

HYUNDAI MOTOR COMPANY

**NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED
JUNE 30, 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 June 30, 2007, the related non-consolidated statements of income for the three months and six months ended June 30, 2007 and 2006, the related non-consolidated statements of cash flows for the six months ended June 30, 2007 and 2006, and the related non-consolidated statement of changes in shareholders' equity for the six month ended June 30, 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, cash flows and changes in shareholders' equity 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.

July 26, 2007

Notice to Readers

This report is effective as of July 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 JUNE 30, 2007 AND DECEMBER 31, 2006

ASSETS	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Current assets:				
Cash and cash equivalents	₩ 1,008,742	₩ 1,382,678	\$ 1,088,414	\$ 1,491,884
Short-term financial instruments (Note 3)	3,615,365	2,755,381	3,900,912	2,973,005
Short-term investment securities (Note 5)	221,732	310,295	239,245	334,803
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩ 8,625 million as of June 30, 2007 and ₩14,331 million as of December 31, 2006 (Note 14)	1,858,698	1,558,631	2,005,501	1,681,734
Trade notes and account receivable - other	392,141	483,304	423,113	521,476
Inventories (Note 4)	1,399,277	1,219,586	1,509,794	1,315,911
Deferred tax assets (Note 22)	145,014	161,426	156,467	174,176
Derivative assets (Note 2)	20,138	14,318	21,729	15,449
Advances and other current assets	287,950	157,386	310,692	169,815
Total current assets	<u>8,949,057</u>	<u>8,043,005</u>	<u>9,655,867</u>	<u>8,678,253</u>
Non-current assets:				
Long-term investment securities (Notes 6 and 14)	1,018,865	518,009	1,099,336	558,922
Investments securities accounted for using the equity method (Notes 7 and 14)	7,126,829	6,616,813	7,689,716	7,139,418
Property, plant and equipment, net of accumulated depreciation of ₩5,981,998 million as of June 30, 2007 and ₩5,680,264 million as of December 31, 2006 (Notes 8, 9 and 14)	9,512,197	9,465,474	10,263,484	10,213,071
Intangibles (Note 10)	1,145,528	1,118,597	1,236,003	1,206,945
Derivative assets (Note 2)	297,566	276,607	321,069	298,455
Other assets (Notes 3 and 11)	390,115	391,453	420,927	422,370
Total non-current assets	<u>19,491,100</u>	<u>18,386,953</u>	<u>21,030,535</u>	<u>19,839,181</u>
 Total assets	 <u>₩ 28,440,157</u>	 <u>₩ 26,429,958</u>	 <u>\$ 30,686,402</u>	 <u>\$ 28,517,434</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF JUNE 30, 2007 AND DECEMBER 31, 2006

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
	<u>June 30, 2007</u>	<u>December 31, 2006</u>	<u>June 30, 2007</u>	<u>December 31, 2006</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Current liabilities:				
Short-term borrowings (Notes 12 and 14)	₩ 447,239	₩ 474,165	\$ 482,563	\$ 511,615
Current maturities of long-term debt and debentures (Notes 13 and 14)	115,730	116,233	124,871	125,413
Trade notes and accounts payable	2,885,903	2,118,143	3,113,836	2,285,437
Accounts payable-other	1,140,881	1,926,625	1,230,989	2,078,793
Accrued warranties (Note 15)	803,636	800,479	867,108	863,702
Income tax payable	203,722	245,106	219,812	264,465
Accrued expenses	384,631	36,590	415,010	39,480
Derivative liabilities (Note 2)	48	184	52	199
Withholdings and other current Liabilities	578,340	616,220	624,018	664,890
Total current liabilities	<u>6,560,130</u>	<u>6,333,745</u>	<u>7,078,259</u>	<u>6,833,994</u>
Non-current liabilities:				
Long-term debt and debentures, net of current maturities and discount on debentures issued of ₩2,857 million as of June 30, 2007 and ₩2,321 million as of December 31, 2006 (Notes 13 and 14)	1,410,182	1,111,569	1,521,560	1,199,362
Accrued severance benefits, net of National Pension payments for employees of ₩20,748 million as of June 30, 2007 and ₩23,680 million as of December 31, 2006, and individual severance insurance deposits of ₩792,410 million as of June 30, 2007 and ₩836,930 million as of December 31, 2006 (Note 2)	551,144	438,592	594,674	473,233
Long-term accrued warranties (Note 15)	2,290,332	2,284,428	2,471,226	2,464,855
Deferred tax liabilities (Note 22)	333,672	119,219	360,026	128,635
Derivative liabilities (Note 2)	69,140	55,322	74,601	59,691
Other non-current liabilities	30,371	36,255	32,769	39,119
Total non-current liabilities	<u>4,684,841</u>	<u>4,045,385</u>	<u>5,054,856</u>	<u>4,364,895</u>
Total liabilities	<u>11,244,971</u>	<u>10,379,130</u>	<u>12,133,115</u>	<u>11,198,889</u>
Commitments and contingencies (Note 14)				
Shareholders' equity:				
Capital stock (Note 16)	1,484,942	1,484,942	1,602,225	1,602,225
Capital surplus (Note 17)	5,409,005	5,409,005	5,836,216	5,836,216
Capital adjustments (Note 18)	(704,532)	(706,979)	(760,177)	(762,817)
Accumulated other comprehensive income (loss) (Notes 19 and 20)	237,886	(226,605)	256,675	(244,503)
Retained earnings (Note 21) (Net income of ₩918,923 million for the six months ended June 30, 2007 and ₩1,526,063 million for the year ended December 31, 2006)	<u>10,767,885</u>	<u>10,090,465</u>	<u>11,618,348</u>	<u>10,887,424</u>
Total shareholders' equity	<u>17,195,186</u>	<u>16,050,828</u>	<u>18,553,287</u>	<u>17,318,545</u>
Total liabilities and shareholders' equity	<u>₩ 28,440,157</u>	<u>₩ 26,429,958</u>	<u>\$ 30,686,402</u>	<u>\$ 28,517,434</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2007	2006	2007	2006	2007	2006
	(In millions, except per share amounts)				(In thousands, except per share amounts)	
Sales (Notes 23 and 25):						
Domestic sales	₩ 3,402,494	₩ 2,906,284	₩ 6,371,228	₩ 5,800,469	\$ 6,874,437	\$ 6,258,598
Export sales	<u>4,624,445</u>	<u>4,096,519</u>	<u>8,339,783</u>	<u>8,063,851</u>	<u>8,998,471</u>	<u>8,700,746</u>
	<u>8,026,939</u>	<u>7,002,803</u>	<u>14,711,011</u>	<u>13,864,320</u>	<u>15,872,908</u>	<u>14,959,344</u>
Cost of sales	<u>6,450,664</u>	<u>5,658,016</u>	<u>11,936,331</u>	<u>11,219,155</u>	<u>12,879,080</u>	<u>12,105,260</u>
Gross profit	1,576,275	1,344,787	2,774,680	2,645,165	2,993,828	2,854,084
Selling and administrative expenses (Notes 23 and 26)	<u>1,003,445</u>	<u>935,655</u>	<u>1,910,412</u>	<u>1,900,700</u>	<u>2,061,299</u>	<u>2,050,820</u>
Operating income	<u>572,830</u>	<u>409,132</u>	<u>864,268</u>	<u>744,465</u>	<u>932,529</u>	<u>803,264</u>
Other income (expenses), net:						
Interest income, net	25,759	21,392	46,878	44,668	50,580	48,196
Gain on foreign currency translation, net	3,968	198	4,915	1,766	5,303	1,905
Gain (loss) on foreign exchange transactions, net	2,803	(6,107)	(7,498)	8,989	(8,090)	9,699
Gain on valuation of investment securities accounted for using the equity method, net (Note 7)	158,479	113,613	188,476	323,281	203,362	348,814
Gain (loss) on valuation of derivatives, net (Note 2)	63,815	(74,448)	42,293	(208,963)	45,633	(225,467)
Rental and royalty income	81,136	68,993	138,402	122,492	149,333	132,167
Loss on disposal of trade notes and accounts receivables	(23,984)	(21,211)	(43,874)	(40,035)	(47,339)	(43,197)
Loss on disposal of property, plant and equipment, net	(40,185)	(11,613)	(52,675)	(21,704)	(56,835)	(23,418)
Gain on disposal of short-term investment securities, net	4,094	5,723	6,408	9,860	6,914	10,639
Gain (loss) on disposal of long-term investment securities, net	14,147	-	14,445	(774)	15,586	(835)
Other, net	<u>(7,721)</u>	<u>13,515</u>	<u>17,499</u>	<u>26,497</u>	<u>18,882</u>	<u>28,589</u>
	<u>282,311</u>	<u>110,055</u>	<u>355,269</u>	<u>266,077</u>	<u>383,329</u>	<u>287,092</u>
Ordinary income	855,141	519,187	1,219,537	1,010,542	1,315,858	1,090,356
Income tax expense (Note 22)	<u>243,604</u>	<u>116,040</u>	<u>300,614</u>	<u>265,008</u>	<u>324,357</u>	<u>285,939</u>
Net income	<u>₩ 611,537</u>	<u>₩ 403,147</u>	<u>₩ 918,923</u>	<u>₩ 745,534</u>	<u>\$ 991,501</u>	<u>\$ 804,417</u>
Basic earnings per common share (Note 2)	<u>₩ 2,257</u>	<u>₩ 1,491</u>	<u>₩ 3,389</u>	<u>₩ 2,753</u>	<u>\$ 3.66</u>	<u>\$ 2.97</u>
Diluted earnings per common share (Note 2)	<u>₩ 2,252</u>	<u>₩ 1,486</u>	<u>₩ 3,381</u>	<u>₩ 2,741</u>	<u>\$ 3.65</u>	<u>\$ 2.96</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-COLSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 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	₩ 918,923	₩ 745,534	\$ 991,501	\$ 804,417
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	401,289	388,861	432,983	419,574
Amortization of intangibles	179,639	136,101	193,827	146,850
Gain on foreign currency translation, net	(4,915)	(1,766)	(5,303)	(1,905)
Gain on valuation of investment securities accounted for using the equity method, net	(188,476)	(323,281)	(203,362)	(348,814)
Loss (gain) on valuation of derivatives, net	(42,293)	208,963	(45,633)	225,467
Loss on disposal of trade notes and accounts receivable	43,874	40,035	47,339	43,197
Loss on disposal of property, plant and equipment, net	52,675	21,704	56,835	23,418
Gain on disposal of short-term investment securities, net	(6,408)	(9,860)	(6,914)	(10,639)
Gain on disposal of long-term investment securities, net	(14,630)	(2,969)	(15,785)	(3,203)
Dividends of investment securities accounted for using the equity method	76,182	83,979	82,199	90,612
Amortization of discount on debentures	356	2,799	384	3,020
Provision for severance benefits	195,695	168,334	211,151	181,629
Provision for warranties	168,602	147,831	181,918	159,507
Other	1,337	5,000	1,443	5,395
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable	(338,652)	(155,501)	(365,399)	(167,783)
Decrease in trade notes and accounts receivable-other	92,869	217,474	100,204	234,650
Increase in inventories	(258,563)	(330,565)	(278,985)	(356,674)
Increase in advances and other current assets	(131,272)	(139,843)	(141,640)	(150,888)
Decrease (increase) in deferred tax assets	21,930	(70,339)	23,662	(75,894)
Increase (decrease) in trade notes and accounts payable	768,034	(637,089)	828,694	(687,407)
Decrease in accounts payable-other	(798,378)	(652,617)	(861,435)	(704,162)
Increase (decrease) in income tax payable	(41,384)	137,894	(44,653)	148,785
Increase in accrued expenses	348,165	299,106	375,664	322,730
Increase in deferred tax liabilities	63,765	147,473	68,801	159,121
Decrease in withholding and other current liabilities	(38,263)	(35,240)	(41,285)	(38,023)
Decrease in accrued warranties	(159,542)	(156,629)	(172,143)	(169,000)
Payment of severance benefits	(131,247)	(145,234)	(141,613)	(156,705)
Decrease in individual severance insurance deposits	44,520	48,652	48,036	52,495
Other	27,668	18,587	29,854	20,055
	<u>1,251,500</u>	<u>157,394</u>	<u>1,350,345</u>	<u>169,825</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 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	₩ 1,157,639	₩ 2,665,963	\$ 1,249,071	\$ 2,876,525
Proceeds from disposal of short-term investment securities	136,801	180,373	147,606	194,619
Proceeds from disposal of long-term investment securities	26,785	48,780	28,901	52,633
Proceeds from disposal of property, plant and equipment	2,379	13,482	2,567	14,547
Reduction in other current assets	3,680	9,480	3,971	10,229
Reduction in other assets	<u>3,054</u>	<u>83,994</u>	<u>3,295</u>	<u>90,628</u>
	<u>1,330,338</u>	<u>3,002,072</u>	<u>1,435,411</u>	<u>3,239,181</u>
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(2,017,623)	(1,890,235)	(2,176,978)	(2,039,528)
Acquisition of short-term investment securities	(30,394)	(130,267)	(32,795)	(140,556)
Acquisition of long-term investment securities	(15,005)	(3,829)	(16,190)	(4,131)
Acquisition of investment securities accounted for using the equity method	(258,174)	(148,402)	(278,565)	(160,123)
Acquisition of property, plant and equipment	(427,621)	(479,232)	(461,395)	(517,082)
Expenditures for development costs	(202,969)	(157,527)	(219,000)	(169,969)
Additions to other assets	<u>(3,990)</u>	<u>(87,990)</u>	<u>(4,305)</u>	<u>(94,942)</u>
	<u>(2,955,776)</u>	<u>(2,897,482)</u>	<u>(3,189,228)</u>	<u>(3,126,331)</u>
	<u>(1,625,438)</u>	<u>104,590</u>	<u>(1,753,817)</u>	<u>112,850</u>
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	1,851,258	5,732,091	1,997,473	6,184,820
Issuance of debenture	<u>299,107</u>	<u>-</u>	<u>322,731</u>	<u>-</u>
	<u>2,150,365</u>	<u>5,732,091</u>	<u>2,320,204</u>	<u>6,184,820</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	(1,873,982)	(5,882,526)	(2,021,992)	(6,347,136)
Payment of cash dividends	(275,371)	(342,300)	(297,120)	(369,335)
Repayment of long-term debt	<u>(1,010)</u>	<u>(251,740)</u>	<u>(1,090)</u>	<u>(271,623)</u>
	<u>(2,150,363)</u>	<u>(6,476,566)</u>	<u>(2,320,202)</u>	<u>(6,988,094)</u>
	<u>2</u>	<u>(744,475)</u>	<u>2</u>	<u>(803,274)</u>
Net decrease in cash and cash equivalents	(373,936)	(482,491)	(403,470)	(520,599)
Cash and cash equivalents, beginning of period	<u>1,382,678</u>	<u>1,803,282</u>	<u>1,491,884</u>	<u>1,945,708</u>
Cash and cash equivalents, end of period	<u>₩ 1,008,742</u>	<u>₩ 1,320,791</u>	<u>\$ 1,088,414</u>	<u>\$ 1,425,109</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2007

	Korean Won					Translation into U.S. Dollars (Note 2)	
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total amount	Total amount
	(In millions)					(In thousands)	
January 1, 2007	₩ 1,484,942	₩ 5,409,005	₩ (706,979)	₩ (226,605)	₩ 10,090,465	₩ 16,050,828	\$ 17,318,545
Payment of cash dividend	-	-	-	-	(275,373)	(275,373)	(297,122)
Gain on valuation of treasury stock fund	-	-	2,447	-	-	2,447	2,640
Gain on valuation of available-for-sale securities	-	-	-	367,922	-	367,922	396,981
Gain on valuation of investment equity securities	-	-	-	94,546	-	94,546	102,013
Gain on valuation of derivatives	-	-	-	2,023	-	2,023	2,183
Net income	-	-	-	-	918,923	918,923	991,501
Changes in retained earnings using the equity method	-	-	-	-	33,870	33,870	36,546
June 30, 2007	<u>₩ 1,484,942</u>	<u>₩ 5,409,005</u>	<u>₩ (704,532)</u>	<u>₩ 237,886</u>	<u>₩ 10,767,885</u>	<u>₩ 17,195,186</u>	<u>\$ 18,553,287</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 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 June 30, 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 ₩926.80 to US\$1.00 at June 30, 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 June 30, 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 June 30, 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 June 30, 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 six months ended June 30, 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 accumulated other comprehensive income, until the securities are sold or if the securities are determined to be impaired and the lump-sum accumulated 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 accumulated 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 accumulated 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 accumulated 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 June 30, 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 ₩1,364,302 million (US\$1,472,057 thousand) and ₩1,299,202 million (US\$1,401,815 thousand) as of June 30, 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 ₩131,247 million (US\$141,613 thousand) and ₩145,234 million (US\$156,705 thousand) for the six months ended June 30, 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 accumulated other comprehensive income and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as accumulated other comprehensive income is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in accumulated other comprehensive income 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 June 30, 2007 and December 31, 2006, the Company deferred the net gain of ₩16,573 million (US\$17,883 thousand) and ₩14,550 million (US\$15,699 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as accumulated other comprehensive income. The longest period in which the forecasted transactions are expected to occur is within 53 months from June 30, 2007. Of the net gain on valuation recorded as accumulated other comprehensive income as of June 30, 2007 amounting to ₩694 million (US\$749 thousand) is expected to be realized and charged to current operations within one year from June 30, 2007.

For the six months ended June 30, 2007 and 2006, the Company recognized the net gain of ₩42,293 million (US\$45,633 thousand) and the net loss of ₩208,963 million (US\$225,467 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 June 30, 2007 and December 31, 2006, all premiums to be paid by the Company are recorded as accounts payable - other of ₩21,459 million (US\$23,154 thousand) and ₩21,524 million (US\$ 23,224 thousand), respectively, and other non-current liabilities of ₩10,676 million (US\$11,519 thousand) and ₩21,417 million (US\$23,109 thousand), respectively, after deducting the present value discount of ₩1,509 million (US\$1,628 thousand) and ₩2,703 million (US\$2,916 thousand), respectively. Also, as of June 30, 2007 and December 31, 2006, all premiums to be received by the Company are recorded as other current assets of ₩3,518 million (US\$3,796 thousand) and ₩3,529 million (US\$3,808 thousand), respectively, and other assets of ₩1,759 million (US\$1,898 thousand) and ₩3,529 million (US\$3,808 thousand), respectively, after deducting the present value discount of ₩196 million (US\$211 thousand) and ₩448 million (US\$483 thousand), respectively.

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums to be paid of ₩317,704 million (US\$342,797 thousand) and ₩290,925 million (US\$313,903 thousand) in current and non-current derivative assets as of June 30, 2007 and December 31, 2006, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums to be received of ₩69,188 million (US\$74,653 thousand) and ₩55,506 million (US\$59,890 thousand) is recorded in current and non-current derivative liabilities as of June 30, 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 ₩926.80 and ₩929.60 to US\$1.00 at June 30, 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 and six months ended June 30, 2007 and 2006 are computed as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2007	2006	2007	2006	2007	2006
	(In millions, except per share amounts)				(In thousands, except per share amounts)	
Net income	₩ 611,537	₩ 403,147	₩ 918,923	₩ 745,534	\$ 991,501	\$ 804,417
Expected dividends on preferred stock	<u>(141,687)</u>	<u>(93,894)</u>	<u>(213,380)</u>	<u>(173,779)</u>	<u>(230,233)</u>	<u>(187,504)</u>
Net income available to common share	469,850	309,253	705,543	571,755	761,268	616,913
Weighted average number of common shares outstanding (*)	<u>208,191,318</u>	<u>207,352,942</u>	<u>208,185,086</u>	<u>207,720,226</u>	<u>208,185,086</u>	<u>207,720,226</u>
Basic earnings per common share	<u>₩ 2,257</u>	<u>₩ 1,491</u>	<u>₩ 3,389</u>	<u>₩ 2,753</u>	<u>\$ 3.66</u>	<u>\$ 2.97</u>

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

Diluted earnings per common share for the three months and six months ended June 30, 2007 and 2006 are computed as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2007	2006	2007	2006	2007	2006
	(In millions, except per share amounts)				(In thousands, except per share amounts)	
Net income available to common share	₩ 469,850	₩ 309,253	₩ 705,543	₩ 571,755	\$ 761,268	\$ 616,913
Expenses related to diluted securities	-	-	-	-	-	-
Net income available to diluted common share	469,850	309,253	705,543	571,755	761,268	616,913
Weighted average number of common shares and diluted securities outstanding	<u>208,680,688</u>	<u>208,175,288</u>	<u>208,675,767</u>	<u>208,555,889</u>	<u>208,675,767</u>	<u>208,555,889</u>
Diluted earnings per common share	<u>₩ 2,252</u>	<u>₩ 1,486</u>	<u>₩ 3,381</u>	<u>₩ 2,741</u>	<u>\$ 3.65</u>	<u>\$ 2.96</u>

Basic earnings per common share and diluted earnings per common share for the three months ended March 31, 2007 are ₩1,132 (US\$1.22) and ₩1,129 (US\$1.22), and basic earnings per common share and diluted earnings per common share for the year ended December 31, 2006 are ₩5,636 (US\$6.08) and ₩5,614 (US\$6.06), respectively.

3. RESTRICTED FINANCIAL INSTRUMENTS:

Deposits with withdrawal restrictions as of June 30, 2007 and December 31, 2006 consist of the following:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Short-term financial instruments:				
Ordinary deposit	₩ 1,067	₩ 44	\$ 1,151	\$ 47
Term deposit	<u>22,698</u>	<u>28,738</u>	<u>24,491</u>	<u>31,008</u>
	<u>23,765</u>	<u>28,782</u>	<u>25,642</u>	<u>31,055</u>
Long-term financial instruments (Note 11):				
Guarantee deposits for checking accounts	<u>13</u>	<u>40</u>	<u>14</u>	<u>43</u>
	<u>₩ 23,778</u>	<u>₩ 28,822</u>	<u>\$ 25,656</u>	<u>\$ 31,098</u>

4. INVENTORIES:

Inventories as of June 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Finished goods and merchandise	₩ 486,398	₩ 305,338	\$ 524,814	\$ 329,454
Semi finished goods and work in process	492,396	458,189	531,286	494,377
Raw materials and supplies	353,698	361,621	381,634	390,182
Materials in transit	66,785	94,438	72,060	101,898
	<u>₩ 1,399,277</u>	<u>₩ 1,219,586</u>	<u>\$ 1,509,794</u>	<u>\$ 1,315,911</u>

5. SHORT-TERM INVESTMENT SECURITIES:

Short-term investment securities as of June 30, 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)	
	June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Beneficiary certificates	₩ 216,979	₩ 310,285	\$ 234,116	\$ 334,792
Equity securities	4,743	-	5,118	-
Government bonds	10	10	11	11
	<u>₩ 221,732</u>	<u>₩ 310,295</u>	<u>\$ 239,245</u>	<u>\$ 334,803</u>

Equity securities are transferred from long-term investment securities to short-term investment securities because it is probable that they will be disposed of within one year from June 30, 2007.

6. LONG-TERM INVESTMENT SECURITIES:

(1) Long -term investment securities as of June 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Available-for-sale securities	₩ 970,365	₩ 469,509	\$ 1,047,006	\$ 506,591
Held-to-maturity securities	48,500	48,500	52,330	52,331
	<u>₩ 1,018,865</u>	<u>₩ 518,009</u>	<u>\$ 1,099,336</u>	<u>\$ 558,922</u>

(2) Available-for-sale securities of long-term investment securities as of June 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Equity securities stated at fair value	₩ 872,570	₩ 369,511	\$ 941,487	\$ 398,696
Equity securities stated at acquisition cost	97,795	99,998	105,519	107,895
	<u>₩ 970,365</u>	<u>₩ 469,509</u>	<u>\$ 1,047,006</u>	<u>\$ 506,591</u>

Equity securities stated at fair value included in long-term investment securities as of June 30, 2007 consist of the following:

Name of company	Korean Won		Translation into	Ownership percentage
	Acquisition cost	Book value	U.S. Dollars (Note 2)	
	(In millions)		(In thousands)	(%)
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 755,550	\$ 815,224	2.88
Hyundai H&S	15,005	24,231	26,145	4.08
KT Freetel	10,800	9,514	10,265	0.17
Hyundai Merchant Marine Co., Ltd.	9,161	24,948	26,918	0.45
Hyundai Development Company	9,025	29,610	31,949	0.60
ENOVA System	2,204	1,185	1,279	1.26
Treasury Stock Fund (*)		<u>27,532</u>	<u>29,707</u>	-
		<u>₩ 872,570</u>	<u>\$ 941,487</u>	

(*) The acquisition cost of Treasury Stock Fund is ₩26,647 million (US\$28,752 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩15,779 million (US\$17,025 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	Ownership percentage
	Acquisition cost	Book value	U.S. Dollars (Note 2)	
	(In millions)		(In thousands)	(%)
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 275,940	\$ 297,734	2.88
Hyundai Corporation	13,626	1,743	1,881	0.37
KT Freetel	10,800	9,931	10,715	0.17
Hyundai Information Technology Co., Ltd.	10,000	1,400	1,511	2.21
LG Telecom	9,795	18,086	19,514	0.68
Hyundai Merchant Marine Co., Ltd.	9,161	14,068	15,179	0.45
Hyundai Development Company	9,025	25,560	27,579	0.60
Jin Heung Mutual Savings Bank	2,166	2,188	2,361	2.28
Korea Environment Technology Co., Ltd.	1,500	2,520	2,719	6.00
Dong Yang Investment Bank	282	127	137	0.01
Treasury Stock Fund (*)		<u>17,948</u>	<u>19,366</u>	-
		<u>₩ 369,511</u>	<u>\$ 398,696</u>	

(*) The acquisition cost of Treasury Stock Fund is ₩26,647 million (US\$28,752 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩18,227 million (US\$19,667 thousand) is recorded as treasury stock in capital adjustments.

Equity securities stated at acquisition cost included in long-term investment securities as of June 30, 2007 consist of the following:

Affiliated company	Korean Won		Translation into	Ownership percentage
	Acquisition cost	Book value	U.S. Dollars (Note 2)	
	(In millions)		(In thousands)	(%)
Hyundai Oil Refinery Co., Ltd.	₩ 53,314	₩ 53,314	\$ 57,525	4.35
Hyundai Asan Corporation	22,500	5,405	5,832	4.61
Doosan Yonhap Capital Co., Ltd. (Formerly, Yonhap Capital Co., Ltd.)	10,000	10,000	10,790	9.99
Hyundai Unicorns Co., Ltd.	5,795	137	148	14.90
Hankyoreh Plus Inc.	4,800	284	306	5.43
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,845	14.97
Industry Otomotif Komersial	4,439	4,439	4,790	15.00
HMCIS (*)	3,959	3,959	4,272	80.00
Kihyup Finance	3,000	3,000	3,237	10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,697	13.66
NESSCAP Inc.	1,997	1,997	2,155	12.05
Hyundai Research Institute	1,359	1,271	1,371	14.90
The Sign Corporation	1,200	1,200	1,295	11.59
Heesung PM Tech Corporation	1,194	1,194	1,288	19.90
ROTIS Inc.	1,000	8	9	0.40
Veloxsoft Inc.	1,000	1,000	1,079	8.00
Micro Infinity	607	607	655	9.76
NGVTEK.com (*)	571	571	616	53.66
Clean Air Technology Inc.	500	500	539	16.13
Carnes Co., Ltd. (*)	250	250	270	49.99
Jinil MVC Co., Ltd.	180	180	194	18.00
Other	1,489	1,489	1,606	-
	<u>₩ 126,144</u>	<u>₩ 97,795</u>	<u>\$ 105,519</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\$7,553 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 U.S. Dollars (Note 2)		Ownership percentage (%)
	Acquisition cost	Book value	Book value	Book value	
	(In millions)		(In thousands)		
Hyundai Oil Refinery Co., Ltd.	₩ 53,314	₩ 53,314	\$ 57,525		4.35
Hyundai Asan Corporation	22,500	5,405	5,832		4.61
Doosan Yonhap Capital Co., Ltd. (Formerly, Yonhap Capital Co., Ltd.)	10,000	10,000	10,790		9.99
Hyundai Unicorns Co., Ltd.	5,795	137	148		14.90
Hankyoreh Plus Inc.	4,800	284	306		5.43
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,845		14.97
Industry Otomotif Komersial	4,439	4,439	4,790		15.00
HMCIS (*)	3,959	3,959	4,272		80.00
Kihyup Finance	3,000	3,000	3,237		10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,697		13.66
NESSCAP Inc.	1,997	1,997	2,155		12.05
Hyundai Research Institute	1,359	1,271	1,371		14.90
The Sign Corporation	1,200	1,200	1,295		11.59
Heesung PM Tech Corporation	1,194	1,194	1,288		19.90
ROTIS Inc.	1,000	8	9		1.33
Veloxsoft Inc.	1,000	1,000	1,079		8.00
Micro Infinity	607	607	655		9.76
NGVTEK.com (*)	571	571	616		53.66
Clean Air Technology Inc.	500	500	539		16.13
Carnes Co., Ltd. (*)	250	250	270		49.99
Jinil MVC Co., Ltd.	180	180	194		18.00
ENOVA system	2,204	2,204	2,377		3.80
Other	1,488	1,488	1,605		-
	<u>₩ 128,347</u>	<u>₩ 99,998</u>	<u>\$ 107,895</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\$7,553 thousand), are not material.

As of June 30, 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\$30,588 thousand) reflected before 2006.

(3) Debt securities included in held-to-maturity of long-term investment securities as of June 30, 2007 and December 31, 2006 are subordinate debt securities of ₩48,500 million (US\$52,331 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 June 30, 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	₩1,255,201	₩1,231,177	₩1,055,449	\$ 1,354,339	\$ 1,328,417	\$ 1,138,810	100.00
Beijing-Hyundai Motor Company	266,856	445,194	436,865	287,933	480,356	471,369	50.00
Hyundai Motor India	244,017	670,528	649,914	263,290	723,487	701,245	100.00
Hyundai Motor Manufacturing Czech, Ltd.	194,026	188,077	188,077	209,350	202,932	202,932	100.00
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (*1)	91,315	(2,260)	-	98,527	(2,438)	-	70.00
Hyundai Translead	74,977	84,442	109,546	80,899	91,111	118,198	100.00
Hyundai Motor Europe Technical Center GmbH	53,496	52,853	52,853	57,721	57,027	57,027	100.00
China Millennium Corporations	53,466	15,841	54,366	57,689	17,092	58,660	59.60
Hyundai Motor Japan Co. (*1)	42,292	(43,928)	-	45,632	(47,397)	-	100.00
Hyundai Motor (UK) Ltd. (*1)	36,681	(7,674)	-	39,578	(8,280)	-	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	17,454	31,691	26,046	18,833	34,194	100.00
Beijing Mobis Transmission Co., Ltd.	22,790	27,386	27,386	24,590	29,549	29,549	24.08
Hyundai Motor Europe GmbH	17,529	24,631	24,631	18,913	26,576	26,576	100.00
Hyundai Motor Group China Ltd.	15,371	18,534	18,534	16,585	19,998	19,998	50.00
Hyundai Motor Company Australia	12,382	46,207	28,250	13,360	49,856	30,481	100.00
WIA Automotive Engine (ShanDong) Company	10,298	10,141	10,141	11,111	10,942	10,942	22.00
Hyundai America Technical Center Inc.	9,635	18,309	18,309	10,396	19,755	19,755	100.00
Hyundai Motor Deutschland GmbH	6,761	17,101	16,592	7,295	18,452	17,902	30.00
Hyundai Motor Norway AS	5,636	7,160	4,637	6,081	7,726	5,003	100.00
Hyundai Motor Hungary	5,415	2,192	2,192	5,843	2,365	2,365	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,907	3,798	3,798	5,295	4,098	4,098	91.75
HMJ R&D Center Inc.	1,510	1,723	1,723	1,629	1,859	1,859	100.00
Kia Motors Corporation	923,957	1,996,084	2,051,339	996,932	2,153,738	2,213,357	38.67
Hyundai Capital Service Inc.	500,325	735,597	497,201	539,841	793,696	536,471	56.47
Hyundai Card Co., Ltd.	435,571	324,635	332,153	469,973	350,275	358,387	33.25
ROTEM	254,308	274,349	322,341	274,394	296,017	347,800	57.64
Hyundai HYSKO	200,768	256,252	250,511	216,625	276,491	270,297	26.13
Korea Aerospace Industries, Ltd.	159,800	89,692	89,491	172,421	96,776	96,559	22.23
Hyundai Powertech	120,000	146,169	145,986	129,478	157,714	157,516	50.00
Hyundai Autonet Co., Ltd. (*2)	118,554	78,088	123,167	127,918	84,255	132,895	16.77
Dymos Inc.	68,872	122,564	120,441	74,312	132,244	129,954	47.27
Hyundai Commercial Inc.	50,000	31,964	31,964	53,949	34,489	34,489	50.00
WIA Corporation	34,357	181,655	157,683	37,071	196,002	170,137	39.46
Korea Economy Daily	29,973	22,559	25,688	32,340	24,341	27,717	20.55
Eukor Car Carriers Inc. (*2)	29,347	72,917	64,161	31,665	78,676	69,229	12.00
Partecs Co.	22,400	21,170	21,169	24,169	22,842	22,841	56.00
KEFICO Corporation	20,911	113,471	111,221	22,563	122,433	120,005	50.00
Autoever Systems Corp.	5,947	14,759	14,759	6,417	15,925	15,925	29.90
Chasan Co., Ltd.	4,500	(3,062)	2,246	4,855	(3,304)	2,423	30.00
Mando Map & Soft Co., Ltd.	2,278	4,827	4,917	2,458	5,208	5,305	25.82
Iljin Bearing Co., Ltd.	826	15,043	15,043	891	16,231	16,231	20.00
Daesung Automotive Co., Ltd.	400	10,394	10,394	431	11,215	11,215	20.00
	<u>₩5,431,794</u>	<u>₩7,338,013</u>	<u>₩7,126,829</u>	<u>\$ 5,860,805</u>	<u>\$ 7,917,580</u>	<u>\$ 7,689,716</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	Net equity	Book value	Acquisition	Net equity	Book value	
	cost	value (In millions)		cost	value (In thousands)		
Hyundai Motor America	₩1,227,466	₩1,267,449	₩1,076,088	\$ 1,324,413	\$ 1,367,554	\$ 1,161,080	100.00
Hyundai Motor India	244,017	522,508	503,831	263,290	563,777	543,625	100.00
Beijing-Hyundai Motor Company	232,410	380,199	371,464	250,766	410,228	400,803	50.00
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (*1)	91,315	7,825	-	98,527	8,443	-	70.00
Hyundai Translead	74,977	81,595	107,664	80,899	88,040	116,167	100.00
Hyundai Motor Europe Technical Center GmbH	53,496	51,514	51,514	57,721	55,583	55,583	100.00
China Millennium Corporations	53,466	13,868	53,494	57,689	14,963	57,719	59.60
Hyundai Motor Manufacturing Czech, Ltd.	48,034	50,098	50,098	51,828	54,055	54,055	100.00
Hyundai Motor Japan Co. (*1)	42,292	(42,334)	-	45,632	(45,678)	-	100.00
Hyundai Motor (UK) Ltd. (*1)	36,681	(3,661)	-	39,578	(3,950)	-	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	15,047	29,815	26,046	16,236	32,170	100.00
Beijing Mobis Transmission Co., Ltd.	22,790	26,411	26,411	24,590	28,497	28,497	24.08
Hyundai Motor Europe GmbH	17,529	24,984	24,984	18,913	26,957	26,957	100.00
Hyundai Motor Group China Ltd.	15,371	14,552	14,266	16,585	15,701	15,393	50.00
Hyundai Motor Company Australia	12,382	41,049	42,183	13,360	44,291	45,515	100.00
Hyundai America Technical Center Inc.	9,635	17,338	17,338	10,396	18,707	18,707	100.00
Hyundai Motor Deutschland GmbH	6,761	19,741	19,217	7,295	21,300	20,735	30.00
Hyundai Motor Norway AS	5,636	6,309	5,754	6,081	6,807	6,208	100.00
Hyundai Motor Hungary	5,415	2,283	2,283	5,843	2,463	2,463	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,907	3,070	3,070	5,295	3,313	3,312	91.75
HMJ R&D Center Inc.	1,510	1,798	1,798	1,629	1,940	1,940	100.00
WIA Automotive Engine (ShanDong) Company	10,298	7,205	10,298	11,111	7,774	11,111	22.00
Kia Motors Corporation	923,957	1,972,554	2,024,647	996,932	2,128,349	2,184,557	38.67
Hyundai Capital Service Inc.	500,325	621,176	426,864	539,841	670,237	460,578	56.47
Hyundai Card Co., Ltd.	435,571	277,003	284,768	469,973	298,881	307,259	33.27
ROTEM	254,308	272,152	336,191	274,394	293,647	362,744	57.64
Hyundai HYSCO	200,768	259,460	250,199	216,625	279,953	269,960	26.13
Korea Aerospace Industries, Ltd.	159,800	79,717	79,508	172,421	86,013	85,788	22.23
Hyundai Powertech	120,000	151,265	142,523	129,478	163,212	153,780	50.00
Hyundai Autonet Co., Ltd. (*2)	118,554	77,123	123,437	127,918	83,214	133,186	16.77
Dymos Inc.	68,872	116,098	113,929	74,312	125,268	122,927	47.27
WIA Corporation	34,357	173,803	149,012	37,071	187,530	160,781	39.46
Korea Economy Daily	29,973	22,072	25,341	32,340	23,815	27,342	20.55
Eukor Car Carriers Inc. (*2)	29,347	77,203	68,165	31,665	83,301	73,549	12.00
Partecs Co.	22,400	21,988	21,988	24,169	23,725	23,725	56.00
KEFICO Corporation	20,911	115,739	113,412	22,563	124,880	122,369	50.00
Autoever Systems Corp.	5,947	13,773	13,773	6,417	14,861	14,861	29.90
Iljin Bearing Co., Ltd.	826	14,823	14,823	891	15,994	15,994	20.00
Daesung Automotive Co., Ltd.	400	9,081	9,081	431	9,798	9,798	20.00
Mando Map & Soft Co., Ltd.	2,278	2,989	3,082	2,458	3,225	3,325	25.82
Chasan Co., Ltd.	4,500	(944)	4,500	4,855	(1,019)	4,855	30.00
	<u>₩5,173,621</u>	<u>₩6,785,923</u>	<u>₩6,616,813</u>	<u>\$ 5,582,241</u>	<u>\$ 7,321,885</u>	<u>\$ 7,139,418</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 six months ended June 30, 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	₩ 27,734	₩ (86,316)	₩ 37,943	₩ 1,055,449	\$ 1,138,810
Beijing-Hyundai Motor Company	371,464	34,447	21,966	8,988	436,865	471,369
Hyundai Motor India	503,831	-	99,711	46,372	649,914	701,245
Hyundai Motor Manufacturing Czech, Ltd.	50,098	145,993	(7,935)	(79)	188,077	202,932
Hyundai Translead	107,664	-	2,152	(270)	109,546	118,198
Hyundai Motor Europe Technical Center GmbH	51,514	-	336	1,003	52,853	57,027
China Millennium Corporations	53,494	-	543	329	54,366	58,660
Hyundai Motor Poland Sp.zo.o.	29,815	-	1,396	480	31,691	34,194
Beijing Mobis Transmission Co., Ltd.	26,411	-	364	611	27,386	29,549
Hyundai Motor Europe GmbH	24,984	-	(835)	482	24,631	26,576
Hyundai Motor Group China Ltd.	14,266	-	3,624	644	18,534	19,998
Hyundai Motor Company Australia	42,183	-	(16,826)	2,893	28,250	30,481
WIA Automotive Engine (ShanDong) Company	10,298	-	(342)	185	10,141	10,942
Hyundai America Technical Center Inc.	17,338	-	1,031	(60)	18,309	19,755
Hyundai Motor Deutschland GmbH	19,217	-	(2,997)	372	16,592	17,902
Hyundai Motor Norway AS	5,754	-	(1,509)	392	4,637	5,003
Hyundai Motor Hungary	2,283	-	(158)	67	2,192	2,365
Beijing Jinxian Motor Safeguard Service Co., Ltd.	3,070	-	577	151	3,798	4,098
HMJ R&D Center Inc.	1,798	-	(8)	(67)	1,723	1,859
Kia Motors Corporation	2,024,647	-	24,762	1,930	2,051,339	2,213,357
Hyundai Capital Service Inc.	426,864	-	68,774	1,563	497,201	536,471
Hyundai Card Co., Ltd.	284,768	-	44,071	3,314	332,153	358,387
ROTEM	336,191	-	1,608	(15,458)	322,341	347,800
Hyundai HYSCO	250,199	-	3,623	(3,311)	250,511	270,297
Korea Aerospace Industries, Ltd.	79,508	-	1,126	8,857	89,491	96,559
Hyundai Powertech	142,523	-	3,621	(158)	145,986	157,516
Hyundai Autonet Co., Ltd.	123,437	-	1,657	(1,927)	123,167	132,895
Dymos Inc.	113,929	-	6,566	(54)	120,441	129,954
Hyundai Commercial Inc.	-	50,000	1,342	(19,378)	31,964	34,489
WIA Corporation	149,012	-	11,351	(2,680)	157,683	170,137
Korea Economy Daily	25,341	-	281	66	25,688	27,717
Eukor Car Carriers Inc.	68,165	-	(2,270)	(1,734)	64,161	69,229
Partecs Co.	21,988	-	(818)	(1)	21,169	22,841
KEFICO Corporation	113,412	-	6,620	(8,811)	111,221	120,005
Autoever Systems Corp.	13,773	-	989	(3)	14,759	15,925
Chasan Co., Ltd.	4,500	-	(2,254)	-	2,246	2,423
Mando Map & Soft Co., Ltd.	3,082	-	1,835	-	4,917	5,305
Iljin Bearing Co., Ltd.	14,823	-	445	(225)	15,043	16,231
Daesung Automotive Co., Ltd.	9,081	-	373	940	10,394	11,215
	<u>₩ 6,616,813</u>	<u>₩ 258,174</u>	<u>₩ 188,476</u>	<u>₩ 63,366</u>	<u>₩ 7,126,829</u>	<u>\$ 7,689,716</u>

(*) Other changes consist of the decrease by ₩76,182 million (US\$82,199 thousand) due to receipt of the dividends, increase of retained earnings by ₩34,063 million (US\$36,753 thousand) and increase of accumulated other comprehensive income by ₩105,485 million (US\$113,816 thousand).

The changes in investment securities accounted for using the equity method for the six months ended June 30, 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	₩ -	₩ 61,538	₩ (115,235)	₩ 946,142	\$ 1,020,870	
Hyundai Motor India	416,611	-	71,118	(33,344)	454,385	490,273	
Beijing-Hyundai Motor Company	357,744	-	42,306	(16,139)	383,911	414,233	
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	122,906	-	(35,996)	(44,587)	42,323	45,666	
Hyundai Translead	96,769	-	6,597	(3,604)	99,762	107,641	
Hyundai Motor Europe Technical Center GmbH	43,458	5,863	989	814	51,124	55,162	
China Millennium Corporations	53,039	-	620	(489)	53,170	57,369	
Hyundai Motor (UK) Ltd.	-	-	106	(106)	-	-	
Hyundai Motor Poland Sp.zo.o.	28,118	-	1,934	(659)	29,393	31,715	
Hyundai Motor Europe GmbH	22,002	-	4,788	415	27,205	29,354	
Beijing Mobis Transmission Co., Ltd.	16,696	-	413	(729)	16,380	17,674	
Hyundai Motor Group China Ltd.	14,068	-	(679)	(618)	12,771	13,780	
Hyundai Motor Company Australia	26,305	-	14,201	(3,291)	37,215	40,154	
Hyundai America Technical Center Inc.	16,375	-	942	(855)	16,462	17,762	
Hyundai Motor Deutschland GmbH	11,045	-	3,114	265	14,424	15,563	
Hyundai Motor Norway AS	-	-	549	5,090	5,639	6,084	
Hyundai Motor Hungary	-	-	(2,242)	4,339	2,097	2,263	
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,222	-	(887)	(185)	3,150	3,399	
HMJ R&D Center Inc.	1,941	-	(19)	(59)	1,863	2,010	
Kia Motors Corporation	2,053,260	-	45,125	(52,527)	2,045,858	2,207,443	
Hyundai Capital Service Inc.	346,834	-	65,151	(30,732)	381,253	411,365	
Hyundai Card Co., Ltd.	104,858	142,539	23,292	(11,018)	259,671	280,180	
ROTEM	304,341	-	20,225	1,292	325,858	351,595	
Hyundai HYSCO	246,740	-	4,027	(4,671)	246,096	265,533	
Korea Aerospace Industries, Ltd.	82,074	-	(39,425)	-	42,649	46,017	
Hyundai Powertech	139,089	-	6,089	15	145,193	156,660	
Hyundai Autonet Co., Ltd.	117,971	-	3,416	(140)	121,247	130,823	
Dymos Inc.	105,983	-	3,951	(35)	109,899	118,579	
Korea Economy Daily	24,378	-	456	(1)	24,833	26,794	
Eukor Car Carriers Inc.	63,989	-	5,517	-	69,506	74,996	
Partecs Co.	22,400	-	213	-	22,613	24,399	
KEFICO	109,487	-	6,439	(8,863)	107,063	115,519	
Haevichi Leisure Co., Ltd.	9,097	-	45	-	9,142	9,864	
WIA Corporation	124,665	-	6,820	(75)	131,410	141,789	
Autoever Systems Corp.	8,998	-	1,393	2	10,393	11,214	
Iljin Bearing Co., Ltd.	14,128	-	593	(225)	14,496	15,641	
Daesung Automotive Co., Ltd.	6,017	-	562	2,184	8,763	9,455	
	<u>₩ 6,115,447</u>	<u>₩ 148,402</u>	<u>₩ 323,281</u>	<u>₩ (313,771)</u>	<u>₩ 6,273,359</u>	<u>\$ 6,768,838</u>	

(*) Other changes consist of the increase by ₩11,051(US\$11,924 thousand) due to transfer from long-term investment securities, the decrease by ₩83,979 million (US\$90,612 thousand) due to receipt of the dividends, increase of retained earnings by ₩7,798 million (US\$8,414 thousand) and decrease of cumulative other comprehensive income by ₩248,641 million (US\$268,279 thousand).

Investment securities accounted for using the equity method as of June 30, 2007 and 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 six months ended June 30, 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	₩4,159,657	₩2,827,873	₩1,978,321	₩ (38,591)	\$ 4,488,193	\$ 3,051,222	\$ 2,134,572	\$ (41,639)
Beijing-Hyundai Motor Company	1,483,079	592,691	1,339,814	56,718	1,600,215	639,503	1,445,634	61,198
Hyundai Motor India	1,605,848	935,320	1,031,092	102,986	1,732,680	1,009,193	1,112,529	111,120
Hyundai Motor Manufacturing Czech, Ltd	209,729	21,652	-	(7,278)	226,294	23,362	-	(7,853)
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	487,826	491,055	200,888	(9,902)	526,355	529,839	216,754	(10,684)
Hyundai Translead	264,030	179,588	189,062	3,097	284,883	193,772	203,994	3,342
Hyundai Motor Europe Technical Center GmbH	117,260	64,407	26,126	382	126,521	69,494	28,189	412
China Millennium Corporations	83,831	57,252	8,231	2,758	90,452	61,774	8,881	2,976
Hyundai Motor Japan Co.	15,430	59,358	10,148	(3,293)	16,649	64,046	10,950	3,553
Hyundai Motor (UK) Ltd.	352,346	360,020	294,533	(3,651)	380,175	388,455	317,796	(3,939)
Hyundai Motor Poland Sp.zo.o.	37,992	20,538	44,191	2,020	40,993	22,160	47,681	2,180
Beijing Mobis Transmission Co., Ltd.	168,231	54,499	65,635	1,512	181,518	58,803	70,819	1,631
Hyundai Motor Europe GmbH	394,647	370,016	1,210,092	(882)	425,817	399,240	1,305,667	(952)
Hyundai Motor Group China Ltd.	167,972	130,904	409,771	7,250	181,239	141,243	442,135	7,823
Hyundai Motor Company Australia	221,484	175,276	343,633	1,171	238,977	189,120	370,774	1,263
WIA Automotive Engine (ShanDong)Company	69,657	23,561	11,805	(1,556)	75,159	25,422	12,737	(1,679)
Hyundai America Technical Center Inc.	39,391	21,082	38,673	1,031	42,502	22,747	41,727	1,112
Hyundai Motor Deutschland GmbH	401,098	344,095	340,646	(7,844)	432,777	371,272	367,551	(8,464)
Hyundai Motor Norway AS	44,999	37,839	43,396	594	48,553	40,828	46,823	641
Hyundai Motor Hungary	3,866	1,674	13,863	(288)	4,171	1,806	14,958	(311)
Beijing Jinxian Motor Safeguard Service Co., Ltd.	13,276	9,137	18,403	539	14,325	9,859	19,856	582
HMJ R&D Center Inc.	5,380	3,657	5,689	41	5,805	3,946	6,138	44
Kia Motors Corporation	12,048,401	6,887,000	7,986,989	24,762	13,000,001	7,430,945	8,617,813	26,718
Hyundai Capital Service Inc.	11,928,238	10,625,717	1,148,090	199,839	12,870,347	11,464,951	1,238,768	215,623
Hyundai Card Co., Ltd.	3,805,004	2,828,568	529,005	135,023	4,105,529	3,051,972	570,787	145,687
ROTEM	1,593,658	1,117,655	758,899	6,485	1,719,527	1,205,929	818,838	6,997
Hyundai HYSCO	2,653,432	1,660,533	1,855,271	12,514	2,863,004	1,791,684	2,001,803	13,502
Korea Aerospace Industries, Ltd.	1,082,620	679,100	334,000	5,000	1,168,127	732,736	360,380	5,395
Hyundai Powertech	1,006,228	697,784	433,920	6,153	1,085,701	752,896	468,192	6,639
Hyundai Autonet Co., Ltd.	691,414	225,753	449,889	22,807	746,023	243,583	485,422	24,608
Dymos Inc.	802,112	542,820	560,328	13,509	865,464	585,693	604,584	14,576
Hyundai Commercial Inc.	591,032	527,104	17,020	2,683	637,713	568,735	18,364	2,895
WIA Corporation	1,870,267	1,409,944	1,523,135	17,447	2,017,983	1,521,303	1,643,434	18,825
Korea Economy Daily	194,160	84,399	56,597	2,074	209,495	91,065	61,067	2,238
Eukor Car Carriers Inc.	1,437,305	829,666	774,281	(5,593)	1,550,825	895,194	835,435	(6,035)
Partecs Co.	93,391	55,588	5,196	(1,958)	100,767	59,978	5,606	(2,113)
KEFICO Corporation	372,899	145,956	265,212	12,306	402,351	157,484	286,159	13,278
Autoever Systems Corp.	143,293	93,932	180,576	3,169	154,610	101,351	194,838	3,419
Chasan Co., Ltd.	67,980	78,186	-	(5,487)	73,349	84,361	-	(5,920)
Mando Map & Soft Co., Ltd.	25,124	6,432	21,002	6,844	27,108	6,940	22,661	7,385
Iljin Bearing Co., Ltd.	124,627	49,414	96,855	2,076	134,470	53,317	104,505	2,240
Daesung Automotive Co., Ltd.	67,795	15,824	39,478	1,294	73,150	17,074	42,596	1,396

- (4) Significant unrealized profits (losses) that occurred in transactions with investees as of June 30, 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	₩ 213,955	₩ (110,485)	₩ 213,955	\$ 230,853
Property	202,819	75,177	(30,546)	247,450	266,994
Accrued warranties	(52,035)	(73,618)	52,035	(73,618)	(79,432)
	<u>₩ 261,269</u>	<u>₩ 215,514</u>	<u>₩ (88,996)</u>	<u>₩ 387,787</u>	<u>\$ 418,415</u>

Significant unrealized profits (losses) that occurred in transactions with investees for the six months ended June 30, 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	₩ 191,895	₩ (202,968)	₩ 191,895	\$ 207,051
Property	100,908	65,899	(14,301)	152,506	164,551
Accrued warranties	(37,354)	(63,415)	37,354	(63,415)	(68,423)
	<u>₩ 266,522</u>	<u>₩ 194,379</u>	<u>₩ (179,915)</u>	<u>₩ 280,986</u>	<u>\$ 303,179</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 ₩6,279 million (US\$6,775 thousand) and ₩1,961 million (US\$2,116 thousand) for the six months ended June 30, 2007 and 2006, respectively.
- (6) The unamortized (or unreversed) balance of goodwill and negative goodwill as of June 30, 2007 is ₩263,925 million (US\$284,470 thousand) and ₩48,487 million (US\$52,317 thousand), respectively. In addition, the unamortized (or unreversed) balance of goodwill and negative goodwill as of June 30, 2006 is ₩291,690 million (US\$314,728 thousand) and ₩52,148 million (US\$56,267 thousand), respectively.
- (7) The market price of listed equity securities as of June 30, 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	₩ 14,400	134,285,491	₩ 1,933,711	\$ 2,086,438
Hyundai HYSCO	11,800	20,954,188	247,259	266,788
Hyundai Autonet Co., Ltd.	7,700	38,870,000	299,299	322,938

- (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 June 30, 2007 and December 31, 2006 are ₩97,402 million (US\$105,095 thousand) and ₩69,663 million (US\$75,165 thousand), respectively.

8. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipments as of June 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30,	December 31,	June 30,	December 31,
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Buildings and structures	₩ 3,741,326	₩ 3,683,446	\$ 4,036,821	\$ 3,974,370
Machinery and equipment	5,597,639	5,355,368	6,039,749	5,778,343
Vehicles	78,275	76,282	84,457	82,307
Dies, molds and tools	2,691,181	2,628,159	2,903,734	2,835,735
Other equipment	697,089	659,485	752,147	711,571
	12,805,510	12,402,740	13,816,908	13,382,326
Less: accumulated depreciation	5,981,998	5,680,264	6,454,465	6,128,899
	6,823,512	6,722,476	7,362,443	7,253,427
Land	1,960,130	1,948,203	2,114,944	2,102,075
Construction in progress	728,555	794,795	786,097	857,569
	<u>₩ 9,512,197</u>	<u>₩ 9,465,474</u>	<u>\$ 10,263,484</u>	<u>\$ 10,213,071</u>

The changes in property, plant and equipment for the six months ended June 30, 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	₩ -	₩ 11,927	₩ -	₩ -	₩ -	₩ 1,960,130	\$ 2,114,944
Buildings and structures	2,876,163	-	88,826	(21,082)	(57,597)	-	2,886,310	3,114,275
Machinery and equipment	2,949,042	-	333,091	(28,550)	(200,502)	-	3,053,081	3,294,218
Vehicles	33,115	-	4,249	(282)	(4,443)	-	32,639	35,218
Dies, molds and tools	644,042	-	77,130	(1,323)	(98,135)	-	621,714	670,817
Other equipment	220,114	-	51,297	(1,031)	(40,612)	-	229,768	247,915
Construction in progress	794,795	427,621	(566,520)	(2,784)	-	75,443	728,555	786,097
Total	<u>₩ 9,465,474</u>	<u>₩ 427,621</u>	<u>₩ -</u>	<u>₩ (55,052)</u>	<u>₩ (401,289)</u>	<u>₩ 75,443</u>	<u>₩ 9,512,197</u>	<u>\$ 10,263,484</u>

(*) Other changes consist of decrease in transfer of ₩3,429 million (US\$3,700 thousand) from construction in progress to industrial property rights and increase in transfer of ₩78,872 million (US\$85,101 thousand) from inventories to construction in progress.

The changes in property, plant and equipment for the six months ended June 30, 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	₩ -	₩ 29,390	₩ (671)	₩ -	₩ -	₩ 1,928,267	\$ 2,080,564
Buildings and structures	2,555,048	-	211,308	(2,162)	(53,059)	-	2,711,135	2,925,265
Machinery and equipment	2,620,856	-	359,736	(27,392)	(183,132)	-	2,770,068	2,988,852
Vehicles	35,003	-	4,630	(489)	(4,553)	-	34,591	37,323
Dies, molds and tools	583,581	-	101,042	(1,474)	(106,607)	-	576,542	622,078
Other equipment	237,020	-	30,949	(364)	(41,510)	-	226,095	243,952
Construction in progress	1,014,506	479,232	(737,055)	(109)	-	68,429	825,003	890,163
End of the period	<u>₩ 8,945,562</u>	<u>₩ 479,232</u>	<u>₩ -</u>	<u>₩ (32,661)</u>	<u>₩ (388,861)</u>	<u>₩ 68,429</u>	<u>₩ 9,071,701</u>	<u>\$ 9,788,197</u>

(*) Other changes consist of decrease in transfer of ₩5,203 million (US\$5,614 thousand) from construction in progress to industrial property rights and increase in transfer of ₩73,632 million (US\$79,448 thousand) from inventories to construction in progress.

As of June 30, 2007, a substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩848,242 million (US\$915,237 thousand) (see Note 13).

As of June 30, 2007, the published value of the Company-owned land (13,118 thousand square meters) totals ₩2,456,263 million (US\$2,650,262 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 ₩4,559 million (US\$4,919 thousand) as of June 30, 2007. No annual payment on the lease agreements remains as of June 30, 2007.

9. INSURANCE:

As of June 30, 2007, property, plant and equipment are insured for ₩6,637,208 million (US\$7,161,424 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\$1,079 thousand) with Hyundai Fire & Marine Insurance Co., general insurance for vehicles and workers' compensation and casualty insurance for employees.

10. INTANGIBLES:

Intangibles as of June 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won				Translation into U. S. Dollars (Note 2)	
	June 30, 2007		December 31, 2006		June 30, 2007	December 31, 2006
	Acquisition cost	Accumulated amortization	Book value	Book value	Book value	Book value
	(In millions)				(In thousands)	
Industrial property rights	₩ 51,937	₩ (34,663)	₩ 17,274	₩ 17,580	\$ 18,638	\$ 18,968
Development costs	2,436,267	(1,296,232)	1,119,242	1,091,333	1,207,641	1,177,528
Other	37,704	(28,692)	9,012	9,684	9,724	10,449
	<u>₩ 2,525,908</u>	<u>₩ (1,359,587)</u>	<u>₩ 1,145,528</u>	<u>₩ 1,118,597</u>	<u>\$ 1,236,003</u>	<u>\$ 1,206,945</u>

The changes in intangibles for the six months ended June 30, 2007 are as follows:

Description	Korean Won				Translation into U. S. Dollars (Note 2)	
	Industrial property rights	Development costs	Other	Total	Total	
	(In millions)				(In thousands)	
Beginning of period	₩ 17,580	₩ 1,091,333	₩ 9,684	₩ 1,118,597	\$	1,206,945
Addition: Expenditures	3,429	202,969	172	206,570		222,885
Deduction: Amortization	(3,735)	(175,060)	(844)	(179,639)		(193,827)
End of period	<u>₩ 17,274</u>	<u>₩ 1,119,242</u>	<u>₩ 9,012</u>	<u>₩ 1,145,528</u>	<u>\$</u>	<u>1,236,003</u>

The changes in intangibles for the six months ended June 30, 2006 are as follows:

Description	Korean Won				Translation into U. S. Dollars (Note 2)	
	Industrial property rights	Development costs	Other	Total	Total	
	(In millions)				(In thousands)	
Beginning of period	₩ 15,573	₩ 893,309	₩ 11,513	₩ 920,395	\$	993,089
Addition: Expenditures	5,203	157,527	-	162,730		175,583
Deduction: Amortization	(3,516)	(131,670)	(915)	(136,101)		(146,851)
End of period	<u>₩ 17,260</u>	<u>₩ 919,166</u>	<u>₩ 10,598</u>	<u>₩ 947,024</u>	<u>\$</u>	<u>1,021,821</u>

Research and development expenditure for the three months and six months ended June 30, 2007 and 2006 are as follows:

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Six months		Six-month	
	2007	2006	2007	2006	2007	2006
	(In millions)				(In thousands)	
Development costs	₩ 103,950	₩ 81,829	₩ 202,969	₩ 157,527	\$ 219,000	\$ 169,969
Ordinary development (manufacturing cost)	32,251	28,017	59,645	54,257	64,356	58,542
Research costs (SG&A)	91,290	106,726	174,443	229,744	188,221	247,890
	<u>₩ 227,491</u>	<u>₩ 216,572</u>	<u>₩ 437,057</u>	<u>₩ 441,528</u>	<u>\$ 471,577</u>	<u>\$ 476,401</u>

11. OTHER ASSETS:

Other assets as of June 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U. S. Dollars (Note 2)	
	June 30	December 31	June 30	December 31
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Long-term financial instruments (Note 3)	₩ 13	₩ 40	14	43
Long-term notes and accounts receivable, less unamortized present value discount of ₩1,709 million as of June 30, 2007 and ₩1,307 million as of December 31, 2006	11,207	9,210	12,092	9,937
Long-term other accounts receivable, less unamortized present value discount of ₩196 million as of Jun 30, 2007 and ₩448 million as of December 31, 2006 (Note 2)	81,287	82,804	87,707	89,344
Long-term loans	7,831	13,520	8,450	14,588
Lease and rental deposits	187,640	184,829	202,460	199,427
Long-term deposits	102,137	101,050	110,204	109,031
	<u>₩ 390,115</u>	<u>₩ 391,453</u>	<u>\$ 420,927</u>	<u>\$ 422,370</u>

12. SHORT-TERM BORROWINGS:

Short-term borrowings as of June 30, 2007 and December 31, 2006 amount to ₩447,239 million (US\$482,563 thousand) and ₩474,165 million (US\$511,615 thousand), respectively, and consist primarily of overdrafts and banker's usance with annual interest rates ranging from Libor + 0.09 percent to 6.50 percent.

13. LONG-TERM DEBT AND DEBENTURES:

Long-term debt and debentures as of June 30, 2007 and December 31, 2006 consist of the following:

Description	Annual interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
		June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
		(In millions)		(In thousands)	
Debentures	3.75 ~ 7.60	₩ 1,510,931	₩ 1,211,811	\$ 1,630,267	\$ 1,307,522
Local currency loans:					
General loans	3.00 ~ 4.50	<u>14,981</u>	<u>15,991</u>	<u>16,164</u>	<u>17,253</u>
		<u>1,525,912</u>	<u>1,227,802</u>	<u>1,646,431</u>	<u>1,324,775</u>
Less: current maturities		<u>115,730</u>	<u>116,233</u>	<u>124,871</u>	<u>125,413</u>
		<u>₩ 1,410,182</u>	<u>₩ 1,111,569</u>	<u>\$ 1,521,560</u>	<u>\$ 1,199,362</u>

Debentures as of June 30, 2007 and December 31, 2006 consist of the following:

Description	Maturity	Interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
			June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
			(In thousands)		(In thousands)	
Non-guaranteed debentures	Nov 10, 2008 ~ Dec 4, 2012	3.75 ~ 5.52	₩ 1,400,000	₩ 1,100,000	\$ 1,510,574	\$ 1,186,880
Overseas debentures	Jul 15, 2007	7.60	<u>113,788</u>	<u>114,132</u>	<u>122,775</u>	<u>123,146</u>
			<u>1,513,788</u>	<u>1,214,132</u>	<u>1,633,349</u>	<u>1,310,026</u>
Less; discount on debentures			<u>2,857</u>	<u>2,321</u>	<u>3,082</u>	<u>2,504</u>
			<u>₩ 1,510,931</u>	<u>₩ 1,211,811</u>	<u>\$ 1,630,267</u>	<u>\$ 1,307,522</u>

The maturity of long-term debt and debentures as of June 30, 2007 is as follows:

Description	Korean Won			Translation into U.S. Dollars (Note 2)
	Debentures	Local currency loans	Total	Total
		(In millions)		(In thousands)
July 1, 2008~June 30, 2009	₩ 200,000	₩ 978	₩ 200,978	\$ 216,852
July 1, 2009~June 30, 2010	300,000	731	300,731	324,483
July 1, 2010~June 30, 2011	300,000	728	300,728	324,480
Thereafter	<u>600,000</u>	<u>10,602</u>	<u>610,602</u>	<u>658,828</u>
	1,400,000	13,039	1,413,039	1,524,643
Less: discount on debentures	<u>2,857</u>	-	<u>2,857</u>	<u>3,083</u>
	<u>₩ 1,397,143</u>	<u>₩ 13,039</u>	<u>₩ 1,410,182</u>	<u>\$ 1,521,560</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 June 30, 2007:

Description	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Hyundai Merchant Marine	₩ 182,256	\$ 196,651
Hyundai Card Co., Ltd.	3,707	4,000
Hyundai Capital Co., Ltd	314,045	338,849
Hyundai Motor America	185,360	200,000
Hyundai Motor Manufacturing Alabama LLC	625,590	675,000
Hyundai Motor Finance Company	667,296	720,000
Smart Alabama LLC	111,216	120,000
ROTEM	70,262	75,811
Hyundai Motor Europe GmbH	29,904	32,266
Hyundai Translead	91,753	99,000
Hyundai Auto Canada Captive Insurance Incorporation	14,678	15,837
Hyundai Motor Poland Sp.zo.o.	6,230	6,722
Hyundai Motor Japan Co.	37,622	40,593
HMJ R&D Center Inc.	4,138	4,465
Beijing Hines Millennium Real Estate Development Co., Ltd.	13,902	15,000
Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,317	2,500
Hyundai America Technical Center Inc.	18,536	20,000
UTS	222,432	240,000
Hyundai Motor Europe Technical Center GmbH	74,759	80,664
Equus Cayman Finance Ltd.	370,720	400,000
Hyundai Motor India	92,680	100,000
	₩ 3,139,403	\$ 3,387,358

- (2) As of June 30, 2007, 12,284,466 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, 2 blank promissory notes, 1 check amounting to ₩2,624 million (US\$2,831 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 ₩40,313 million (US\$43,497 thousand) to the banks concerned as of June 30, 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 June 30, 2007, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,194,216 million (US\$1,288,537 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 June 30, 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 to measure the expenditure required to settle the consequence of this investigation reasonably; 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 six months ended June 30, 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	₩ 3,084,908	₩ 3,168,283	\$ 3,328,558	\$ 3,418,519
Accrual	168,602	147,831	181,918	159,507
Use	(159,542)	(156,629)	(172,142)	(169,000)
End of period	<u>₩ 3,093,968</u>	<u>₩ 3,159,485</u>	<u>\$ 3,338,334</u>	<u>\$ 3,409,026</u>

16. CAPITAL STOCK:

Capital stock as of June 30, 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	\$ 1,245,070
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	<u>331,011</u>	<u>357,155</u>
				<u>₩ 1,484,942</u>	<u>\$ 1,602,225</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 June 30, 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 June 30, 2007 and December 31, 2006 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Paid-in capital in excess of par value	₩ 3,294,391	₩ 3,294,391	\$ 3,554,587	\$ 3,554,587
Asset revaluation surplus	1,852,871	1,852,871	1,999,213	1,999,213
Other	261,743	261,743	282,416	282,416
	<u>₩ 5,409,005</u>	<u>₩ 5,409,005</u>	<u>\$ 5,836,216</u>	<u>\$ 5,836,216</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\$2,748,616 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US\$17,287 thousand), a deferred foreign currency translation loss of ₩594,275 million (US\$641,212 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US\$72,882 thousand) and adjustment of ₩16,702 million (US\$18,021 thousand) due to the disposal of revalued assets within 1 year after revaluation.

18. CAPITAL ADJUSTMENTS:

Capital adjustments as of June 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Treasury stock	₩ (713,869)	₩ (716,316)	\$ (770,251)	\$ (772,892)
Stock option cost	9,337	9,337	10,074	10,075
	<u>₩ (704,532)</u>	<u>₩ (706,979)</u>	<u>\$ (760,177)</u>	<u>\$ (762,817)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 11,220,381 common shares and 2,950,960 preferred shares with a carrying value of ₩713,869 million (US\$770,251 thousand) as of June 30, 2007, 11,287,470 common shares and 2,950,960 preferred shares with a carrying value of ₩716,316 million (US\$772,892 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 June 30, 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. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

Accumulated other comprehensive income (loss) as of June 30, 2007 and December 31, 2006 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Gain on valuation of available-for-sale securities, net	₩ 563,136	₩ 195,214	\$ 607,613	210,632
Loss on valuation of investment securities accounted for using the equity method, net	(341,823)	(436,369)	(368,821)	(470,834)
Loss on valuation of derivatives, net	<u>16,573</u>	<u>14,550</u>	<u>17,883</u>	<u>15,699</u>
	<u>₩ 237,886</u>	<u>₩ (226,605)</u>	<u>\$ 256,675</u>	<u>(244,503)</u>

20. STATEMENTS OF COMPREHENSIVE INCOME:

Statements of comprehensive income for the three months and six months ended June 30, 2007 and 2006 consist of the following:

Description	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2007	2006	2007	2006	2007	2006
	(In millions)				(In thousands)	
Net income	₩ 611,537	₩ 403,147	₩ 918,923	₩ 745,534	\$ 991,501	\$ 804,417
Other comprehensive income:						
Gain on valuation of available-for-sale securities, net of deferred tax effect of ₩139,557 million and ₩12,239 million for the six months ended June 30, 2007 and 2006, respectively	271,001	29,726	367,922	32,266	396,981	34,814
Gain (Loss) on valuation of investment securities accounted for using the equity method, net of deferred tax effect of ₩10,939 million and ₩20,651 million for the six months ended June 30, 2007 and 2006, respectively	23,714	(52,110)	94,546	(227,990)	102,013	(245,997)
Gain (Loss) on valuation of derivatives, net of deferred tax effect of ₩5,518 million and ₩872 for the six months ended June 30, 2007 and 2006, respectively	<u>3,806</u>	<u>(2,992)</u>	<u>2,023</u>	<u>2,298</u>	<u>2,183</u>	<u>2,480</u>
Comprehensive income	<u>₩ 910,058</u>	<u>₩ 377,771</u>	<u>₩1,383,414</u>	<u>₩ 552,108</u>	<u>\$ 1,492,678</u>	<u>\$ 595,714</u>

21. RETAINED EARNINGS:

Retained earnings as of June 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Appropriated:				
Legal reserve	₩ 250,970	₩ 223,370	\$ 270,792	\$ 241,012
Reserve for business rationalization	545,800	545,800	588,908	588,908
Reserve for improvement of financial structure	98,947	98,947	106,762	106,762
Reserve for overseas market development	48,800	48,800	52,654	52,654
Reserve for technology development	8,868,100	7,628,100	9,568,516	8,230,579
	9,812,617	8,545,017	10,587,632	9,219,915
Before appropriations	955,268	1,545,448	1,030,716	1,667,509
	<u>₩ 10,767,885</u>	<u>₩ 10,090,465</u>	<u>\$ 11,618,348</u>	<u>\$ 10,887,424</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\$297,122 thousand) are reflected in retained earnings on that date.

22. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

Income tax expense for the six months ended June 30, 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	₩ 214,918	₩ 187,874	\$ 231,893	\$ 202,713
Changes in deferred income taxes due to:				
Temporary differences	197,335	70,542	212,921	76,114
Carry forward of unused tax credits	33,530	1,337	36,178	1,443
Items directly charged to equity	(145,169)	5,255	(156,635)	5,669
Income tax expense	<u>₩ 300,614</u>	<u>₩ 265,008</u>	<u>\$ 324,357</u>	<u>\$ 285,939</u>

For the six months ended June 30, 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	₩ 1,219,537	₩ 1,010,542	\$ 1,315,858	\$ 1,090,356
Addition	1,981,633	1,603,875	2,138,145	1,730,551
Deduction	(2,023,097)	(1,605,660)	(2,182,884)	(1,732,477)
Taxable income	₩ <u>1,178,073</u>	₩ <u>1,008,757</u>	\$ <u>1,271,119</u>	\$ <u>1,088,430</u>

The components of deferred tax assets (liabilities) as of June 30, 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	₩ -	₩ (582,878)	\$ -	\$ (628,915)
Accrued warranties	221,000	629,841	238,455	679,587
Long-term investment securities	-	(204,203)	-	(220,331)
Reserve for research and manpower development	(42,625)	(79,750)	(45,992)	(86,049)
Depreciation	(10,983)	(84,317)	(11,850)	(90,976)
Development cost	(116)	-	(125)	-
Derivative liabilities	-	(34,447)	-	(37,168)
Accrued income	(22,403)	-	(24,172)	-
Carry forward of unused tax credits	-	-	-	-
Other	141	22,082	151	23,826
	₩ <u>145,014</u>	₩ <u>(333,672)</u>	\$ <u>156,467</u>	\$ <u>(360,026)</u>

The components of deferred income tax assets (liabilities) as of June 30, 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	₩ 891	₩ -	\$ 961	\$ -
Investment securities accounted for using the equity method	-	(481,460)	-	(519,486)
Accrued warranties	202,945	665,913	218,974	718,508
Long-term investment securities	-	(44,250)	-	(47,745)
Reserve for research and manpower development	(58,208)	(39,875)	(62,805)	(43,024)
Depreciation	24	(74,726)	26	(80,628)
Development cost	(4,495)	-	(4,850)	-
Derivative instruments	(7,831)	(62,168)	(8,450)	(67,078)
Accrued income	(20,953)	-	(22,608)	-
Other	1,182	3,367	1,276	3,632
	₩ <u>113,555</u>	₩ <u>(33,199)</u>	\$ <u>122,524</u>	\$ <u>(35,821)</u>

The components of items charged to equity for the six months ended June 30, 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:				
Retained earnings	₩ (698)	₩ (191)	\$ (753)	\$ (206)
Accumulated comprehensive income	<u>(527,187)</u>	<u>(144,978)</u>	<u>(568,825)</u>	<u>(156,429)</u>
	<u>₩ (527,885)</u>	<u>₩ (145,169)</u>	<u>\$ (569,578)</u>	<u>\$ (156,635)</u>

The components of items charged to equity for the six months ended June 30, 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	<u>₩ 5,112</u>	<u>₩ 1,406</u>	<u>\$ 5,516</u>	<u>\$ 1,517</u>
Deferred tax charged or credited to:				
Retained earnings	₩ (3,195)	₩ (879)	\$ (3,447)	\$ (948)
Accumulated comprehensive income	<u>27,416</u>	<u>7,540</u>	<u>29,581</u>	<u>8,135</u>
	<u>₩ 24,221</u>	<u>₩ 6,661</u>	<u>\$ 26,134</u>	<u>\$ 7,187</u>

The deferred tax assets related to the deductible temporary differences arising from investments in subsidiaries and associates of ₩136,709 million (US\$147,506 thousand), and deferred tax liabilities of ₩367 million (US\$396 thousand) as of June 30, 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 ₩123,694 million (US\$133,464 thousand) as of June 30, 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 24.65 percent and 26.22 percent for the six months ended June 30, 2007 and 2006, respectively.

23. RELATED PARTY TRANSACTIONS:

(1) The consolidated subsidiaries as of June 30, 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, Haevichi Countryclub Co., Ltd and Hyundai Commercial Inc.
Foreign subsidiaries	Hyundai Motor India (HMI), Hyundai Motor America (HMA), Hyundai Motor Japan Co. (HMJ), Hyundai Motor Poland Sp.Zo.O (HMP), Hyundai Motor Europe GmbH (HME), Hyundai Motor Company Australia (HMCA), Hyundai Motor (UK) Ltd. (HMUK), Hyundai Motor Norway AS (HMN), Hyundai Motor Hungary (HMH), Hyundai Translead, Inc. (HT), Hyundai America Technical Center Inc.(HATCI), Hyundai Motor Europe Technical Center GmbH (HMETC), Beijing Mobis Transmission Co., Ltd.(BMT), Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.,(HAOSVT), Hyundai Motor Group (China) LTD. (HMGC), Beijing Jingxian Motor Safeguard Service Co., LTD. (BJMSS), Hyundai Motor Manufacturing Alabama, LLC, (HMMA), Hyundai Motor Finance Company (HMFC), Hyundai Auto Canada 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), Stampted Metal America Research Technology Inc., (SMARTI), Stampted 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., EUROTEM, Autoever Systems India Private Limited, Autoever Systems China Co., Ltd., Hyundai Autonet Pontus America, Hyundai Electronics (Tianjin) Co., Ltd., Rio Vista, Rotem USA Corporation, Kia Motors New Zealand LTD (KMNZ), Wia Trade Corporation, Hyundai Auto Canada (HAC), Kia Motors Manufacturing Georgia, Inc. (KMMG), Hyundai Motor India Engineering (HMIE), Autoever Systems Europe GmbH and HYSCO CZECH s.r.o.

(2) Significant transactions with subsidiaries and affiliates for the six months ended June 30, 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	₩ 256,407	₩ 263,378	\$ 276,658	\$ 284,180
Hyundai Capital Service Inc.	167,356	2	180,574	2
Dymos Inc.	313	275,830	338	297,615
WIA Corporation	90,159	170,898	97,280	184,396
KEFICO Corporation	28	160,703	30	173,396
Hyundai HYSCO	490	98,798	529	106,601
Hyundai Powertech	7,162	161,205	7,728	173,937
Hyundai Autonet Co., Ltd.	1,289	66,360	1,391	71,601
Autoever Systems Corp.	92	71,155	99	76,775
ROTEM	1,091	30,389	1,177	32,789
METIA Co., Ltd.	751	23,851	810	25,735
NGVTEK.Com	1	4,610	1	4,974
Haevichi Resort.	268	2,967	289	3,201
Automobile industrial Ace Corp.	-	496	-	535
Hyundai Card Co., Ltd.	110	35,369	119	38,162
Hyundai Motor America	1,571,551	-	1,695,674	-
Hyundai Motor Europe GmbH	1,119,566	-	1,207,991	-
Hyundai Auto Canada	313,592	-	338,360	-
Hyundai Motor India	305,415	165	329,537	178
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	298,680	-	322,270	-
Hyundai Motor Group (China) LTD.	180,362	-	194,607	-
Hyundai Motor Company Australia	216,449	-	233,544	-
Hyundai Motor Manufacturing Alabama, LLC	176,629	-	190,579	-
Hyundai Motor Poland Sp. Zo.O	75,923	-	81,920	-
Hyundai Motor Norway AS	38,735	-	41,794	-
Hyundai America Technical Center Inc.	7	26,712	8	28,822
Hyundai Motor Europe Technical Center GmbH	54	14,219	58	15,342
Hyundai Motor Japan Co.	4,948	-	5,339	-
Hyundai Motor Hungary	1,382	-	1,491	-
Hyundai Motor Finance Company	613	-	661	-
Others	196	5,358	212	5,781
Affiliates:				
Hyundai MOBIS	203,936	1,557,709	220,043	1,680,739
Hyundai Steel Company	1,503	966	1,622	1,042
EUKOR Car Carriers, Inc.	345	135,667	372	146,382
Iljin Bearing Co., Ltd.	-	14,864	-	16,038
Beijing-Hyundai Motor Company	203,149	-	219,194	-
HMJ R&D Center Inc.	4	4,025	4	4,343
Others	11	281	13	304
Others:				
Glovis Co., Ltd.	64,388	200,162	69,473	215,971
Amco Corp.	978	164,722	1,055	177,732
IHL Corp.	33	41,808	36	45,110
BNG Steel Co., Ltd.	1	52,379	1	56,516
Wisco Co., Ltd.	2	31,493	2	33,980
Korea Automotive Systems Co., Ltd.	2	12,225	2	13,191
Innotion Corp.	17	12,795	18	13,806
Others	33	424	37	458
	<u>₩ 5,304,021</u>	<u>₩ 3,641,985</u>	<u>\$ 5,722,940</u>	<u>\$ 3,929,634</u>

Significant transactions with subsidiaries and affiliates for the six months ended June 30, 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	₩ 349,128	₩ 362,227	\$ 376,703	\$ 390,836
Dymos Inc.	1,253	303,340	1,352	327,298
Hyundai Capital Service Inc.	226,199	23,218	244,065	25,052
WIA Corporation	75,207	123,885	81,147	133,670
KEFICO Corporation	73	151,318	79	163,269
Hyundai Powertech	10,008	83,462	10,798	90,054
Hyundai Autonet Co., Ltd.	77	82,358	83	88,863
Hyundai HYSKO	925	71,315	998	76,948
Autoever Systems Corp.	73	59,903	79	64,634
Hyundai Card Co., Ltd.	129	31,416	139	33,897
METIA Co., Ltd.	1,240	12,976	1,338	14,001
ROTEM	181	6,524	195	7,039
Hyundai Motor America	1,953,537	-	2,107,830	-
Hyundai Motor Europe GmbH	1,474,691	-	1,591,164	-
HAOSVT	364,682	-	393,485	-
Hyundai Motor Company Australia	230,576	-	248,787	-
Hyundai Motor India	221,089	3,004	238,551	3,241
Hyundai Motor Manufacturing Alabama, LLC	100,354	-	108,280	-
Hyundai Motor Poland Sp. Zo.O	66,614	-	71,875	-
Hyundai Motor Norway AS	32,050	-	34,581	-
Hyundai America Technical Center Inc.	14	31,026	15	33,476
Hyundai Motor Europe Technical Center GmbH	35	12,049	38	13,001
Hyundai Motor Hungary	5,832	-	6,293	-
Hyundai Motor Japan Co.	4,602	-	4,965	-
Others	954	86	1,030	94
Affiliates:				
Hyundai MOBIS	279,327	1,354,047	301,389	1,460,992
Hyundai Steel Company	790	12,257	852	13,225
EUKOR Car Carriers, Inc.	829	136,859	894	147,668
Iljin Bearing Co., Ltd.	12	17,304	13	18,671
Beijing-Hyundai Motor Company	287,374	-	310,071	-
HMJ R&D Center Inc.	3	3,622	3	3,908
GEA	-	613	-	661
Others	54	-	59	-
Others:				
Glovis Co., Ltd.	1,036	166,080	1,118	179,197
Amco Corp.	680	175,347	734	189,196
Innotion Corp.	56	16,508	60	17,812
IHL Corp.	1,020	44,072	1,101	47,553
Wisco Co., Ltd.	406	14,986	438	16,170
Korea Automotive Systems Co., Ltd.	2	26,734	2	28,845
BNG Steel Co., Ltd.	2	37,564	2	40,531
Ecoplastastic Corp.	4,989	105,494	5,383	113,826
	<u>₩ 5,696,103</u>	<u>₩ 3,469,594</u>	<u>\$ 6,145,989</u>	<u>\$ 3,743,628</u>

(3) Significant outstanding balances as of June 30, 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	₩ 187,159	₩ 162,619	\$ 201,941	\$ 175,463
Hyundai Card Co., Ltd.	33,052	42,139	35,662	45,467
Dymos Inc.	6,277	122,966	6,773	132,678
Hyundai Capital Service Inc.	83,092	3,455	89,655	3,728
WIA Corporation	28,452	85,110	30,699	91,832
Autoever Systems Corp.	16	33,550	17	36,200
KEFICO Corporation	808	59,161	872	63,834
Hyundai HYSCO	2,319	39,520	2,502	42,641
ROTEM	1,747	40,085	1,885	43,251
Hyundai Autonet Co., Ltd.	381	33,808	411	36,478
Hyundai Powertech	4,301	84,696	4,641	91,385
METIA Co., Ltd.	111	11,476	120	12,382
NGVTEK.Com	-	4,541	-	4,900
Partecs Co., Ltd.	1,839	1,869	1,984	2,017
Haevichi Resort.	6	919	6	992
Hyundai Motor America	75,468	14,005	81,429	15,111
Hyundai Motor Europe GmbH	96,911	979	104,565	1,056
Hyundai Motor Manufacturing Alabama, LLC	60,365	206	65,133	222
Hyundai Motor India	24,170	7	26,079	8
Hyundai Motor Company Australia	44,003	434	47,478	468
Hyundai Auto Canada	20,479	1,862	22,096	2,009
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	28,067	4,106	30,284	4,430
Hyundai Motor Group (China) LTD.	15,075	-	16,266	-
Hyundai Motor Poland Sp. Zo.O	9,616	592	10,375	639
Hyundai America Technical Center Inc.	10	5,152	11	5,559
Hyundai Motor Norway AS	608	9	656	10
Hyundai Motor Europe Technical Center GmbH	85	2,815	92	3,037
Others	399	3,110	432	3,356
Affiliates:				
Hyundai MOBIS	104,232	643,629	112,464	694,464
Hyundai Steel Company	259	22,439	279	24,211
Beijing-Hyundai Motor Company	22,400	3,774	24,169	4,072
EUKOR Car Carriers, Inc.	29	52,949	31	57,131
Iljin Bearing Co., Ltd.	7	3,054	8	3,295
Others	1	712	1	768
Others:				
Amco Corp.	224	115,382	242	124,495
Glovis Co., Ltd.	713	58,254	769	62,855
Innotion Corp.	4	33,048	4	35,658
IHL Corp.	157	17,668	169	19,063
BNG Steel Co., Ltd.	-	16,280	-	17,566
Korea Automotive Systems Co., Ltd.	22	11,039	24	11,911
Wisco Co., Ltd.	748	14,176	808	15,296
	<u>₩ 853,612</u>	<u>₩ 1,751,595</u>	<u>\$ 921,032</u>	<u>\$ 1,889,938</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	\$ 178,809	\$ 143,899
Hyundai Card Co., Ltd.	57,909	48,678	62,483	52,523
Dymos Inc.	8,494	92,837	9,165	100,169
Hyundai Capital Service Inc.	82,555	6,582	89,075	7,102
WIA Corporation	32,700	80,258	35,283	86,597
Autoever Systems Corp.	23	69,525	25	75,016
KEFICO Corporation	902	43,211	973	46,624
Hyundai HYSCO	515	48,877	556	52,737
ROTEM	20	35,215	22	37,996
Hyundai Autonet Co., Ltd.	261	27,389	282	29,552
Hyundai Powertech	2,950	33,996	3,183	36,681
METIA Co., Ltd.	90	9,558	97	10,313
NGVTEK.Com	114	3,614	123	3,899
Haevichi Resort.	13,110	1,130	14,145	1,219
Hyundai Motor America	88,556	17,585	95,550	18,974
Hyundai Motor Europe GmbH	68,342	-	73,740	-
Hyundai Motor Manufacturing Alabama, LLC	68,607	111	74,026	120
Hyundai Motor India	50,485	112	54,472	121
Hyundai Motor Company Australia	30,268	-	32,659	-
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	30,832	62	33,267	67
Hyundai Motor Poland Sp. Zo.O	9,005	1,465	9,716	1,581
Hyundai America Technical Center Inc.	17	7,131	18	7,694
Hyundai Motor Norway AS	977	4	1,054	4
Hyundai Motor Europe Technical Center GmbH	23	4,234	25	4,568
Others	2,407	2,714	2,596	2,929
Affiliates:				
Hyundai MOBIS	84,146	498,272	90,792	537,626
Hyundai Steel Company	558	22,625	602	24,412
Beijing-Hyundai Motor Company	50,804	2,008	54,817	2,167
EUKOR Car Carriers, Inc.	17	39,939	18	43,093
Iljin Bearing Co., Ltd.	66	3,300	71	3,561
Others	3	736	3	795
Others:				
Amco Corp.	527	144,466	569	155,876
Glovis Co., Ltd.	9,946	47,177	10,732	50,903
Innotion Corp.	113	45,478	122	49,070
Ecoplastic Corp.	8,938	34,268	9,644	36,975
IHL Corp.	141	14,904	152	16,081
BNG Steel Co., Ltd.	-	18,953	-	20,450
Korea Automotive Systems Co., Ltd.	15	8,633	16	9,315
Wisco Co., Ltd.	616	8,291	665	8,946
	<u>₩ 870,772</u>	<u>₩ 1,556,704</u>	<u>\$ 939,547</u>	<u>\$ 1,679,655</u>

(4) Compensations for registered directors and unregistered directors of the Company for the six months ended June 30, 2007 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	(In millions)		(In thousands)	
Short-term salaries	₩	23,815	\$	25,696
Severance benefits		5,409		5,836
	₩	29,224	\$	31,532

Accrued severance benefits and stock option costs for the directors as of June 30, 2007 amount to ₩78,917 million (US\$85,150 thousand) and ₩5,046 million (US\$5,445 thousand), respectively.

24. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

The assets and liabilities denominated in foreign currencies as of June 30, 2007 and December 31, 2006 are summarized below.

	Foreign currencies				Korean Won			
	June 30, 2007		December 31, 2006		June 30, 2007		December 31, 2006	
	(In thousands)				(In millions)			
Assets	US\$	728,731	US\$	545,043	₩	675,388	₩	506,672
	JP ¥	45,417	JP ¥	82,832		342		647
	GBP	6,737	GBP	7,184		12,498		13,104
	CAD	23,412	CAD	13,312		20,479		10,665
	EUR	275,908	EUR	230,592		343,779		281,839
	AUD	32,867	AUD	28,167		25,789		20,688
	AED	143,226	AED	-		36,142		-
					₩	1,114,417	₩	833,615
Liabilities	US\$	143,774	US\$	436,001	₩	133,250	₩	405,307
	JP ¥	471,293	JP ¥	23,677,692		3,546		185,119
	GBP	154	GBP	7,600		287		13,863
	CAD	2,117	CAD	2,760		1,852		2,211
	AUD	130	AUD	3,284		102		2,412
	EUR	4,452	EUR	198,311		5,547		242,384
	SGD	-	SGD	347		-		210
	CHF	3	CHF	1,088		2		828
	DKK	-	DKK	92		-		15
	SEK	-	SEK	85		-		12
	AED	1	AED	-		-		-
				₩	144,586	₩	852,361	

25. REGIONAL SALES INFORMATION:

Sales by region for the three months and six months ended June 30, 2007 and 2006 are as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2007	2006	2007	2006	2007	2006
	(In millions)				(In thousands)	
Domestic sales	<u>₩ 3,402,494</u>	<u>₩ 2,906,284</u>	<u>₩ 6,371,228</u>	<u>₩ 5,800,469</u>	<u>\$ 6,874,437</u>	<u>\$ 6,258,598</u>
Export sales - Vehicle products						
North America	931,074	880,987	1,885,176	1,953,544	2,034,070	2,107,838
Europe	1,338,166	1,214,394	2,247,166	2,329,776	2,424,650	2,513,785
South America	361,813	281,015	670,037	543,196	722,957	586,098
Asia & Pacific	333,593	322,481	567,471	540,998	612,291	583,727
Middle Asia & Africa	<u>710,553</u>	<u>543,149</u>	<u>1,264,368</u>	<u>1,077,963</u>	<u>1,364,230</u>	<u>1,163,102</u>
	<u>3,675,199</u>	<u>3,242,026</u>	<u>6,634,218</u>	<u>6,445,477</u>	<u>7,158,198</u>	<u>6,954,550</u>
Export sales - Other	<u>949,246</u>	<u>854,493</u>	<u>1,705,565</u>	<u>1,618,374</u>	<u>1,840,273</u>	<u>1,746,196</u>
Export sales	<u>4,624,445</u>	<u>4,096,519</u>	<u>8,339,783</u>	<u>8,063,851</u>	<u>8,998,471</u>	<u>8,700,746</u>
 Total sales	<u>₩ 8,026,939</u>	<u>₩ 7,002,803</u>	<u>₩ 14,711,011</u>	<u>₩ 13,864,320</u>	<u>\$ 15,872,908</u>	<u>\$ 14,959,344</u>

26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months and six months ended June 30, 2007 and 2006 are as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2007	2006	2007	2006	2007	2006
	(In millions)				(In thousands)	
Salary-related costs	<u>₩ 277,637</u>	<u>₩ 242,362</u>	<u>₩ 536,348</u>	<u>₩ 492,146</u>	<u>\$ 578,710</u>	<u>\$ 531,016</u>
Export costs	201,580	180,809	360,348	357,890	388,809	386,157
Sales promotion and advertisements	101,662	114,871	171,740	222,644	185,304	240,229
Sales commissions	114,780	95,838	217,859	189,110	235,066	204,046
Sales warranties	85,666	75,975	192,315	167,926	207,504	181,189
Taxes and dues	7,229	5,478	9,550	8,710	10,304	9,398
Communications	4,675	4,732	9,459	9,549	10,206	10,303
Utilities	3,897	4,175	10,189	10,866	10,994	11,724
Freight and warehousing	21,832	17,342	40,598	35,503	43,804	38,307
Rent	3,755	4,728	7,461	9,744	8,050	10,514
Travel	16,928	14,114	33,032	31,339	35,641	33,814
Service charges	38,635	39,550	80,945	78,118	87,338	84,288
Maintenance	3,092	2,884	5,729	5,707	6,181	6,158
Supplies	3,770	3,745	7,197	7,851	7,765	8,471
Research	91,290	106,726	174,443	229,744	188,221	247,890
Depreciation	18,672	17,487	37,034	34,309	39,959	37,019
Amortization	2,264	2,234	4,579	4,431	4,941	4,781
Provision for other liabilities	3,051	-	5,772	-	6,228	-
Other	<u>3,030</u>	<u>2,605</u>	<u>5,814</u>	<u>5,113</u>	<u>6,274</u>	<u>5,516</u>
	<u>₩ 1,003,445</u>	<u>₩ 935,655</u>	<u>₩ 1,910,412</u>	<u>₩ 1,900,700</u>	<u>\$ 2,061,299</u>	<u>\$ 2,050,820</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 six months ended June 30, 2007 and 2006, expenditures of power and water supply in manufacturing cost are ₩105,900 million (US\$114,264 thousand) and ₩101,400 million (US\$109,409 thousand), respectively.