltd.	38,286	163,392	40,717	173,766
Dymos Inc.	5,558	90,860	5,911	96,629
Hyundai Capital Service Inc.	84,839	2,938	90,225	3,125
WIA Corporation	33,540	56,607	35,669	60,201
Autoever Systems Corp.	16	57,830	17	61,502
KEFICO Corporation	9,204	47,381	9,788	50,389
Hyundai HYSCO	3,588	48,934	3,816	52,041
ROTEM	1,746	32,401	1,857	34,458
Hyundai Autonet Co., Ltd.	2,189	26,203	2,328	27,867
Hyundai Powertech	3,312	26,577	3,522	28,264
METIA Co., Ltd.	168	6,011	179	6,393
NGVTEK.Com	-	3,537	-	3,762
Partecs Co., Ltd.	1,416	131	1,506	139
Haevichi Resort.	8	996	9	1,059
Hyundai Motor America	86,477	13,291	91,967	14,135
Hyundai Motor Europe GmbH	105,650	333	112,358	354
Hyundai Motor Manufacturing Alabama, LLC	36,213	12,155	38,512	12,927
Hyundai Motor India	45,612	109	48,508	116
Hyundai Motor Company Australia	32,180	318	34,223	338
Hyundai Auto Canada	28,645	1,355	30,464	1,441
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	16,454	148	17,499	157
Hyundai Motor Group (China) LTD.	8,503	-	9,043	-
Hyundai Motor Poland Sp. Zo.O	3,594	1,221	3,822	1,299
Hyundai America Technical Center Inc.	12	4,609	13	4,902
Hyundai Motor Norway AS	2,378	-	2,529	-
Hyundai Motor Europe Technical Center GmbH	93	2,587	99	2,751
Others	362	1,576	385	1,675
Affiliates:				
Hyundai MOBIS	120,395	489,621	128,039	520,707
Hyundai Steel Company	576	22,441	613	23,866
Beijing-Hyundai Motor Company	29,619	2,873	31,500	3,055
EUKOR Car Carriers, Inc.	-	41,041	-	43,647
Iljin Bearing Co., Ltd.	28	3,763	30	4,002
Others	162	573	172	608
Others:				
Amco Corp.	270	145,626	287	154,872
Glovis Co., Ltd.	11,425	44,355	12,150	47,171
Innotion Corp.	145	31,181	154	33,161
IHL Corp.	92	12,142	98	12,913
BNG Steel Co., Ltd.	-	18,912	-	20,113
Korea Automotive Systems Co., Ltd.	16	8,079	17	8,592
Wisco Co., Ltd.	724	9,557	770	10,164
	<u>₩ 854,059</u>	<u>₩ 1,544,353</u>	<u>\$ 908,284</u>	<u>\$ 1,642,405</u>

Significant outstanding balances as of December 31, 2006 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 165,720	₩ 133,366	\$ 176,242	\$ 141,833
Hyundai Card Co., Ltd.	57,909	48,678	61,586	51,769
Dymos Inc.	8,494	92,837	9,033	98,731
Hyundai Capital Service Inc.	82,555	6,582	87,796	7,000
WIA Corporation	32,700	80,258	34,776	85,354
Autoever Systems Corp.	23	69,525	24	73,939
KEFICO Corporation	902	43,211	959	45,954
Hyundai HYSCO	515	48,877	548	51,980
ROTEM	20	35,215	21	37,451
Hyundai Autonet Co., Ltd.	261	27,389	278	29,128
Hyundai Powertech	2,950	33,996	3,137	36,154
METIA Co., Ltd.	90	9,558	96	10,165
NGVTEK.Com	114	3,614	121	3,843
Haevichi Resort.	13,110	1,130	13,942	1,202
Hyundai Motor America	88,556	17,585	94,178	18,701
Hyundai Motor Europe GmbH	68,342	-	72,681	-
Hyundai Motor Manufacturing Alabama, LLC	68,607	111	72,963	118
Hyundai Motor India	50,485	112	53,690	119
Hyundai Motor Company Australia	30,268	-	32,190	-
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	30,832	62	32,790	66
Hyundai Motor Poland Sp. Zo.O	9,005	1,465	9,577	1,558
Hyundai America Technical Center Inc.	17	7,131	18	7,584
Hyundai Motor Norway AS	977	4	1,039	4
Hyundai Motor Europe Technical Center GmbH	23	4,234	24	4,503
Others	2,407	2,714	2,561	2,887
Affiliates:				
Hyundai MOBIS	84,146	498,272	89,488	529,907
Hyundai Steel Company	558	22,625	593	24,061
Beijing-Hyundai Motor Company	50,804	2,008	54,030	2,135
EUKOR Car Carriers, Inc.	17	39,939	18	42,475
Iljin Bearing Co., Ltd.	66	3,300	70	3,510
Others	3	736	4	784
Others:				
Amco Corp.	527	144,466	560	153,638
Glovis Co., Ltd.	9,946	47,177	10,577	50,172
Innotion Corp.	113	45,478	120	48,365
Ecoplastic Corp.	8,938	34,268	9,505	36,444
IHL Corp.	141	14,904	150	15,850
BNG Steel Co., Ltd.	-	18,953	-	20,156
Korea Automotive Systems Co., Ltd.	15	8,633	17	9,182
Wisco Co., Ltd.	616	8,291	656	8,818
	<u>₩ 870,772</u>	<u>₩ 1,556,704</u>	<u>\$ 926,058</u>	<u>\$ 1,655,540</u>

- (4) Compensations for registered directors and unregistered directors of the Company for the three months ended March 31, 2007 are as follows:

Description	Korean Won	Translation into U.S. Dollars (Note 2)
	(In millions)	(In thousands)
Short-term salaries	₩ 12,149	\$ 12,920
Severance benefits	<u>2,894</u>	<u>3,078</u>
	<u>₩ 15,043</u>	<u>\$ 15,998</u>

Accrued severance benefits and stock option costs for the directors as of March 31, 2007 amount to ₩76,401 million (US\$81,252 thousand) and ₩5,237 million (US\$5,569 thousand), respectively.

24. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

The assets and liabilities denominated in foreign currencies as of March 31, 2007 and December 31, 2006 are summarized below.

	Foreign currencies				Korean Won			
		March 31, 2007	December 31, 2006		March 31, 2007	December 31, 2006		
	(In thousands)				(In millions)			
Assets	US\$	597,619	US\$	545,043	₩	561,941	₩	506,672
	JP ¥	24,770	JP ¥	82,832		197		647
	GBP	2,153	GBP	7,184		3,974		13,104
	CAD	35,348	CAD	13,312		28,679		10,665
	EUR	323,805	EUR	230,592		406,032		281,839
	AUD	21,913	AUD	28,167		16,625		20,688
	AED	10,890	AED	-		<u>2,789</u>		-
						<u>₩ 1,020,237</u>		<u>₩ 833,615</u>
Liabilities	US\$	219,710	US\$	436,001	₩	206,594	₩	405,307
	JP ¥	22,471,522	JP ¥	23,677,692		179,098		185,119
	GBP	8,072	GBP	7,600		14,897		13,863
	CAD	3,176	CAD	2,760		2,577		2,211
	AUD	3,827	AUD	3,284		2,897		2,412
	EUR	148,418	EUR	198,311		186,107		242,384
	SGD	383	SGD	347		238		210
	CHF	482	CHF	1,088		372		828
	DKK	105	DKK	92		18		15
	SEK	78	SEK	85		<u>11</u>		<u>12</u>
					<u>₩ 592,809</u>		<u>₩ 852,361</u>	

25. REGIONAL SALES INFORMATION:

Sales by region for the three months ended March 31, 2007 and 2006 are as follows:

	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Domestic sales	<u>₩ 2,968,734</u>	<u>₩ 2,894,185</u>	<u>\$ 3,157,220</u>	<u>\$ 3,077,938</u>
Export sales - Vehicle products				
North America	954,102	1,072,557	1,014,678	1,140,654
Europe	909,000	1,115,382	966,713	1,186,198
South America	308,224	262,181	327,793	278,827
Asia & Pacific	233,877	218,518	248,726	232,392
Middle Asia & Africa	<u>553,816</u>	<u>534,814</u>	<u>588,978</u>	<u>568,769</u>
	<u>2,959,019</u>	<u>3,203,452</u>	<u>3,146,888</u>	<u>3,406,840</u>
Export sales - Other	<u>756,319</u>	<u>763,880</u>	<u>804,338</u>	<u>812,379</u>
Export sales	<u>3,715,338</u>	<u>3,967,332</u>	<u>3,951,226</u>	<u>4,219,219</u>
Total sales	<u>₩ 6,684,072</u>	<u>₩ 6,861,517</u>	<u>\$ 7,108,446</u>	<u>\$ 7,297,157</u>

26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months ended March 31, 2007 and 2006 are as follows:

	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Salary-related costs	<u>₩ 258,711</u>	<u>₩ 249,784</u>	<u>\$ 275,137</u>	<u>\$ 265,643</u>
Export-related costs	158,768	177,081	168,848	188,324
Sales promotion and advertisements	70,078	107,773	74,527	114,616
Sales commissions	103,079	93,272	109,624	99,194
Sales warranties	106,649	91,951	113,420	97,789
Taxes and dues	2,321	3,232	2,468	3,437
Communications	4,784	4,817	5,088	5,123
Utilities	6,292	6,691	6,691	7,116
Freight and warehousing	18,766	18,161	19,957	19,314
Rent	3,706	5,016	3,941	5,334
Travel	16,104	17,225	17,126	18,319
Service charges	42,310	38,568	44,996	41,017
Maintenance	2,637	2,823	2,804	3,002
Supplies	3,427	4,106	3,645	4,367
Research	83,153	123,018	88,432	130,828
Depreciation	18,362	16,822	19,528	17,890
Amortization	2,315	2,197	2,462	2,336
Provision for other liabilities	2,721	-	2,894	-
Other	<u>2,784</u>	<u>2,508</u>	<u>2,963</u>	<u>2,667</u>
	<u>₩ 906,967</u>	<u>₩ 965,045</u>	<u>\$ 964,551</u>	<u>\$ 1,026,316</u>

27. STANDARD ON NATURAL ENVIRONMENT AND POLICY:

The Ministry of Environment appointed the Company as Green Company (May 25, 1996 ~ December 13, 1997) and the Company acquired ISO14001 authentication of environment system (December, 1995 ~ December, 1998). Disposal of industrial wastes is mostly deputed, and the Ulsan factory has constructed combined waste water facilities in 1997. For the three months ended March 31, 2007 and 2006, expenditures of power and water supply in manufacturing cost are ₩59,600 million (US\$63,384 thousand) and ₩61,200 million (US\$65,086 thousand), respectively.