

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
AND INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying consolidated balance sheets of Hyundai Motor Company (the "Company") and its subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain subsidiaries including Kia Motors Corporation, which statements reflect total assets of ₩49,169,286 million (before eliminating inter-company transaction) (US\$52,408,107 thousand) and ₩42,407,392 million (before eliminating inter-company transaction) (US\$45,200,802 thousand) as of December 31, 2007 and 2006, respectively, and total revenues of ₩57,603,141 million (before eliminating inter-company transaction) (US\$61,397,507 thousand) and ₩58,537,221 million (before eliminating inter-company transaction) (US\$62,393,116 thousand) in 2007 and 2006, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Hyundai Motor Company and its subsidiaries as of December 31, 2007 and 2006, and the results of their operations, changes in its shareholders' equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea (See Note 2).

Our audits also comprehended the translation of Korean Won amounts into U.S. dollar amounts and, in our opinion, such translation has 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 auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in 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 audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

March 27, 2008

Notice to Readers

This report is effective as of March 27, 2008, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2007 AND 2006

ASSETS	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Current assets:				
Cash and cash equivalents (Note 9)	₩ 4,393,692	₩ 3,730,007	\$ 4,683,108	\$ 3,975,706
Short-term financial instruments (Note 3)	3,344,206	3,144,765	3,564,492	3,351,913
Short-term investment securities (Note 5)	142,814	475,429	152,221	506,746
Trade notes and accounts receivable, less allowance for doubtful accounts and present value discount account of ₩202,492 million in 2007 and ₩201,154 million in 2006 (Note 16)	6,308,361	4,981,565	6,723,898	5,309,705
Trade notes and accounts receivable - other (Notes 16 and 25)	177,587	422,800	189,285	450,650
Inventories (Notes 4, 9, 16 and 24)	11,265,083	9,892,245	12,007,123	10,543,855
Derivative assets (Note 29)	18,760	16,654	19,996	17,751
Deferred tax assets (Note 22)	797,520	716,700	850,053	763,910
Advances and other current assets	1,741,265	1,200,280	1,855,963	1,279,343
Total current assets	<u>28,189,288</u>	<u>24,580,445</u>	<u>30,046,139</u>	<u>26,199,579</u>
Non-current assets:				
Long-term financial instruments (Note 3)	5,539	15,293	5,904	16,300
Long-term investment securities (Note 6)	1,492,399	773,007	1,590,705	823,926
Investment securities accounted for using the equity method (Notes 7 and 16)	2,035,078	1,578,401	2,169,130	1,682,372
Property, plant and equipment, net of accumulated depreciation of ₩13,277,036 million in 2007 and ₩8,348,614 million in 2006 (Notes 8, 9, 10, 16 and 24)	25,629,530	23,491,593	27,317,768	25,039,003
Intangibles (Note 11)	2,997,884	2,612,350	3,195,357	2,784,428
Derivative assets (Note 29)	259,656	277,800	276,760	296,099
Deferred tax assets (Note 22)	610,799	440,525	651,033	469,543
Other assets (Note 12)	1,093,401	881,232	1,165,424	939,279
Total non-current assets	<u>34,124,286</u>	<u>30,070,201</u>	<u>36,372,081</u>	<u>32,050,950</u>
Other financial business assets (Notes 13 and 16)	<u>21,533,952</u>	<u>16,058,839</u>	<u>22,952,411</u>	<u>17,116,648</u>
Total assets	<u>₩ 83,847,526</u>	<u>₩ 70,709,485</u>	<u>\$ 89,370,631</u>	<u>\$ 75,367,177</u>

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2007 AND 2006

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Current liabilities:				
Short-term borrowings (Note 14)	₩ 16,427,071	₩ 11,639,322	\$ 17,509,136	\$ 12,406,014
Current maturities of long-term debt and debentures (Notes 8 and 15)	4,428,143	4,595,588	4,719,828	4,898,303
Trade notes and accounts payable (Note 25)	6,263,049	8,136,654	6,675,601	8,672,622
Trade notes and accounts payable-other	3,897,252	1,933,558	4,153,967	2,060,923
Accrued warranties (Note 17)	1,340,268	1,261,360	1,428,553	1,344,447
Income tax payable (Note 22)	807,668	391,564	860,870	417,357
Accrued expenses	1,756,883	1,666,514	1,872,610	1,776,289
Derivative liabilities (Note 29)	389,209	1,025	414,847	1,093
Deferred tax liabilities (Note 22)	18,395	3,744	19,607	3,991
Withholdings and other current liabilities	1,675,358	1,323,847	1,785,714	1,411,049
Total current liabilities	<u>37,003,296</u>	<u>30,953,176</u>	<u>39,440,733</u>	<u>32,992,088</u>
Long-term liabilities:				
Long-term debt and debentures, net of current maturities and discount on debentures issued (Notes 8 and 15)	16,862,777	12,782,922	17,973,542	13,624,944
Accrued severance benefits, net of National Pension payments for employees of ₩36,613 million in 2007 and ₩50,534 million in 2006, and individual severance insurance deposits of ₩1,851,881 million in 2007 and ₩1,851,478 in 2006 (Note 2)	1,000,186	1,118,365	1,066,069	1,192,033
Long-term account payable	296,080	655,892	315,583	699,096
Derivative liabilities (Note 29)	83,597	59,935	89,104	63,883
Long-term accrued warranties (Note 17)	2,840,580	2,904,494	3,027,691	3,095,815
Provision for other liabilities	382,811	167,662	408,027	178,706
Deferred tax liabilities (Note 22)	564,016	255,825	601,168	272,676
Other long-term liabilities	968,868	750,779	1,032,688	800,233
Total long-term liabilities	<u>22,998,915</u>	<u>18,695,874</u>	<u>24,513,872</u>	<u>19,927,386</u>
Other financial business liabilities (Note 13)	<u>131,679</u>	<u>94,462</u>	<u>140,353</u>	<u>100,684</u>
Total liabilities	<u>60,133,890</u>	<u>49,743,512</u>	<u>64,094,958</u>	<u>53,020,158</u>
Commitments and contingencies (Note 28)				

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2007 AND 2006

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Shareholders' equity:				
Capital stock (Note 18)	₩ 1,486,980	₩ 1,484,942	\$ 1,584,929	\$ 1,582,756
Capital surplus	5,753,003	5,679,998	6,131,958	6,054,144
Capital adjustments (Note 19)	(718,405)	(707,045)	(765,727)	(753,619)
Accumulated other comprehensive income (loss) (Notes 20 and 21)	326,725	(297,541)	348,247	(317,140)
Retained earnings	11,240,361	9,809,765	11,980,773	10,455,943
Minority interests	5,624,972	4,995,854	5,995,493	5,324,935
Total shareholders' equity	<u>23,713,636</u>	<u>20,965,973</u>	<u>25,275,673</u>	<u>22,347,019</u>
Total liabilities and shareholders' equity	<u>₩ 83,847,526</u>	<u>₩ 70,709,485</u>	<u>\$ 89,370,631</u>	<u>\$ 75,367,177</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions, except per share amounts)		(In thousands, except per share amounts)	
Sales (Notes 24, 25, 26 and 30)				
Domestic sales	₩ 38,062,545	₩ 35,206,252	\$ 40,569,756	\$ 37,525,317
Export sales	31,538,971	28,441,773	33,616,469	30,315,255
	<u>69,601,516</u>	<u>63,648,025</u>	<u>74,186,225</u>	<u>67,840,572</u>
Cost of sales (Notes 25, 26 and 30)	<u>55,467,476</u>	<u>50,238,257</u>	<u>59,121,164</u>	<u>53,547,492</u>
Gross profit	14,134,040	13,409,768	15,065,061	14,293,080
Selling and administrative expenses (Note 27)	<u>11,286,018</u>	<u>11,613,078</u>	<u>12,029,437</u>	<u>12,378,041</u>
Operating income	<u>2,848,022</u>	<u>1,796,690</u>	<u>3,035,624</u>	<u>1,915,039</u>
Other income (expenses), net:				
Interest expense, net	(430,631)	(253,155)	(458,997)	(269,831)
Gain (loss) on foreign exchange translation, net	(169,640)	213,561	(180,814)	227,628
Gain on foreign exchange, net	42	81,596	45	86,971
Gain on valuation of investment securities accounted for using the equity method, net	281,603	292,089	300,152	311,329
Gain on valuation of investment securities	-	250	-	266
Gain on disposal of investment securities accounted for using the equity method	4,484	38,606	4,779	41,149
Gain on disposal of short-term investment securities, net	30,621	17,624	32,638	18,785
Gain on disposal of long-term investment securities, net	35,959	195,922	38,328	208,828
Loss on valuation of derivatives, net	(25,295)	(467,578)	(26,961)	(498,378)
Loss on disposal of trade note and account receivables	(245,164)	(222,528)	(261,313)	(237,186)
Loss on disposal of property, plant and equipment, net	(11,706)	(48,537)	(12,477)	(51,734)
Rental and royalty income	47,670	297,589	50,810	317,191
Loss on impairment of investment securities	(1,964)	(72,114)	(2,093)	(76,864)
Impairment loss on property, plant and equipment	(79)	(56,379)	(84)	(60,093)
Impairment loss on intangibles	(1,114)	(25,026)	(1,187)	(26,674)
Other, net	246,012	238,383	262,216	254,086
	<u>(239,202)</u>	<u>230,303</u>	<u>(254,958)</u>	<u>245,473</u>

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions, except per share amounts)		(In thousands, except per share amounts)	
Income before income tax and minority interests	₩ 2,608,820	₩ 2,026,993	\$ 2,780,665	\$ 2,160,513
Income tax expense (Note 22)	652,733	715,758	695,729	762,906
Income before minority interests	1,956,087	1,311,235	2,084,936	1,397,607
Minority interests	355,607	51,988	379,031	55,412
Net income	<u>₩ 1,600,480</u>	<u>₩ 1,259,247</u>	<u>\$ 1,705,905</u>	<u>\$ 1,342,195</u>
Basic earnings per common share (Note 2)	<u>₩ 5,813</u>	<u>₩ 4,352</u>	<u>\$ 6.20</u>	<u>\$ 4.64</u>
Diluted earnings per common share (Note 2)	<u>₩ 5,800</u>	<u>₩ 4,335</u>	<u>\$ 6.18</u>	<u>\$ 4.62</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean Won						Translation into
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Minority interests	U.S. Dollars (Note 2)
						Total amount	Total amount
January 1, 2006	₩ 1,482,905	₩ 5,591,882	₩ (730,852)	₩ (171,345)	₩ 8,937,256	₩ 4,717,986	₩ 19,827,832 \$ 21,133,907
Stock option exercised	2,037	13,552	-	-	-	-	15,589 16,616
Disposal of subsidiaries' stock	-	8,559	-	-	-	50,775	59,334 63,242
Increase in subsidiaries' capital-stock	-	-	-	-	-	306,509	306,509 326,699
Effect of changes in consolidation scope	-	-	-	-	-	(3,100)	(3,100) (3,304)
Payment of cash dividends (Note 23)	-	-	-	-	(342,310)	(70,007)	(412,317) (439,477)
Net income	-	-	-	-	1,259,247	-	1,259,247 1,342,195
Effect of changes in retained earnings of subsidiaries	-	-	-	-	(57,180)	-	(57,180) (60,946)
Treasury stock	-	3,832	27,376	-	-	-	31,208 33,264
Discount on stock issuance	-	-	1,688	-	-	-	1,688 1,799
Loss on valuation of available-for-sale securities	-	-	-	(158,623)	-	-	(158,623) (169,072)
Gain on valuation of investment equity securities	-	-	-	206,951	-	-	206,951 220,583
Stock options	-	-	(5,257)	-	-	-	(5,257) (5,603)
Cumulative translation debits	-	-	-	(162,219)	-	-	(162,219) (172,904)
Loss on transaction of derivatives	-	-	-	(12,305)	-	-	(12,305) (13,116)
Minority interests	-	-	-	-	-	51,988	51,988 55,412
Others	-	62,173	-	-	12,752	(58,297)	16,628 17,724
December 31, 2006	<u>₩ 1,484,942</u>	<u>₩ 5,679,998</u>	<u>₩ (707,045)</u>	<u>₩ (297,541)</u>	<u>₩ 9,809,765</u>	<u>₩ 4,995,854</u>	<u>₩ 20,965,973 \$ 22,347,019</u>

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean Won						Translation into	
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Minority interests	U.S. Dollars (Note 2)	
						Total amount	Total amount	
January 1, 2007	₩ 1,484,942	₩ 5,679,998	₩ (707,045)	₩ (297,541)	₩ 9,809,765	₩ 4,995,854	₩ 20,965,973	\$ 22,347,019
Stock option exercised	2,038	13,552	(4,152)	-	-	-	11,438	12,191
Disposal of treasury stock	-	17,358	-	-	-	-	17,358	18,501
Disposal of subsidiaries' stock	-	(8,095)	-	-	53,422	88,136	133,463	142,254
Increase in subsidiaries' capital-stock	-	10,871	-	-	-	156,543	167,414	178,442
Subsidiaries' sale of assets	-	21,573	-	-	(24,449)	2,876	-	-
Effect of changes in consolidation scope	-	-	-	-	-	57,400	57,400	61,181
Payment of cash dividends (Note 23)	-	-	-	-	(275,373)	(74,409)	(349,782)	(372,822)
Net income	-	-	-	-	1,600,480	-	1,600,480	1,705,905
Treasury stock	-	-	(7,208)	-	-	-	(7,208)	(7,683)
Gain on valuation of available-for-sale securities	-	-	-	571,817	-	-	571,817	609,483
Loss on valuation of investment equity securities	-	-	-	(63,121)	-	-	(63,121)	(67,279)
Cumulative translation debits	-	-	-	169,091	-	-	169,091	180,229
Loss on transaction of derivatives	-	-	-	(53,521)	-	-	(53,521)	(57,046)
Minority interests	-	-	-	-	-	355,607	355,607	379,031
Others	-	17,746	-	-	76,516	42,965	137,227	146,267
December 31, 2007	<u>₩ 1,486,980</u>	<u>₩ 5,753,003</u>	<u>₩ (718,405)</u>	<u>₩ 326,725</u>	<u>₩ 11,240,361</u>	<u>₩ 5,624,972</u>	<u>₩ 23,713,636</u>	<u>\$ 25,275,673</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Cash flows from operating activities:				
Net income	₩ 1,600,480	₩ 1,259,247	\$ 1,705,905	\$ 1,342,195
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	2,088,960	2,317,028	2,226,562	2,469,653
Amortization of intangibles	697,473	661,183	743,416	704,736
Bad debt expenses	127,020	324,855	135,387	346,253
Loss (gain) on foreign exchange translation, net	147,037	(208,230)	156,722	(221,946)
Gain on valuation of investment securities accounted for using the equity method, net	(203,536)	(191,567)	(216,943)	(204,186)
Gain on disposal of investment securities accounted for using the equity method	(4,484)	(38,606)	(4,779)	(41,149)
Loss on valuation of derivatives, net	25,295	467,578	26,961	498,378
Loss on disposal of trade notes and accounts receivable	245,164	222,528	261,313	237,186
Loss on disposal of property, plant and equipment, net	11,706	48,537	12,477	51,734
Gain on disposal of short-term investment securities, net	(30,621)	(17,624)	(32,638)	(18,785)
Gain on disposal of long-term investment securities, net	(35,959)	(195,922)	(38,328)	(208,828)
Provision for severance benefits	674,011	734,090	718,409	782,445
Amortization of discount on debentures	2,841	24,528	3,028	26,144
Impairment loss on intangibles	1,114	25,026	1,187	26,674
Provision for accrued warranties	647,470	583,778	690,119	622,232
Loss on impairment of investment securities	1,964	72,114	2,093	76,865
Impairment loss on property, plant and equipment	79	56,379	84	60,093
Minority interests, gain	355,607	51,988	379,031	55,412
Other	196,600	43,766	209,550	46,649

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Cash flows from operating activities:				
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable	₩ (1,790,422)	₩ (1,293,761)	\$ (1,908,359)	\$ (1,378,982)
Decrease in trade notes and accounts receivable-other	218,426	336,090	232,814	358,229
Increase in inventories	(1,562,826)	(1,336,088)	(1,665,771)	(1,424,097)
Increase in advances and other current assets	(514,360)	(6,922)	(548,241)	(7,378)
Decrease (increase) in deferred tax assets	64,716	(60,406)	68,979	(64,385)
Increase (decrease) in trade notes and accounts payable	(1,830,077)	1,790,118	(1,950,626)	1,908,035
Increase (decrease) in accounts payable-other	1,517,663	(2,034,784)	1,617,633	(2,168,817)
Increase in income tax payable	416,104	244,671	443,513	260,788
Increase in accrued expenses	76,557	371,649	81,600	396,130
Increase in deferred tax liabilities	322,842	88,602	344,108	94,438
Increase in withholding and other current liabilities	345,176	53,974	367,913	57,529
Decrease in accrued warranties	(632,476)	(498,521)	(674,138)	(531,359)
Payment of severance benefits	(805,708)	(728,662)	(858,781)	(776,660)
Increase (decrease) in individual severance insurance deposits	(403)	41,951	(429)	44,714
Other	115,944	24,658	123,583	26,281
	<u>2,489,377</u>	<u>3,233,245</u>	<u>2,653,354</u>	<u>3,446,221</u>
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from withdrawal of short-term financial instruments	5,162,383	4,911,028	5,502,433	5,234,521
Proceeds from disposal of short-term investment securities	438,027	791,134	466,880	843,247
Proceeds from disposal of long-term investment securities	135,580	1,366,787	144,511	1,456,818
Proceeds from disposal of investment securities accounted for using the equity method	70,080	145,641	74,696	155,234
Proceeds from disposal of property, plant and equipment	406,783	238,122	433,578	253,807
Reduction in other current assets	30,182	20,004	32,170	21,322
Increase in other financial business liabilities	37,217	-	39,669	-
Reduction in other assets	368,154	410,602	392,405	437,650
	<u>6,648,406</u>	<u>7,883,318</u>	<u>7,086,342</u>	<u>8,402,599</u>

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Cash flows from investing activities:				
Cash outflows from investing activities:				
Purchase of short-term financial instruments	₩ (5,361,824)	₩ (3,603,095)	\$ (5,715,012)	\$ (3,840,434)
Acquisition of short-term investment securities	(74,791)	(388,915)	(79,718)	(414,533)
Acquisition of long-term investment securities	(246,472)	(1,493,177)	(262,707)	(1,591,534)
Acquisition of investment securities using the equity method	(200,311)	(284,663)	(213,506)	(303,414)
Acquisition of property, plant and equipment	(4,381,097)	(3,869,386)	(4,669,683)	(4,124,266)
Expenditures for development costs	(983,694)	(824,966)	(1,048,491)	(879,307)
Additions to other current assets	(44,091)	(33,832)	(46,995)	(36,061)
Increase in other financial business assets	(5,475,113)	(3,984,502)	(5,835,763)	(4,246,964)
Decrease in other financial business liabilities	-	(191,867)	-	(204,505)
Additions to other assets	(564,148)	(552,012)	(601,309)	(588,374)
	<u>(17,331,541)</u>	<u>(15,226,415)</u>	<u>(18,473,184)</u>	<u>(16,229,392)</u>
	<u>(10,683,135)</u>	<u>(7,343,097)</u>	<u>(11,386,842)</u>	<u>(7,826,793)</u>
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	24,645,526	24,621,505	26,268,947	26,243,344
Proceeds from long-term borrowings	3,820,629	3,162,505	4,072,297	3,370,822
Issuance of debentures	7,913,917	4,703,246	8,435,213	5,013,053
Proceeds from disposal of treasury stock	4,843	-	5,162	-
Paid in capital increase	137,152	271,825	146,186	289,730
Others	363,348	541,906	387,282	577,602
	<u>36,885,415</u>	<u>33,300,987</u>	<u>39,315,087</u>	<u>35,494,551</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	(19,857,777)	(24,837,515)	(21,165,825)	(26,473,582)
Repayment of debenture	(2,859,202)	(201,303)	(3,047,540)	(214,563)
Payment of cash dividends	(349,782)	(381,613)	(372,822)	(406,750)
Purchase of treasury stock	(11,683)	-	(12,453)	-
Repayment of current maturities of long-term debt	(4,965,827)	(4,358,241)	(5,292,930)	(4,645,322)
Others	(108,796)	(91,670)	(115,962)	(97,709)
	<u>(28,153,067)</u>	<u>(29,870,342)</u>	<u>(30,007,532)</u>	<u>(31,837,926)</u>
	<u>8,732,348</u>	<u>3,430,645</u>	<u>9,307,555</u>	<u>3,656,625</u>
Effect of exchange rate on cash and cash equivalents, beginning of year	88,385	(42,514)	94,207	(45,314)
Effect of change in consolidated subsidiaries	36,710	53,920	39,128	57,472
Net increase (decrease) in cash and cash equivalents	663,685	(667,801)	707,402	(711,789)
Cash and cash equivalents, beginning of year	<u>3,730,007</u>	<u>4,397,808</u>	<u>3,975,706</u>	<u>4,687,495</u>
Cash and cash equivalents, end of year	<u>₩ 4,393,692</u>	<u>₩ 3,730,007</u>	<u>\$ 4,683,108</u>	<u>\$ 3,975,706</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. GENERAL INFORMATION:

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 December 31, 2007, the major shareholders of the Company are Hyundai MOBIS (14.98%), Hyundai Steel (5.85%) and Chung, Mong Koo (5.18%).

Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and its consolidated domestic and foreign subsidiaries over which the Company has substantial control and whose individual beginning balance of total assets or paid-in capital at the date of its establishment is more than ₩7,000 million (US\$7,461 thousand). The consolidated subsidiaries as of December 31, 2007 are as follows:

Subsidiaries	Nature of business	Shareholders' equity as of December 31, 2007		Shares (*2)	Percentage ownership (*2)	Indirect ownership (*2)
		Korean Won (*1) (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)			
<u>DOMESTIC SUBSIDIARIES:</u>						
Kia Motors Corporation (KIA)	Manufacturing	5,075,342	5,409,659	134,285,491	38.67%	
Hyundai Capital Service Inc.	Financing	1,413,929	1,507,066	56,083,743	56.48%	
Hyundai Card Co., Ltd.	Credit card	1,122,975	1,196,946	68,994,329	43.50%	KIA - 11.61%
Hyundai HYSCO	Manufacturing	1,000,762	1,066,683	32,108,868	40.04%	KIA - 13.91%
Hyundai Rotem (Formerly, ROTEM)	-	502,529	535,631	36,852,432	57.64%	
WIA Corporation (WIA)	-	485,414	517,389	17,120,611	78.79%	KIA - 39.33%
Hyundai Autonet Co., Ltd. (Autonet)	-	477,320	508,761	59,522,178	25.68%	KIA - 8.91%
Hyundai Powertech	-	421,697	449,475	53,945,300	75.15%	KIA - 37.58%
Dymos Inc. (DYMOS)	-	264,415	281,832	29,335,805	97.76%	KIA - 45.37% & WIA - 5.12%
KEFICO Corporation	-	243,738	259,793	1,670,000	50.00%	
Seoul Metro 9th line	-	73,591	78,438	8,355,767	49.02%	Rotem - 49.02%
Hyundai Commercial Co., Ltd.	Financing	70,218	74,843	16,000,000	80.00%	KIA - 15.00% & WIA - 15.00%
Autoever Systems Corp.	Information technology	58,093	61,920	499,000	49.90%	KIA - 20.00%
Partees Co.	Manufacturing	39,010	41,580	6,960,000	87.00%	KIA - 31.00%
Mseat Co., Ltd.	-	33,408	35,609	998,140	99.81%	DYMOS - 99.81%
M & Soft Co., Ltd (Formerly, Mando Map & Soft Co., Ltd.)	Software consultancy and supply	22,845	24,350	2,383,529	57.50%	Autonet - 25.67%

Subsidiaries	Nature of business	Shareholders' equity as of December 31, 2007		Shares (*2)	Percentage ownership (*2)	Indirect ownership (*2)
		Korean Won (*1)	U.S. Dollars			
		(In millions)	(Note 2) (In thousands)			
METIA Co., Ltd.	Manufacturing	21,998	23,447	2,983,880	99.47%	WIA - 50.94% & DYMOS - 48.53%
Automobile Industrial Ace Corporation	-	(3,317)	(3,535)	3,116,662	100.00%	WIA - 100%
Haevichi Resort	Hotel operation	(8,607)	(9,174)	2,015,000	65.00%	KIA - 40.00% & WIA - 25.00%
Chasan Co., Ltd. (Chasan)	Golf course operation	(24,472)	(26,084)	1,350,000	45.00%	KIA - 15.00%
Haevichi Country Club Co., Ltd.	-	(33,303)	(35,497)	1,000,000	100.00%	Chasan - 100%
FOREIGN SUBSIDIARIES:						
Hyundai Motor America (HMA)	Sales	1,276,461	1,360,543	1,150	100.00%	
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	627,414	668,742	-	100.00%	HMA - 100%
Hyundai Motor Finance Company (HMFC)	Financing	555,982	592,605	750	100.00%	HMA - 89.82% & KMA - 10.18%
Hyundai Auto Canada (HAC)	Sales	122,117	130,161	10,000,000	100.00%	HMA - 100%
Stampeted Metal America Research Technology Inc. (SMARTI)	Managing subsidiaries	(13,408)	(14,291)	18,542,284	72.45%	HMA - 72.45%
Stampeted Metal America Research Technology LLC	Manufacturing	(13,408)	(14,291)	-	100.00%	SMARTI - 100%
Hyundai Translead (HT)	Sales	106,500	113,515	1,160,000	100.00%	
Hyundai America Technical Center Inc. (HATCI)	R & D	20,258	21,592	1,000	100.00%	
World Marketing Group LLC (WMG)	Marketing	13,799	14,708	-	100.00%	HMA - 50.00% & KMA - 50.00%
Hyundai Information Service North America (HISNA)	Information technology	7,019	7,481	-	100.00%	HMA - 50.00% & KMA - 50.00%
Hyundai Auto Canada Captive Insurance Incorporation (HACCII)	Insurance	4,276	4,558	100	100.00%	HAC - 100%
Hyundai Motor India (HMI)	Manufacturing	723,475	771,131	8,125,411	100.00%	
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (HAOSVT)	-	(9,729)	(10,370)	144,354,180,656	70.00%	
Hyundai Motor Japan Co. (HMJ)	Sales	(51,999)	(55,424)	80,000	100.00%	
Hyundai Motor Europe GmbH (HME)	-	28,540	30,420	-	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R & D	58,389	62,235	-	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	Sales	26,254	27,983	172,862	100.00%	
Hyundai Motor Norway (HMN)	-	8,427	8,982	-	100.00%	
Hyundai Motor (UK) Ltd. (HMUK)	-	(9,927)	(10,581)	20,000,000	100.00%	
Hyundai Motor Manufacturing Czech,s.r.o. (HMMC)	Manufacturing	529,948	564,856	-	100.00%	
Hyundai Motor Company Australia (HMCA)	Sales	50,260	53,571	14,309,000	100.00%	
Hyundai Motor Group (China) Ltd. (HMGC)	Investment	47,098	50,200	-	80.00%	KIA - 30.00%
China Millennium Corporations (CMEs)	Real estate development	30,449	32,455	-	89.90%	KIA - 30.30%
Beijing Hines Millennium Real Estate Development	-	30,449	32,455	-	99.00%	CMEs - 99.00%
Hyundai Jingxian Motor Safeguard Service Co. Ltd. (HJMSS)	Investment	4,872	5,193	-	91.75%	
Beijing Mobis Transmission Co., Ltd. (BMT)	Manufacturing	120,092	128,003	-	68.04%	KIA - 24.08% & HMGC - 19.88%
Kia Motors Slovakia S.r.o. (KMS)	-	576,162	614,114	100	100.00%	KIA - 100%
Dong Feng Yueda Kia Motor Co., Ltd.	-	333,556	355,528	-	50.00%	KIA - 50.00%
Kia Motors Europe GmbH (KME)	Managing subsidiaries	260,573	277,737	-	100.00%	KIA - 100%
Kia Motors America Inc. (KMA)	Sales	19,276	20,546	1,000,000	100.00%	KIA - 100%
Kia Japan Co., Ltd. (KJC)	-	19,198	20,463	267,800	100.00%	KIA - 100%
Kia Motors Sales Slovensko s.r.o. (KMSS)	-	7,463	7,955	-	100.00%	KME - 100%

Subsidiaries	Nature of business	Shareholders' equity as of December 31, 2007		Shares (*2)	Percentage ownership (*2)	Indirect ownership (*2)
		Translation into U.S. Dollars				
		Korean Won (*1) (In millions)	(Note 2) (In thousands)			
Kia Motors Czech s.r.o. (KMCZ)	Sales	6,696	7,137	106,870,000	100.00%	KME - 100%
Kia Motors Sweden AB (KMSW)	-	(802)	(855)	4,000,000	100.00%	KME - 100%
Kia Motors New Zealand Ltd. (KMNZ)	-	(1,197)	(1,276)	-	100.00%	KMAU - 100%
Kia Motors Hungary Kft (KMH)	-	(1,697)	(1,809)	30,000,000	100.00%	KMAS - 100%
Kia Motors Polska Sp.z.o.o. (KMP)	-	(2,974)	(3,170)	15,637	99.60%	KMD - 99.60%
Kia Motors Austria GmbH (KMAS)	-	(11,450)	(12,204)	2,107,512	100.00%	KME - 100%
Kia Motors Australia Pty. Ltd. (KMAU)	-	(19,334)	(20,608)	-	100.00%	KIA - 100%
Kia Motors Belgium (KMB)	-	(33,058)	(35,236)	1,000,000	100.00%	KME - 100%
Kia Motors Deutschland GmbH (KMD)	-	(76,325)	(81,353)	-	100.00%	KIA - 100%
Kia Motors Iberia (KMIB)	-	(82,466)	(87,898)	31,600,000	100.00%	KME - 100%
Kia Canada, Inc. (KCI)	-	(89,741)	(95,652)	6,298	100.00%	KIA - 82.50% & KMA - 17.50%
Kia Automobiles France (KMF)	-	(104,000)	(110,851)	5,000,000	100.00%	KME - 100%
Kia Motors (UK) Ltd. (KMUK)	-	(170,069)	(181,272)	17,000,000	100.00%	KME - 100%
Wia Automotive Engine (Shandong) Company	Manufacturing	49,314	52,562	-	70.00%	KIA - 18.00% & WIA - 30.00%
Wia Automotive Parts (WAP)	-	28,460	30,335	-	100.00%	WIA - 100%
Hyundai-Kia Machine Europe GmbH (HKME)	-	14,480	15,434	-	100.00%	WIA - 100%
Hyundai-Kia Machine America Corp. (HKMA)	-	2,491	2,655	1,000	100.00%	WIA - 100%
Beijing Hyundai Hysco Steel Process Co., Ltd.	-	28,944	30,851	-	100.00%	HYSCO - 100%
Jiangsu Hysco Steel Process. Co. Ltd	-	11,522	12,281	-	90.00%	HYSCO - 90.00%
Hysco Slovakia, s.r.o.	-	10,982	11,705	-	100.00%	HYSCO - 100%
Hyundai Hysco USA, Inc.	-	8,460	9,017	250,000	100.00%	HYSCO - 100%
Hysco America Co. Inc.	-	7,341	7,825	1,000	100.00%	HYSCO - 100%
Hysco Steel India, Ltd.	-	6,691	7,132	270,271	100.00%	HYSCO - 100%
Hyundai de Mexico, S.A. de C.V. (HYMEX)	-	20,669	22,030	9,996	99.96%	HT - 99.96%
Hyundai-Hitech Electronics	-	14,113	15,043	-	100.00%	Autonet - 100%
Rotem USA Corporation	-	6,793	7,240	700,000	100.00%	Rotem - 100%
Rotem Equipments (Beijing) Co., Ltd.	-	311	331	40,000	100.00%	Rotem - 100%

(*1) Local currency in foreign subsidiaries is translated into Korean won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. at December 31, 2007.

(*2) Shares and ownership are calculated by combining the shares and ownership, which the Company and its subsidiaries hold as of December 31, 2007. Indirect ownership represents subsidiaries' holding ownership.

In 2007, the Company added two domestic companies; Seoul Metro 9th line and Hyundai Commercial Inc., and three overseas companies: Hysco Steel India, Ltd., Rotem USA Corporation and Rotem Equipments (Beijing) Co., Ltd., to its consolidated subsidiaries due to the acquisition of ownership enabling the Company and its subsidiaries to exercise substantial control or the increase in individual assets at the end of the preceding year exceeding the required level of ₩7,000 million (US\$7,461 thousand) for consolidation with substantial control. In addition, as Hyundai Motor Hungary (HMH) and Sevenwood Property Inc. were under the liquidation procedure as of December 31, 2007, both companies were excluded from consolidated subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidated Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory 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 generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company and its subsidiaries' financial position, results of operations, changes in shareholders' equity 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 ₩938.20 to US\$1.00 at December 31, 2007, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. dollars at that or any other rate.

The Company prepared its consolidated financial statements as of December 31, 2007 in accordance with accounting principles generally accepted in the Republic of Korea. The significant accounting policies followed by the Company in the preparation of its consolidated financial statements as of December 31, 2007 are identical to those as of December 31, 2006, except for the adoption of additional SKAS No.11 - "Discontinuing operations", No.21 - "Preparation and presentation of financial statements", No.22 - "Share-based payment", No.23 - "Earning per share", No.24 - "Preparation and presentation of financial statements" and No.25 - "Consolidated financial statements", which were effective from January 1, 2007.

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

Principles of Consolidation

The accompanying financial statements include the accounts of the Company and its subsidiaries. Under financial accounting standards for consolidated financial statements in the Republic of Korea, a company is regarded as a subsidiary of another company if more than 50% of its issued share capital is held by the other company, or more than 30% of its issued share capital is held by the other company and that company is the largest shareholder, or substantially controlled by the other company. Investments of 20% to 50% in affiliated companies or investments in affiliated companies over which the Company exerts a significant influence are accounted for using the equity method. Under the equity method, the original investment is recorded at cost and adjusted by the Company's share on the undistributed earnings or losses of these companies.

The fiscal year of the consolidated subsidiaries is the same as that of the Company. Differences in accounting policy between the Company and consolidated subsidiaries are adjusted in the consolidation.

Investments and equity accounts of subsidiaries were eliminated at the dates the Company obtained control of the subsidiaries. The difference between the cost of acquisition and the book value of the subsidiary is amortized using the straight-line method within twenty years (five years for goodwill recognized before 1998) from the year the acquisition occurred or reversed over the remaining weighted average useful life of the identifiable acquired depreciable assets for negative goodwill using the straight-line method.

When the Company acquires additional interests in a subsidiary after obtaining control over the subsidiary, the difference between incremental price paid by the Company and the amount of incremental interest in the shareholders' equity of the subsidiary is reflected in the consolidated capital surplus. In case a subsidiary still belongs to a consolidated economic entity after the Company disposes a portion of the stocks of subsidiaries to non-subsidiary parties, gain or loss on disposal of the subsidiary's stock is accounted for as consolidated capital surplus.

Profits and losses on inter-company sales of products, property or other assets are eliminated in the consolidated financial statements based on the gross profit or loss recognized. Unrealized gains and losses arising from sales by a controlling company to its subsidiary (downstream sales) are eliminated entirely and charged (credited) to controlling interest, and unrealized gains and losses arising from sales by a subsidiary to its controlling company or from transactions among subsidiaries (upstream sales) are eliminated entirely and allocated to controlling interest and minority interest.

Minority interest is the part of net operation results and net assets of a subsidiary other than controlling interest. When net loss attributable to minority shareholders exceeds the minority interest, the excess is charged to the equity of the controlling company. When the subsidiary subsequently generates income, such income is added to the equity of the controlling company until the minority interest net loss charged to the controlling company has been fully recovered.

When translating the financial statements of the affiliates operating overseas, the Company applied the foreign exchange rate as of the investor's balance sheet date to the associate's assets and liabilities, the foreign exchange rate as of the date on which the investor acquired its equity interest in the associate to the investor's share of the associate's equity interest, the foreign exchange rate as of each transaction date to the remaining equity interest in the associate after excluding any increase in retained earnings after the investor's acquisition of its equity interest in the associate, and the foreign exchange rate as of the average rate for the pertinent period to the associate's income statement items.

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.

In the case of subsidiaries in financial business, interest revenues earned on financial assets are recognized as time passes using the level yield method, and fees and commissions in return for services rendered are recognized as services are provided.

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 (loss), until the securities are sold or if the securities are determined to be impaired and the lump-sum accumulated amount of accumulated other comprehensive income (loss) 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, to capital surplus or to accumulated other comprehensive income (loss).

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

The Company's portion of profits and losses resulting from inter-company transactions that are recognized in assets, such as inventories and fixed assets, are eliminated and charged to equity securities accounted for using the equity method.

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	2 – 60
Machinery and equipment	2 – 21
Vehicles	3 – 15
Dies, molds and tools	2 – 14
Other equipment	3 – 15

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

Intangible assets are stated at cost, net of accumulated amortization. Subsequent expenditures on intangible assets after their purchases or completions, which will probably enable the assets to generate future economic benefits and can be measured and attributed to the assets reliably, are treated as additions to intangible assets.

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

	<u>Useful lives (years)</u>
Goodwill (negative goodwill)	5 – 20
Industrial property rights	2 – 40
Development costs	3 – 10
Other	2 – 50

If the recoverable amount of an 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 December 31, 2007 and 2006, an interest rate of 8.25 percent is used in valuing the receivables and payables at present value.

Accounting for Lease Contracts

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The situations that individually or in combination normally lead to a lease being classified as a finance lease are: (1) the lease transfers ownership of the asset to the lessee by the end of the lease term; (2) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised; (3) the lease term is for the major part of the economic life of the asset even if title is not transferred; (4) at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and (5) the leased assets are of such a specialized nature that only the lessee can use them without major modifications; otherwise, it is classified as an operating lease.

At the commencement of the lease term, finance leases are recognized as assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Accrued Severance Benefits

Employees and directors of the Company and its domestic subsidiaries with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with each 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 ₩2,888,680 million (US\$3,078,960 thousand) and ₩3,020,377 million (US\$3,219,332 thousand) as of December 31, 2007 and 2006, respectively.

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 by the Company and its domestic subsidiaries amounted to ₩805,708 million (US\$858,781 thousand) and ₩728,662 million (US\$776,660 thousand) in 2007 and 2006, respectively.

Also, overseas subsidiaries accrued severance benefits in accordance with each subsidiary's policies and their countries' regulations.

Accrued Warranties and Product Liabilities

The Company and its subsidiaries generally provide 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 (loss) and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as accumulated other comprehensive income (loss) 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 (loss) is added to or deducted from the asset or the liability.

Accounting for Foreign Currency Transactions and Translation

The Company and its domestic subsidiaries maintain their accounts in Korean Won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction dates. 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 Services, Ltd., which was ₩938.20 and ₩929.60 to US\$1.00 at December 31, 2007 and 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.

Reclassification of the Subsidiaries' Financial Statements

The Company reclassified some accounts in the subsidiaries' financial statements according to the Company's financial statements. This reclassification does not affect the amount of net gain or net asset in the subsidiaries' financial statements. The assets and liabilities of the subsidiaries in financial industry are supposed to be classified into current or non-current assets and liabilities; however, if it is not possible, it is classified into other financial assets and liabilities.

Reclassification of Accounts in Prior Financial Statements

The Company reclassified some accounts in the prior financial statements according to the Company's current financial statements for comparability purposes. This reclassification does not affect the reported net gain or net assets in the prior financial statements.

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 in 2007 and 2006 is computed as follows:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions except per share amounts)		(In thousands except per share amounts)	
Net income	₩ 1,600,480	₩ 1,259,247	\$ 1,705,905	\$ 1,342,195
Expected dividends on preferred stock	(390,199)	(355,095)	(415,902)	(378,485)
Net income available to common share	1,210,281	904,152	1,290,003	963,709
Weighted average number of common shares outstanding (*)	208,194,947	207,776,640	208,194,947	207,776,640
Basic earnings per common share	₩ 5,813	₩ 4,352	\$ 6.20	\$ 4.64

(*) 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 in 2007 and 2006 is computed as follows:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions except per share amounts)		(In thousands except per share amounts)	
Net income available to common share	₩ 1,210,281	₩ 904,152	\$ 1,290,003	\$ 963,709
Expenses related to diluted securities	-	-	-	-
Net income available to diluted common share	1,210,281	904,152	1,290,003	963,709
Weighted average number of common shares and diluted securities outstanding	208,675,471	208,567,489	208,675,471	208,567,489
Diluted earnings per common share	₩ 5,800	₩ 4,335	\$ 6.18	\$ 4.62

3. RESTRICTED FINANCIAL INSTRUMENTS:

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

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Short-term financial instruments:	₩ 190,384	₩ 107,398	\$ 202,925	\$ 114,472
Long-term financial instruments :	2,152	11,417	2,294	12,169
	₩ 192,536	₩ 118,815	\$ 205,219	\$ 126,641

4. INVENTORIES:

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

Accounts	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Finished goods and merchandise	₩ 5,890,730	₩ 5,092,981	\$ 6278757	\$ 5428460
Semi finished goods and work in process	1,243,396	1,160,442	1,325,300	1,236,881
Raw materials and supplies	1,600,896	1,384,479	1,706,348	1,475,676
Materials in transit	1,720,676	1,312,404	1,834,018	1,398,853
Other	809,385	941,939	862,700	1,003,985
	₩ 11,265,083	₩ 9,892,245	\$ 12,007,123	\$ 10,543,855

5. SHORT-TERM INVESTMENT SECURITIES:

(1) Short-term investment securities as of December 31, 2007 consist of the following:

Description	Korean Won		Translation into
	Acquisition cost	Book value	U.S. Dollars (Note 2)
	(In millions)		Book value (In thousands)
Trading securities:			
Beneficiary certificates	₩ 75,000	₩ 75,007	\$ 79,948
Available-for-sale securities:			
Government bonds	103	115	122
Beneficiary certificates	60,624	62,223	66,322
Equity securities	1,525	209	223
Held-to-maturity securities:			
Government bonds	5,260	5,260	5,606
	<u>₩ 142,512</u>	<u>₩ 142,814</u>	<u>\$ 152,221</u>

(2) Short-term investment securities as of December 31, 2006 consist of the following:

Description	Korean Won		Translation into
	Acquisition cost	Book value	U.S. Dollars (Note 2)
	(In millions)		Book value (In thousands)
Trading securities:			
Government bonds	₩ 2,015	₩ 2,015	\$ 2,148
Beneficiary certificates	140,406	140,483	149,737
Corporate bonds	1,000	1,000	1,066
Available-for-sale securities:			
Government bonds	586	586	625
Beneficiary certificates	306,340	315,556	336,342
Held-to-maturity securities:			
Government bonds	5,134	5,134	5,472
Corporate bonds	600	600	639
Asset backed securities	10,055	10,055	10,717
	<u>₩ 466,136</u>	<u>₩ 475,429</u>	<u>\$ 506,746</u>

6. LONG-TERM INVESTMENT SECURITIES:

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

Description	Korean Won		Translation into	
	2007	2006	U.S. Dollars (Note 2)	
	(In millions)		2007	2006
			(In thousands)	
Available-for-sale securities:				
Equity securities	₩ 1,448,366	₩ 690,999	\$ 1,543,771	\$ 736,516
Debt securities	26,770	68,824	28,534	73,358
	<u>1,475,136</u>	<u>759,823</u>	<u>1,572,305</u>	<u>809,874</u>
Held-to-maturity securities:				
Debt securities	17,263	13,184	18,400	14,052
	<u>₩ 1,492,399</u>	<u>₩ 773,007</u>	<u>\$ 1,590,705</u>	<u>\$ 823,926</u>

(2) Equity securities included in long-term investment securities as of December 31, 2007 consist of the following:

Companies	Korean Won		Translation into U.S. Dollars (Note 2)	Ownership percentage (*2) (%)
	Acquisition cost	Book value	Book value	
	(In millions)		(In thousands)	
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 969,075	\$ 1,032,909	2.88
Hyundai Oil Refinery Co., Ltd.	53,314	123,907	132,069	4.35
Daewoo International Corporation	9,822	93,852	100,034	2.50
Hyundai Development Company	9,025	41,175	43,887	0.60
Hyundai Merchant Marine Co., Ltd.	9,731	32,449	34,586	0.49
Doosan Yonhap Capital Co., Ltd.	10,500	27,453	29,261	10.49
Hyundai H&S	15,005	21,462	22,876	4.08
Hyundai Finance Corporation	9,888	11,454	12,208	9.29
KT Freetel	10,800	10,131	10,798	0.17
Korea Information Service, Inc.	5,252	3,741	3,987	4.41
ENOVA System	4,074	1,201	1,280	1.80
SK Networks Co., Ltd. (*1)	363	1,147	1,223	-
SeAH Besteel Co., Ltd.	102	137	146	0.02
KOENTEC	50	125	133	0.20
Treasury Stock Fund (*2)		11,840	12,620	
Visa Inc.	29,495	29,495	31,438	-
Hyundai Asan Corporation	22,500	7,053	7,518	4.61
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,786	14.97
Industry Otomotif Komersial	4,439	4,439	4,731	15.00
Korea Credit Bureau Co., Ltd.	4,800	4,800	5,116	9.00
Kihyup Finance	3,700	3,700	3,944	12.75
Korea Investment Mutual Savings & Finance Co., Ltd.	3,000	3,000	3,198	0.41
Kyungham Credit Information Service Co., Ltd.	2,500	2,500	2,665	13.66
NESSCAP Inc.	1,997	1,997	2,129	12.05
The Sign Corporation (*3)	1,800	1,800	1,919	17.39
Muan Environment System Corporation (*4)	1,746	1,746	1,861	29.90
Hyundai Research Institute	1,359	1,271	1,355	14.90
Heesung PM Tech Corporation	1,194	1,194	1,273	19.90
Veloxsoft Inc.	1,000	1,000	1,066	7.69
Backsan Its Co., Ltd.	814	814	868	19.90
Koryo Co., Ltd.	6,625	728	776	1.02
Daejoo Heavy Industry Co. Ltd.	650	650	693	9.29
Micro Infinity	607	607	647	9.76
Wia Trade Corporation (*3)	590	590	629	100.00
NGVTEK.com (*3)	821	821	875	78.05
Hyundai RB Co., Ltd.	550	550	586	18.64
Clean Air Technology Inc.	500	500	533	16.13
International Convention Center Jeju Co., Ltd.	500	500	533	0.30
Korea Credit Card Electronic Settlement Service Co., Ltd.	484	484	516	11.25
Bs Humantek Co., Ltd.	320	320	341	13.90
Hankyoreh Plus Inc.	4,800	284	303	5.43
Carnes Co., Ltd. (*3)	250	250	266	49.99
Hyundai Unicorns Co., Ltd.	5,795	137	146	14.90
Korea Smart Card Co., Ltd.	1,628	22	23	5.31
ROTIS Inc.	1,000	8	9	0.22
GM Daewoo Auto and Technology Co., Ltd.	2,187	-	-	0.02
Equity investments	19,029	19,029	20,282	-
Other	4,856	4,438	4,729	-
		<u>₩ 1,448,366</u>	<u>\$ 1,543,771</u>	

(*1) Disposal of stocks is restricted.

- (*2) The acquisition cost of Treasury Stock Fund is ₩12,213 million (US\$13,017 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩5,040 million (US\$5,372 thousand) is recorded as treasury stock in capital adjustments.
- (*3) 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\$7,461 thousand), are not material.
- (*4) This investment security was excluded from using the equity method despite its ownership percentage exceeding twenty percentages, since there is no significant influence on the investee.
- (*5) Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.

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

Companies	Korean Won		Translation into	Ownership percentage (*2)
	Acquisition cost	Book value	U.S. Dollars (Note 2)	
	(In millions)	(In thousands)	(In thousands)	(%)
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 275,940	\$ 294,116	2.88
Hyundai Oil Refinery Co., Ltd.	53,314	53,314	56,826	4.35
Daewoo International Corporation	9,822	92,549	98,645	2.50
Hyundai Development Company	12,786	36,210	38,595	0.85
Hyundai Merchant Marine Co., Ltd.	9,731	15,319	16,328	0.49
Doosan Yonhap Capital Co., Ltd.	10,500	10,500	11,192	10.49
Hyundai Finance Corporation	9,888	11,395	12,146	9.29
KT Freetel	18,000	16,552	17,642	0.30
Korea Information Service, Inc.	5,252	4,907	5,230	4.41
ENOVA System	4,074	2,462	2,624	4.67
SK Networks Co., Ltd. (*1)	363	1,346	1,435	-
SeAH Besteel Co., Ltd.	854	1,422	1,516	0.17
KOENTEC	1,550	2,604	2,776	6.20
LG Telecom	9,795	18,086	19,277	0.68
Jin Heung Mutual Savings Bank	2,166	2,188	2,332	2.28
Hyundai Corporation	13,626	1,743	1,858	0.37
Hyundai Information Technology Co., Ltd.	10,000	1,400	1,492	2.21
Tong Yang Investment Bank	282	127	135	0.01
Kanglim Co., Ltd.	347	50	53	0.38
Pilot beneficiary certificates	8,252	9,269	9,880	-
Treasury Stock Fund (*2)		17,948	19,130	
Hyundai Asan Corporation	22,500	5,405	5,761	4.61
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,786	14.97
Industry Otomotif Komersial	4,439	4,439	4,731	15.00
Korea Credit Bureau Co., Ltd.	3,000	3,000	3,198	6.26
Kihyup Finance	3,700	3,700	3,944	12.75
Korea Investment Mutual Savings & Finance Co., Ltd.	3,000	3,000	3,198	0.41
Kyungham Credit Information Service Co., Ltd.	2,500	2,500	2,665	13.66
NESSCAP Inc.	1,997	1,997	2,129	12.05
The Sign Corporation (*3)	2,025	2,025	2,158	22.02
Muan Environment System Corporation (*4)	1,394	1,394	1,486	29.90
Hyundai Research Institute	1,359	1,271	1,355	14.90
Heesung PM Tech Corporation	1,194	1,194	1,273	19.90
Veloxsoft Inc.	1,000	1,000	1,066	8.00
Koryo Co., Ltd.	6,625	728	776	1.02
Daejoo Heavy Industry Co. Ltd.	650	650	693	9.29
Micro Infinity	607	607	647	9.76
Wia Trade Corporation (*3)	590	590	629	100.00
NGVTEK.com (*3)	821	821	875	78.05
Clean Air Technology Inc.	500	500	533	16.13
International Convention Center Jeju Co., Ltd.	500	500	533	0.30

Companies	Korean Won		Translation into U.S. Dollars (Note 2)	Ownership percentage (*2)
	Acquisition cost	Book value	Book value	
Hankyoreh Plus Inc.	₩ 4,800	₩ 284	\$ 303	5.43
Carnes Co., Ltd. (*3)	250	250	266	49.99
Hyundai Unicorns Co., Ltd.	5,795	137	146	14.90
Korea Smart Card Co., Ltd.	1,628	22	23	5.31
ROTIS Inc.	1,000	8	9	1.33
GM Daewoo Auto and Technology Co., Ltd.	2,187	-	-	0.02
Seoul Metro 9th line (*4)	41,779	41,779	44,531	49.02
HMCIS (*3)	3,959	3,959	4,220	80.00
Space Imaging LLC	5,319	-	-	2.16
Equity investments	19,587	19,587	20,876	-
Other	10,679	9,831	10,478	-
		<u>₩ 690,999</u>	<u>\$ 736,516</u>	

(*1) Disposal of stocks is restricted.

(*2) The acquisition cost of Treasury Stock Fund is ₩26,647 million (US\$28,402 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩18,227 million (US\$19,428 thousand) is recorded as treasury stock in capital adjustments.

(*3) 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\$7,461 thousand), are not material.

(*4) This investment security was excluded from using the equity method despite its ownership percentage exceeding twenty percentages, since there is no significant influence on the investee.

(*5) Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.

(3) Debt securities, classified into available-for-sale securities, included in long-term investment securities as of December 31, 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)
	Acquisition cost (In millions)	Book value	Book value (In thousands)
Government bonds	₩ 4,132	₩ 4,144	\$ 4,417
Corporate bonds	19,694	19,678	20,974
Other	3,089	2,948	3,143
	<u>₩ 26,915</u>	<u>₩ 26,770</u>	<u>\$ 28,534</u>

Debt securities, classified into available-for-sale securities, included in long-term investment securities as of December 31, 2006 consist of the following:

Description	Korean Won		Translation into
	Acquisition		U.S. Dollars
	cost	Book value	(Note 2)
	(In millions)		Book value
			(In thousands)
Government bonds	₩ 9,319	₩ 9,794	\$ 10,439
Corporate bonds	9,701	9,701	10,340
Asset backed securities	62,781	48,036	51,200
Other	1,445	1,293	1,379
	<u>₩ 83,246</u>	<u>₩ 68,824</u>	<u>\$ 73,358</u>

(4) Held-to-maturity of long-term investment securities as of December 31, 2007 consist of the following:

Description	Korean Won		Translation into
	Acquisition		U.S. Dollars
	cost	Book value	(Note 2)
	(In millions)		Book value
			(In thousands)
Government bonds	₩ 11,770	₩ 11,770	\$ 12,545
Corporate bonds	4,943	4,943	5,269
Other	550	550	586
	<u>₩ 17,263</u>	<u>₩ 17,263</u>	<u>\$ 18,400</u>

Held-to-maturity of long-term investment securities as of December 31, 2006 consist of the following:

Description	Korean Won		Translation into
	Acquisition		U.S. Dollars
	cost	Book value	(Note 2)
	(In millions)		Book value
			(In thousands)
Government bonds	₩ 12,884	₩ 12,884	\$ 13,732
Corporate bonds	300	300	320
	<u>₩ 13,184</u>	<u>₩ 13,184</u>	<u>\$ 14,052</u>

(5) Maturity of debt securities as of December 31, 2007 and 2006 consist of the following:

Maturity	Korean Won		Translation into	
	2007	2006	U.S. Dollars (Note 2)	
	Book value	Book value	2007	2006
	(In millions)		(In thousands)	
1 year ~ 5 years	₩ 40,330	₩ 69,583	\$ 42,987	\$ 74,167
6 years ~ 10 years	3,195	12,425	3,405	13,243
Over 10 years	508	-	542	-
	<u>₩ 44,033</u>	<u>₩ 82,008</u>	<u>\$ 46,934</u>	<u>\$ 87,410</u>

7. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

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

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Ownership percentage (*2) (%)
	Acquisition cost	Net equity value (In millions)	Book value	Acquisition cost	Net equity value (In thousands)	Book value	
Hyundai Steel Company	₩ 245,153	₩ 873,814	₩ 577,540	\$ 261,301	\$ 931,373	\$ 615,583	21.39
Korea Space & Aircraft Co., Ltd.	159,800	89,514	89,321	170,326	95,410	95,205	20.54
Hyundai MOBIS	118,993	450,956	450,841	126,831	480,661	480,538	17.79
Eukor Car Carriers, Inc. (*2)	48,912	118,315	104,164	52,134	126,109	111,025	20.00
HK Mutual Savings Bank	45,717	37,605	29,504	48,728	40,082	31,447	18.64
Korea Economy Daily	34,141	28,867	31,854	36,390	30,768	33,952	24.90
Kia Tigers Co., Ltd. (*1)	20,300	(437)	-	21,637	(466)	-	100.00
Donghui Auto Co., Ltd.	10,530	8,572	9,303	11,224	9,137	9,916	35.10
Asset Management Co., Ltd.	10,067	59,262	57,111	10,730	63,166	60,873	19.99
TRW Steering Co., Ltd.	8,952	4,797	4,797	9,542	5,113	5,113	29.00
Wisco Co., Ltd.	1,736	8,285	6,782	1,850	8,831	7,229	38.63
Iljin Bearing Co., Ltd	826	16,109	16,109	881	17170	17170	20.00
Daesung Automotive Co., Ltd.	400	10,714	10,714	427	11420	11420	20.00
Beijing-Hyundai Motor Company	339,395	522,667	516,196	361,751	557,096	550,198	50.00
Kia Motors Manufacturing Georgia Inc. (*1)	75,056	73,964	74,425	80,000	78,836	79,327	80.00
Hyundai Motor Deutschland GmbH	6,761	18,402	17,908	7,207	19,614	19,088	30.00
Hyundai Motor Hungary (*3)	5,415	2,192	2,283	5,772	2,336	2,433	100.00
Hyundai Motor Commonwealth of Independent States (*1)	3,959	18,989	18,333	4,220	20,240	19,541	80.00
Dymos India Automotive Private Limited (*1)	3,722	3,722	3,722	3,967	3,967	3,967	100.00
Beijing Lear Dymos Automotive Systems Co., Ltd.	2,662	3,694	3,809	2,838	3,937	4,061	40.00
Dymos Czech Republic s.r.o (*1)	2,553	898	898	2,721	957	957	100.00
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S. (*1)	1,892	1,538	1,538	2,017	1,639	1,639	50.50
Yan Ji Kia Motors A/S (*1)	1,792	1,792	1,792	1,910	1,910	1,910	100.00
Autoever systems Europe GmbH (*1)	1,534	1,745	1,745	1,635	1,860	1,860	100.00
Hyundai Motor Japan R&D Center Inc. (*1)	1,510	1,939	1,939	1,609	2,067	2,067	100.00
Hysco Czech S.R.O (*1)	745	745	745	794	794	794	100.00
Autoever Systems China Co., Ltd. (*1)	538	614	614	573	654	654	90.00
Autoever Systems India Pvt. Ltd. (*1)	520	1,086	1,086	554	1,158	1,158	100.00
Eukor Car Carriers Singapore Pte. (*1)	5	5	5	5	5	5	8.00
	<u>₩ 1,153,586</u>	<u>₩ 2,360,365</u>	<u>₩ 2,035,078</u>	<u>\$ 1,229,574</u>	<u>\$ 2,515,844</u>	<u>\$ 2,169,130</u>	

(*1) These companies are excluded in the consolidation since individual beginning balance of total assets is less than ₩7,000 million (US\$7,461 thousand).

(*2) Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.

(*3) As the company was under the liquidation procedure, it was excluded from consolidated subsidiaries.

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 (*2) (%)
	Acquisition cost	Net equity value (In millions)	Book value	Acquisition cost	Net equity value (In thousands)	Book value	
Hyundai Steel Company	₩ 245,153	₩ 752,156	₩ 429,513	\$ 261,301	\$ 801,701	\$ 457,805	21.39
Korea Space & Aircraft Co., Ltd.	159,800	95,895	79,503	170,326	102,212	84,740	22.23
Hyundai MOBIS	175,159	694,626	408,764	186,697	740,382	435,690	19.13
Eukor Car Carriers, Inc. (*2)	48,912	126,789	111,692	52,134	135,141	119,049	20.00
HK Mutual Savings Bank	38,087	28,176	29,549	40,596	30,032	31,495	19.31
Korea Economy Daily	29,973	22,133	26,052	31,947	23,591	27,768	20.55
Kia Tigers Co., Ltd. (*1)	20,300	(189)	-	21,637	(201)	-	100.00

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Ownership percentage (*2) (%)
	Acquisition cost	Net equity value	Book value	Acquisition cost	Net equity value	Book value	
		(In millions)			(In thousands)		
Donghui Auto Co., Ltd.	₩ 10,530	₩ 8,572	₩ 8,592	\$ 11,224	\$ 9,137	\$ 9,158	35.10
Asset Management Co., Ltd.	10,067	44,421	41,194	10,730	47,347	43,907	19.99
TRW Steering Co., Ltd.	8,952	6,329	6,327	9,542	6,746	6,744	29.00
Wisco Co., Ltd.	1,736	6,573	4,986	1,850	7,006	5,314	38.63
Iljin Bearing Co., Ltd.	826	14,853	14,853	880	15,831	15,831	20.00
Daesung Automotive Co., Ltd.	400	10,295	10,295	426	10,973	10,973	20.00
Beijing-Hyundai Motor Company	232,410	380,199	371,464	247,719	405,243	395,934	50.00
Hyundai Motor Deutschland GmbH	6,761	19,113	18,589	7,206	20,372	19,814	30.00
Beijing Lear Dymos Automotive Systems Co., Ltd.	2,662	3,719	3,891	2,837	3,963	4,148	40.00
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S. (*1)	478	355	355	509	378	378	50.50
Yan Ji Kia Motors A/S (*1)	1,792	1,792	1,792	1,910	1,910	1,910	100.00
Hyundai Motor Japan R&D Center Inc. (*1)	1,510	1,749	1,749	1,609	1,864	1,864	100.00
Autoever Systems China Co., Ltd. (*1)	80	42	42	85	45	45	90.00
Autoever Systems India Pvt. Ltd. (*1)	50	572	572	53	610	610	100.00
Eukor Car Carriers Singapore Pte. (*1)	5	5	5	5	5	5	20.00
Hyundai Electronics (Tianjin) Co., Ltd. (*1)	3,972	3,452	3,452	4,234	3,679	3,679	100.00
Rotem USA Corporation (*1)	3,357	2,500	2,500	3,579	2,665	2,665	100.00
Hysco Steel India, Ltd. (*1)	2,517	2,517	2,517	2,684	2,683	2,683	100.00
Rotem Equipments (Beijing) Co., Ltd. (*1)	190	153	153	204	163	163	100.00
	<u>₩ 1,005,679</u>	<u>₩ 2,226,797</u>	<u>₩ 1,578,401</u>	<u>\$ 1,071,924</u>	<u>\$ 2,373,478</u>	<u>\$ 1,682,372</u>	

(*1) These companies are excluded in the consolidation since individual beginning balance of total assets is less than ₩7,000 million (US\$7,461 thousand).

(*2) Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.

(2) The changes in investment securities accounted for using the equity method in 2007 are as follows:

Affiliated company	Korean Won					Translation into U.S. Dollars (Note 2)	
	Beginning of year	Acquisition (disposal)	Gain (loss) on valuation	Other changes (*)	End of year	End of year	
			(In millions)			(In thousands)	
Hyundai Steel Company	₩ 429,513	₩ -	₩ 141,357	₩ 6,670	₩ 577,540	\$ 615,583	
Korea Space & Aircraft Co., Ltd.	79,503	956	-	8,862	89,321	95,205	
Hyundai MOBIS	408,764	(65,596)	70,546	37,127	450,841	480,538	
Eukor Car Carriers, Inc.	111,692	-	(6,535)	(993)	104,164	111,025	
HK Mutual Savings Bank	29,549	6,889	(5,832)	(1,102)	29,504	31,447	
Korea Economy Daily	26,052	-	2,422	3,380	31,854	33,952	
Kia Tigers Co., Ltd.	-	-	-	-	-	-	
Donghui Auto Co., Ltd.	8,592	-	711	-	9,303	9,916	
Asset Management Co., Ltd.	41,194	-	15,439	478	57,111	60,873	
TRW Steering Co., Ltd.	6,327	-	(186)	(1,344)	4,797	5,113	
Wisco Co., Ltd.	4,986	-	1,796	-	6,782	7,229	
Iljin Bearing Co., Ltd.	14,853	-	1,511	(255)	16,109	17,170	
Daesung Automotive Co., Ltd.	10,295	-	692	(273)	10,714	11,420	
Beijing-Hyundai Motor Company	371,464	106,985	50,916	(13,169)	516,196	550,198	
Kia Motors Manufacturing Georgia Inc.	-	75,056	(631)	-	74,425	79,327	
Hyundai Motor Deutschland GmbH	18,589	-	(3,571)	2,890	17,908	19,088	
Hyundai Motor Hungary	-	-	-	2,283	2,283	2,433	
Hyundai Motor Commonwealth of Independent States	-	-	14,374	3,959	18,333	19,541	
Dymos India Automotive Private Limited	-	3,722	-	-	3,722	3,967	
Beijing Lear Dymos Automotive Systems Co., Ltd.	3,891	-	621	(703)	3,809	4,060	

Affiliated company	Korean Won					Translation into
	Beginning	Acquisition	Gain (loss)	Other	End of year	U.S. Dollars
	of year	(disposal)	on valuation	changes (*)		(Note 2)
			(In millions)			End of year
						(In thousands)
Dymos Czech Republic s.r.o	₩ -	₩ 2,553	₩ (1,749)	₩ 94	₩ 898	\$ 957
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S.	355	1,413	(816)	586	1,538	1,639
Yan Ji Kia Motors A/S	1,792	-	-	-	1,792	1,910
Autoever systems Europe GmbH	-	1,534	17	194	1,745	1,860
Hyundai Motor Japan R&D Center Inc.	1,749	-	22	168	1,939	2,067
Hysco Czech S.R.O	-	745	-	-	745	794
Autoever Systems China Co., Ltd.	42	458	85	29	614	654
Autoever Systems India Pvt. Ltd.	572	-	414	100	1,086	1,159
Eukor Car Carriers Singapore Pte.	5	-	-	-	5	5
Hyundai Electronics (Tianjin) Co., Ltd.	3,452	-	-	(3,452)	-	-
Hysco steel India, Ltd	2,517	-	-	(2,517)	-	-
Rotem USA Corporation	2,500	-	-	(2,500)	-	-
Rotem Equipments (Beijing) Co., Ltd.	153	-	-	(153)	-	-
	<u>₩ 1,578,401</u>	<u>₩ 134,715</u>	<u>₩ 281,603</u>	<u>₩ 40,359</u>	<u>₩ 2,035,078</u>	<u>\$ 2,169,130</u>

(*) Other changes consist of the decrease by ₩78,067 million (US\$83,209 thousand) due to receipt of the dividends, increase of retained earnings by ₩58,190 million (US\$62,023 thousand), increase of accumulated other comprehensive income by ₩63,123 million (US\$67,281 thousand) and the decrease of ₩2,887 million (US\$3,077 thousand) due to changes of consolidated subsidiaries.

The changes in investment securities accounted for using the equity method in 2006 are as follows:

Affiliated company	Korean Won					Translation into
	Beginning	Acquisition	Gain (loss)	Other	End of year	U.S. Dollars
	of year	(disposal)	on valuation	changes (*)		(Note 2)
			(In millions)			End of year
						(In thousands)
Hyundai Steel Company	₩ 362,218	₩ (108,353)	₩ 165,266	₩ 10,382	₩ 429,513	\$ 457,805
Korea Space & Aircraft Co., Ltd.	89,548	30,000	(38,994)	(1,051)	79,503	84,740
Hyundai MOBIS	564,195	(75,894)	81,841	(177,077)	408,764	435,690
Eukor Car Carriers, Inc.	99,032	-	9,059	3,601	111,692	119,049
HK Mutual Savings Bank	-	-	(8,458)	38,007	29,549	31,495
Korea Economy Daily	25,095	-	1,403	(446)	26,052	27,768
Kia Tigers Co., Ltd.	1,857	-	(1,907)	50	-	-
Donghui Auto Co., Ltd.	8,237	-	367	(12)	8,592	9,158
Asset Management Co., Ltd.	26,440	15,458	15,458	(463)	41,194	43,907
TRW Steering Co., Ltd.	7,273	-	(1,132)	186	6,327	6,744
Wisco Co., Ltd.	-	-	3,250	1,736	4,986	5,314
Iljin Bearing Co., Ltd.	13,983	-	869	1	14,853	15,831
Daesung Automotive Co., Ltd.	6,113	-	674	3,508	10,295	10,973
NGVTEK.com	821	-	-	(821)	-	-
Beijing-Hyundai Motor Company	373,911	31,231	60,573	(94,251)	371,464	395,933
Hyundai Motor Deutschland GmbH	17,412	-	3,477	(2,300)	18,589	19,813
Beijing Lear Dymos Auto-Motive Systems Co., Ltd.	2,773	-	1,260	(142)	3,891	4,147
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S.	-	478	(69)	(54)	355	378
Yan Ji Kia Motors A/S	1,792	-	-	-	1,792	1,910
Hyundai Motor Japan R&D Center Inc.	1,886	-	37	(174)	1,749	1,864
Autoever Systems China Co., Ltd.	-	80	(38)	-	42	45
Autoever Systems India Pvt. Ltd.	-	520	45	7	572	610
Eukor Car Carriers Singapore Pte.	13	-	-	(8)	5	5
Hyundai Electronics (Tianjin) Co., Ltd.	3,724	-	(80)	(192)	3,452	3,679
Hysco Steel India, Ltd.	-	2,517	-	-	2,517	2,684
Rotem Equipments (Beijing) Co., Ltd.	-	190	(37)	-	153	164
Rotem USA Corporation	-	3,357	(775)	(82)	2,500	2,666

Affiliated company	Korean Won					Translation into U.S. Dollars (Note 2)	
	Beginning of year	Acquisition (disposal)	Gain (loss) on valuation	Other changes (*)	End of year	End of year	
	(In millions)					(In thousands)	
Hyundai Information System North America, LLC	₩ 5,521	₩ -	₩ -	₩ (5,521)	₩ -	\$ -	-
Hysco Slovakia S.R.O	4,385	-	-	(4,385)	-	-	-
Global Engine Alliance, LLC	1,484	-	-	(1,484)	-	-	-
Kia Motors Australia Pty Ltd.	825	-	-	(825)	-	-	-
Hyundai Electronics (Tianjin) Co., Ltd.	712	-	-	(712)	-	-	-
Hyundai Autonet Pontus America	450	-	-	(450)	-	-	-
Hyundai Hi-Tech Electronics (Tianjin) Co., Ltd.	186	-	-	(186)	-	-	-
Pontus Map Co., Ltd.	180	-	-	(180)	-	-	-
Global Engine Manufacturing, LLC	101	-	-	(101)	-	-	-
	<u>₩ 1,620,167</u>	<u>₩ (100,416)</u>	<u>₩ 292,089</u>	<u>₩ (233,439)</u>	<u>₩ 1,578,401</u>	<u>\$ 1,682,372</u>	

(*) Other changes consist of the decrease by ₩100,522 million (US\$107,143 thousand) due to receipt of the dividends, decrease of accumulated other comprehensive income by ₩158,075 million (US\$168,488 thousand) and the increase of ₩25,158 million (US\$26,815 thousand) due to changes of consolidated subsidiaries.

(3) Condensed financial information of the affiliates as of and for the year ended December 31, 2007 is as follows:

Affiliated company	Korean Won				Translation into U.S. Dollars (Note 2)			
	Assets	Liabilities	Sales	Net income (loss)	Assets	Liabilities	Sales	Net income (loss)
	(In millions)				(In thousands)			
Hyundai Steel Company	₩ 8,833,139	₩ 4,784,142	₩ 7,382,842	₩ 519,775	\$ 9,414,985	\$ 5,099,277	\$ 7,869,156	\$ 554,013
Korea Space & Aircraft Co., Ltd.	1,101,980	666,429	800,240	4,210	1,174,568	710,327	852,952	4,478
Hyundai MOBIS	6,777,619	2,526,759	8,490,912	776,675	7,224,066	2,693,199	9,050,215	827,835
Eukor Car Carriers, Inc.	1,655,470	1,079,816	1,617,101	(37,577)	1,764,517	1,150,944	1,723,621	(40,052)
HK Mutual Savings Bank	2,375,390	2,284,467	122,475	(3,317)	2,531,859	2,434,947	130,543	(3,535)
Korea Economy Daily	196,476	116,383	120,700	9,616	209,418	124,049	128,651	10,249
Kia Tigers Co., Ltd.	2,579	3,016	18,538	(248)	2,749	3,215	19,759	(264)
Donghui Auto Co., Ltd.	87,105	59,765	88,688	2,913	92,843	63,702	94,530	3,105
Asset Management Co., Ltd.	555,497	256,531	1,169,117	69,577	592,088	273,429	1,246,128	74,160
TRW Steering Co., Ltd.	75,062	58,524	149,755	1,173	80,006	62,379	159,619	1,250
Wisco Co., Ltd.	171,944	150,687	340,461	4,432	183,270	160,613	362,887	4,724
Iljin Bearing Co., Ltd.	131,915	50,518	182,978	8,260	140,604	53,846	195,031	8,804
Daesung Automotive Co., Ltd.	67,931	14,299	74,286	2,897	72,406	15,241	79,179	3,088
Beijing-Hyundai Motor Company	1,757,046	711,713	2,873,786	111,034	1,872,784	758,594	3,063,085	118,348
Kia Motors Manufacturing Georgia Inc.	130,470	38,015	-	(782)	139,064	40,519	-	(834)
Hyundai Motor Deutschland GmbH	157,410	96,070	769,586	(9,825)	167,779	102,398	820,279	(10,472)
Hyundai Motor Hungary	3,866	1,674	13,863	(288)	4,121	1,784	14,776	(307)
Hyundai Motor Commonwealth of Independent States	241,017	217,281	748,347	17,967	256,893	231,593	797,641	19,151
Dymos India Automotive Private Limited	3,722	-	-	-	3,967	-	-	-
Beijing Lear Dymos Automotive Systems Co., Ltd.	23,997	14,763	47,935	1,695	25,578	15,735	51,093	1,807
Dymos Czech Republic s.r.o	2,817	1,919	-	(1,749)	3,003	2,045	-	(1,864)
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S.	15,370	12,324	-	(1,616)	16,382	13,136	-	(1,722)
Autoever systems Europe GmbH	10,703	8,958	5,858	17	11,408	9,548	6,244	18
Hyundai Motor Japan R&D Center Inc.	5,970	4,082	12,225	23	6,363	4,351	13,030	25
Hysco Czech S.R.O	745	-	-	-	794	-	-	-
Autoever Systems China Co., Ltd.	1,671	989	3,932	94	1,781	1,054	4,191	100
Autoever Systems India Pvt. Ltd.	2,917	1,831	8,676	415	3,109	1,952	9,247	442

(4) Significant unrealized profits (losses) that occurred in transactions with investees in 2007 and 2006 are ₩18,565 million (\$19,788 thousand) and ₩8,766 million (\$9,343 thousand), respectively.

- (5) Unamortized (or unreversed) balances of goodwill and negative goodwill as of December 31, 2007 are ₩18,558 million (US\$19,780 thousand) and ₩313,207 million (US\$333,838 thousand), respectively. In addition, unamortized (or unreversed) balances of goodwill and negative goodwill as of December 31, 2006 are ₩54,700 million (US\$58,303 thousand) and ₩341,671 million (US\$364,177 thousand), respectively.
- (6) The market price of listed equity securities as of December 31, 2007 is as follows:

Affiliated company	Korean Won			Translation into
	Price per share	Number of shares (In millions)	Market value	U.S. Dollars (Note 2) Market value (In thousands)
Hyundai Steel Company	₩ 79,000	18,159,517	₩ 1,434,602	\$ 1,529,100
Hyundai MOBIS	87,200	15,558,120	1,356,668	1,446,033
HK Mutual Savings Bank	7,900	4,760,173	37,605	40,082

8. LEASED ASSETS:

The Company and its subsidiaries have entered into lease agreements for certain machinery. The capital lease obligations are included in long-term debt in the accompanying balance sheets. Annual payments on these lease agreements as of December 31, 2007 are as follows (Won in millions):

	Finance leases			Operating leases
	Lease payments	Interest portion	Lease obligation	Lease payments
2008	₩ 194,702	₩ 5,018	₩ 189,684	₩ 28,805
2009	36,868	4,878	31,990	23,133
2010	35,190	4,852	30,338	20,146
2011	35,190	4,852	30,338	17,552
Thereafter	70,381	4,853	65,528	46,711
	<u>₩ 372,331</u>	<u>₩ 24,453</u>	<u>₩ 347,878</u>	<u>₩ 136,347</u>

9. INSURANCE:

As of December 31, 2007, certain property, plant and equipment, inventories, cash and cash equivalent and securities are insured for ₩17,976,061 million (US\$19,160,159 thousand) with Hyundai Fire & Marine Insurance Co. and others. In addition, the Company carries products and completed operations liability insurance with a maximum coverage of ₩232,889 million (US\$248,230 thousand) and general insurance for vehicles and workers' compensation and casualty insurance for employees.

10. PROPERTY, PLANT AND EQUIPMENT:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Buildings and structures	₩ 8,869,028	₩ 7,531,889	\$ 9,453,238	\$ 8,028,021
Machinery and equipment	15,482,215	12,353,513	16,502,041	13,167,249
Vehicles	237,741	189,863	253,401	202,369
Tools, dies and molds	5,260,327	3,570,875	5,606,829	3,806,091
Other equipment	1,766,788	1,424,757	1,883,168	1,518,607
	31,616,099	25,070,897	33,698,677	26,722,337
Less: accumulated depreciation	13,277,036	8,348,614	14,151,605	8,898,544
	18,339,063	16,722,283	19,547,072	17,823,793
Land	4,343,188	4,262,913	4,629,277	4,543,715
Construction in progress	2,947,279	2,506,397	3,141,419	2,671,495
	<u>₩ 25,629,530</u>	<u>₩ 23,491,593</u>	<u>\$ 27,317,768</u>	<u>\$ 25,039,003</u>

The changes in property, plant and equipment in 2007 are as follows:

	Korean Won						End of year	Translation into U. S. Dollars (Note 2)
	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other(*)		End of year
	(In millions)							(In thousands)
Land	₩ 4,262,913	₩ 7,782	₩ 83,895	₩ (20,507)	₩ (2,696)	₩ 11,801	₩ 4,343,188	\$ 4,629,277
Buildings and structures	6,380,955	302,385	638,398	(42,896)	(263,790)	56,342	7,071,394	7,537,192
Machinery and equipment	8,196,382	811,701	1,407,914	(302,625)	(1,155,019)	136,218	9,094,571	9,693,638
Vehicles	122,038	30,823	33,487	(27,072)	(36,108)	2,972	126,140	134,449
Tools, dies and molds	1,369,674	49,276	539,150	(7,072)	(432,435)	(3,993)	1,514,600	1,614,368
Other equipment	653,234	120,437	106,689	(6,769)	(198,912)	(142,321)	532,358	567,425
Construction in progress	2,506,397	3,058,693	(2,809,533)	(11,548)	-	203,270	2,947,279	3,141,419
	<u>₩23,491,593</u>	<u>₩4,381,097</u>	<u>₩ -</u>	<u>₩(418,489)</u>	<u>₩(2,088,960)</u>	<u>₩ 264,289</u>	<u>₩25,629,530</u>	<u>\$ 27,317,768</u>

(*) Other includes foreign currency adjustment, changes in the scope of consolidation, impairment loss and transfer to other assets.

The changes in property, plant and equipment in 2006 are as follows:

	Korean Won						End of year	Translation into U. S. Dollars (Note 2)
	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other(*)		End of year
	(In millions)							(In thousands)
Land	₩ 4,165,180	₩ 67,260	₩ 58,234	₩ (42,110)	₩ (2,042)	₩ 16,391	₩ 4,262,913	\$ 4,543,715
Buildings and structures	5,725,824	106,537	895,640	(17,244)	(300,362)	(29,440)	6,380,955	6,801,274
Machinery and equipment	6,959,868	234,597	2,003,084	(104,670)	(1,247,461)	350,964	8,196,382	8,736,284
Vehicles	130,471	13,971	36,420	(22,882)	(41,636)	5,694	122,038	130,077
Tools, dies and molds	1,245,453	30,499	581,508	(4,995)	(502,780)	19,989	1,369,674	1,459,895
Other equipment	548,558	38,042	127,397	(72,248)	(222,747)	234,232	653,234	696,263
Construction in progress	2,672,685	3,378,480	(3,702,283)	(22,510)	-	180,025	2,506,397	2,671,495
	<u>₩21,448,039</u>	<u>₩3,869,386</u>	<u>₩ -</u>	<u>₩(286,659)</u>	<u>₩(2,317,028)</u>	<u>₩ 777,855</u>	<u>₩23,491,593</u>	<u>\$ 25,039,003</u>

(*) Other includes foreign currency adjustment, changes in the scope of consolidation, impairment loss and transfer to other assets.

As of December 31, 2007 and 2006, the value of the land, which the Company and its subsidiaries own domestically, totals ₩5,395,360 million (US\$5,750,757 thousand) and ₩4,822,186 million (US\$5,139,827 thousand), respectively, in terms of land prices officially announced by the Korean government.

11. INTANGIBLES:

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

Description	Korean Won					Translation into U. S. Dollars (Note 2)		
	2007		2006		2007	2006		
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Government subsidy	Book value	Book value	Book value	Book value
	(In millions)					(In thousands)		
Goodwill	₩ 664,517	₩ (153,786)	₩ -	₩ -	₩ 510,731	₩ 519,894	\$ 544,373	\$ 554,140
Negative goodwill	(98,671)	25,199	-	-	(73,472)	(87,981)	(78,312)	(93,776)
Industrial property rights	82,718	(54,998)	(121)	-	27,599	29,380	29,417	31,315
Development costs	5,087,088	(2,615,580)	(34,082)	(22,604)	2,414,822	2,046,446	2,573,888	2,181,247
Other	230,557	(110,052)	(2,301)	-	118,204	104,611	125,991	111,502
	<u>₩ 5,966,209</u>	<u>₩ (2,909,217)</u>	<u>₩ (36,504)</u>	<u>₩ (22,604)</u>	<u>₩ 2,997,884</u>	<u>₩ 2,612,350</u>	<u>\$ 3,195,357</u>	<u>\$ 2,784,428</u>

The changes in intangibles in 2007 are as follows:

Description	Korean Won						Translation into U. S. Dollars (Note 2)
	Goodwill	Negative goodwill	Industrial property rights	Development costs	Other	Total	Total
							(In thousands)
Beginning of the year	₩ 519,894	₩ (87,981)	₩ 29,380	₩ 2,046,446	₩ 104,611	₩ 2,612,350	\$ 2,784,428
Addition:							
Expenditures	39,448	-	9,908	983,694	39,061	1,072,111	1,142,732
Deduction:							
Amortization	(48,547)	5,268	(10,531)	(608,565)	(29,830)	(692,205)	(737,801)
Impairment loss	-	-	(121)	(993)	-	(1,114)	(1,187)
Government subsidy	-	-	-	(10,538)	-	(10,538)	(11,232)
Other	(64)	9,241	(1,037)	4,778	4,362	17,280	18,417
End of the year	<u>₩ 510,731</u>	<u>₩ (73,472)</u>	<u>₩ 27,599</u>	<u>₩ 2,414,822</u>	<u>₩ 118,204</u>	<u>₩ 2,997,884</u>	<u>\$ 3,195,357</u>

The changes in intangibles in 2006 are as follows:

Description	Korean Won						Translation into U. S. Dollars (Note 2)
	Goodwill	Negative goodwill	Industrial property rights	Development costs	Other	Total	Total
							(In thousands)
Beginning of the year	₩ 476,343	₩ (86,421)	₩ 24,912	₩ 1,830,297	₩ 84,991	₩ 2,330,122	\$ 2,483,609
Addition:							
Expenditures	107,398	(8,015)	12,569	824,966	36,896	973,814	1,037,960
Deduction:							
Amortization	(64,520)	6,455	(9,830)	(567,537)	(19,296)	(654,728)	(697,855)
Impairment loss	-	-	-	(25,026)	-	(25,026)	(26,674)
Government subsidy	-	-	-	(12,066)	-	(12,066)	(12,861)
Other	673	-	1,729	(4,188)	2,020	234	249
End of the year	<u>₩ 519,894</u>	<u>₩ (87,981)</u>	<u>₩ 29,380</u>	<u>₩ 2,046,446</u>	<u>₩ 104,611</u>	<u>₩ 2,612,350</u>	<u>\$ 2,784,428</u>

Research and development expenditures in 2007 and 2006 are as follows:

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Development cost (capitalized)	₩ 983,694	₩ 824,966	\$ 1,048,491	\$ 879,307
Ordinary development (manufacturing cost)	601,154	353,396	640,752	376,675
Research costs (SG&A)	608,631	636,611	648,722	678,545
	<u>₩ 2,193,479</u>	<u>₩ 1,814,973</u>	<u>\$ 2,337,965</u>	<u>\$ 1,934,527</u>

12. OTHER ASSETS:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Long-term notes and accounts receivable, net of allowance for doubtful accounts of ₩7 million in 2007 and ₩19 million in 2006, and unamortized present value discount of ₩3,379 million in 2007 and ₩1,627 million in 2006	₩ 13,415	₩ 20,747	\$ 14,299	\$ 22,114
Long-term notes and accounts receivable - other, net of allowance for doubtful accounts of ₩23,668 million in 2007 and ₩24,989 million in 2006, and unamortized present value discount of ₩15 million in 2007 and ₩846 million in 2006	148,314	115,498	158,084	123,106
Long-term loans	180,152	41,610	192,019	44,351
Long-term deposits	656,893	607,189	700,163	647,185
Other	94,627	96,188	100,859	102,523
	<u>₩ 1,093,401</u>	<u>₩ 881,232</u>	<u>\$ 1,165,424</u>	<u>\$ 939,279</u>

13. OTHER FINANCIAL BUSINESS ASSETS AND LIABILITIES:

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

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Finance receivables	₩ 13,986,892	₩ 9,866,707	\$ 14,908,220	\$ 10,516,635
Lease receivables	2,671,802	2,115,699	2,847,796	2,255,062
Card receivables	3,868,853	2,845,616	4,123,698	3,033,059
Other	1,006,405	1,230,817	1,072,697	1,311,892
	<u>₩ 21,533,952</u>	<u>₩ 16,058,839</u>	<u>\$ 22,952,411</u>	<u>\$ 17,116,648</u>

The financial subsidiaries which are included in the consolidated financial statements are Hyundai Capital Service Inc., Hyundai Card Co., Ltd., Hyundai Commercial Inc., Hyundai Motor Finance Company (HMFC) and Hyundai Auto Canada Captive Insurance Incorporation (HACCII) in 2007 and 2006.

Other financial business liabilities of ₩131,679 million (US\$140,353 thousand) in 2007 and ₩94,462 million (US\$100,684 thousand) in 2006 consist of other operating accounts payable.

14. SHORT-TERM BORROWINGS:

Short-term borrowings as of December 31, 2007 and 2006 consist of the following:

Description	Annual interest rate 2007 (%)	Korean Won		Translation into U. S. Dollars (Note 2)	
		2007	2006	2007	2006
		(In millions)		(In thousands)	
Trade financing	6.00 ~ 7.00	₩ 5,266,742	₩ 5,103,337	\$ 5,613,667	\$ 5,439,498
General loans	4.71 ~ 7.70	6,210,577	2,879,230	6,619,673	3,068,887
Discount of trade bills	4.38 ~ 7.08	4,155,580	2,674,219	4,429,311	2,850,372
Overdrafts	6.40 ~ 7.10	57,440	97,549	61,224	103,975
Banker's Usance	1.04 ~ 7.32	736,732	741,643	785,261	790,496
Other	4.60 ~ 4.65	-	143,344	-	152,786
		<u>₩ 16,427,071</u>	<u>₩ 11,639,322</u>	<u>\$ 17,509,136</u>	<u>\$ 12,406,014</u>

15. LONG-TERM DEBT AND DEBENTURES:

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

Description	Annual interest rate 2007 (%)	Korean Won		Translation into U. S. Dollars (Note 2)	
		2007	2006	2007	2006
		(In millions)		(In thousands)	
Debentures	3.73 ~ 9.20	₩ 15,605,994	₩ 13,306,584	\$ 16,633,974	\$ 14,183,100
Won currency loans:					
Facility loans	3.00 ~ 7.48	446,438	205,705	475,845	219,255
General loans	4.55 ~ 7.55	266,810	109,537	284,385	116,752
Reorganization claims	(*)	23,112	46,044	24,634	49,077
Capital lease	7.77	248,059	6,711	264,399	7,153
Other	1.00 ~ 3.50	20,804	28,758	22,175	30,652
		<u>1,005,223</u>	<u>396,755</u>	<u>1,071,438</u>	<u>422,889</u>
Foreign currency loans:					
General loans	3.25 ~ 7.24	4,192,379	3,581,798	4,468,534	3,817,734
Reorganization claims	(*)	11,270	22,296	12,012	23,765
Facility loans	5.15 ~ 7.64	422,249	3,644	450,063	3,884
Other	3ML+1.20	53,805	67,433	57,349	71,875
		<u>4,679,703</u>	<u>3,675,171</u>	<u>4,987,958</u>	<u>3,917,258</u>
		<u>21,290,920</u>	<u>17,378,510</u>	<u>22,693,370</u>	<u>18,523,247</u>
Less: current maturities		<u>4,428,143</u>	<u>4,595,588</u>	<u>4,719,828</u>	<u>4,898,303</u>
		<u>₩ 16,862,777</u>	<u>₩ 12,782,922</u>	<u>\$ 17,973,542</u>	<u>\$ 13,624,944</u>

(*) 3 year non-guaranteed bond circulating earning rate at the end of every quarter, 6.77% as of December 31, 2007

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

Description	Maturity	Annual interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
			2007 (In millions)	2006	2007 (In thousands)	2006
Domestic debentures:						
Guaranteed debentures	Jul. 7, 2008 ~ Aug. 7, 2011	4.37 ~ 6.47	₩ 373,000	₩ 563,000	\$ 397,570	\$ 600,085
Non-guaranteed debentures	Feb. 16, 2008 ~ Dec. 27, 2012	3.73 ~ 9.20	14,446,512	11,860,962	15,398,116	12,642,253
Convertible bonds	Jan. 31, 2009	4.00	94,153	135,045	100,355	143,941
Bonds with warranty	Oct. 31, 2010	7.99	200,000	200,000	213,174	213,174
Overseas debentures	Dec. 19, 2008 ~ Mar. 25, 2015	5.30 ~ 7.60	499,100	555,694	531,976	592,298
			15,612,765	13,314,701	16,641,191	14,191,751
Less: discount on debentures			6,771	8,117	7,217	8,651
			<u>₩15,605,994</u>	<u>₩13,306,584</u>	<u>₩16,633,974</u>	<u>\$ 14,183,100</u>

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

Description	Debentures	Korean Won		Total	Translation into
		Local currency loans	Foreign currency loans		U.S. Dollars (Note 2)
		(In millions)			Total (In thousands)
2009	₩ 4,161,558	₩ 58,404	₩ 1,143,357	₩ 5,363,319	\$ 5,716,605
2010	5,738,606	312,542	1,100,588	7,151,736	7,622,827
2011	1,003,334	219,885	880,416	2,103,635	2,242,203
Thereafter	670,365	257,047	1,322,397	2,249,809	2,398,006
	11,573,863	847,878	4,446,758	16,868,499	17,979,641
Less discount on debentures	5,722	-	-	5,722	6,099
	<u>₩11,568,141</u>	<u>₩ 847,878</u>	<u>₩ 4,446,758</u>	<u>₩16,862,777</u>	<u>\$ 17,973,542</u>

16. PLEDGED ASSETS, CHECKS AND NOTES:

As of December 31, 2007, the following assets, checks and notes are pledged as collateral:

- (1) The Company's and its domestic subsidiaries' property, plant and equipment are pledged as collateral for various loans to a maximum of ₩3,386,204 million (US\$3,609,256 thousand).
- (2) The Company's and its domestic subsidiaries' certain bank deposits and investment securities, including 23,993,466 shares of Kia Motors Corporation, 2,681,646 shares of Eukor Car Carriers Inc., 12,005 shares of Eukor Car Carriers Singapore Pte Ltd. and some government bonds are pledged as collateral to financial institutions and others.
- (3) Certain overseas subsidiaries' receivables, inventories and other financial business assets are pledged as collateral for their borrowings.
- (4) 45 blank checks, 2 checks amounting to ₩5,754 million (US\$ 6,133 thousand), 115 blank promissory notes and 2 promissory notes amounting to ₩1,820 million (US\$ 1,940 thousand) are pledged as collateral for short-term borrowings, long-term debt and other payables.

17. ACCRUED WARRANTIES:

The changes in accrued warranties in current and long-term liabilities in 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 year	₩ 4,165,854	₩ 4,080,597	\$ 4,440,262	\$ 4,349,389
Accrual	647,470	583,778	690,119	622,232
Use	(632,476)	(498,521)	(674,137)	(531,359)
End of year	<u>₩ 4,180,848</u>	<u>₩ 4,165,854</u>	<u>\$ 4,456,244</u>	<u>\$ 4,440,262</u>

18. CAPITAL STOCK:

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

	Authorized	Issued	Par value	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common stock	450,000,000 shares	219,873,808 shares	₩ 5,000	₩ 1,155,969	\$ 1,232,114
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	352,815
				<u>₩ 1,486,980</u>	<u>\$ 1,584,929</u>

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

	Authorized	Issued	Par value	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common stock	450,000,000 shares	219,466,255 shares	₩ 5,000	₩ 1,153,931	\$ 1,229,941
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	352,815
				<u>₩ 1,484,942</u>	<u>\$ 1,582,756</u>

In 2007, a part of the stock options granted to the directors were exercised at an exercise price of ₩26,800 (US\$28.56) and new common stock of 407,553 shares were issued. This issue of new common stock resulted in the increase in capital stock by ₩2,038 million (US\$2,172 thousand) and paid-in capital in excess of par value by ₩13,552 million (US\$14,445 thousand).

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 December 31, 2007, a total of 27,588,281 preferred shares (First and Third preferred shares) are eligible to receive cash dividends, if declared, equal to that declared for common shares plus an additional 1 percent minimum increase while the dividend rate for the remaining 37,613,865 preferred shares (Second preferred shares) is 2 percent higher than that declared for common shares.

19. CAPITAL ADJUSTMENTS:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Treasury stock	₩ (723,524)	₩ (716,316)	\$ (771,183)	\$ (763,500)
Stock option cost	5,119	9,271	5,456	9,881
	<u>₩ (718,405)</u>	<u>₩ (707,045)</u>	<u>\$ (765,727)</u>	<u>\$ (753,619)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 11,071,741 common shares and 2,950,960 preferred shares with a carrying value of ₩723,524 million (US\$ 771,183 thousand) as of December 31, 2007, 11,287,470 common shares and 2,950,960 preferred shares with a carrying value of ₩716,316 million (US\$ 763,500 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 December 31, 2007 are exercised, 407,671 shares will be issued as new shares or treasury stock or will be compensated by cash, according to the decision of the Board of Directors.

The Company calculates the total compensation expense using an option-pricing model, in which the risk-free rate of 4.94%, an expected exercise period of 5.5 years and an expected variation rate of stock price of 63.29 percent are used. Total compensation expenses amounting to ₩5,119 million (US\$5,456 thousand) have been accounted for as a charge to current operations and a credit to stock option cost in capital adjustments over the required period of service (two years) from the grant date using the straight-line method.

20. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Gain on valuation of available-for-sale securities, net	₩ 771,594	₩ 199,777	\$ 822,420	212,936
Loss on valuation of investment securities accounted for using the equity method, net	(102,391)	(39,270)	(109,136)	(41,857)
Loss on valuation of derivatives, net	(56,826)	(3,305)	(60,569)	(3,523)
Cumulative translation debits	<u>(285,652)</u>	<u>(454,743)</u>	<u>(304,468)</u>	<u>(484,696)</u>
	<u>₩ 326,725</u>	<u>₩ (297,541)</u>	<u>\$ 348,247</u>	<u>(317,140)</u>

21. STATEMENTS OF COMPREHENSIVE INCOME:

Statements of comprehensive income in 2007 and 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Net income	₩ 1,600,480	₩ 1,259,247	\$ 1,705,905	\$ 1,342,195
Other comprehensive income (loss):				
Gain (loss) on valuation of available-for-sale securities, net of deferred tax effect ₩(216,896) million and ₩60,167 million in 2007 and 2006, respectively.	571,817	(158,623)	609,483	(169,072)
Gain (loss) on valuation of investment securities accounted for using the equity method, net of deferred tax effect ₩14,267 million and ₩(22,247) million in 2007 and 2006, respectively.	(63,121)	206,950	(67,279)	220,582
Loss on valuation of derivatives, net of deferred tax effect ₩20,301 million and ₩4,667 million in 2007 and 2006, respectively.	(53,521)	(12,305)	(57,046)	(13,116)
Gain(loss) on overseas operation translation, net of deferred tax effect ₩(64,138) million and ₩60,393 million in 2007 and 2006, respectively.	169,091	(159,218)	180,229	(169,705)
Comprehensive income	<u>₩ 2,224,746</u>	<u>₩ 1,136,051</u>	<u>\$ 2,371,292</u>	<u>\$ 1,210,884</u>

22. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS (LIABILITIES):

Income tax expense in 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	₩ 848,494	₩ 504,555	\$ 904,385	\$ 537,790
Changes in deferred taxes due to:				
Temporary differences	98,953	149,559	105,471	159,411
Carry forward of unused tax credits	(27,206)	(124,802)	(28,998)	(133,023)
Items directly charged to equity	(267,508)	186,446	(285,129)	198,728
Income tax expense	<u>₩ 652,733</u>	<u>₩ 715,758</u>	<u>\$ 695,729</u>	<u>\$ 762,906</u>

The components of accumulated temporary differences and deferred tax assets (liabilities) as of December 31, 2007 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Accumulated temporary differences	Deferred tax assets (liabilities)	Accumulated temporary differences	Deferred tax assets (liabilities)
	(In millions)		(In thousands)	
Accrued warranties	₩ 4,063,389	₩ 1,138,700	\$ 4,331,048	\$ 1,213,707
Long-term investment securities	(825,616)	(323,560)	(880,000)	(344,873)
Allowance for doubtful accounts	503,244	139,618	536,393	148,815
Other non-current assets	(2,932,463)	(1,017,114)	(3,125,627)	(1,084,112)
Reserve for research and manpower development	(376,993)	(96,250)	(401,826)	(102,590)
Derivative assets	443,868	123,142	473,106	131,253
Development cost	38	9	41	10
Depreciation	(368,282)	(103,848)	(392,541)	(110,689)
Accrued income	(85,128)	(23,394)	(90,735)	(24,935)
Dividends	7,745	2,130	8,255	2,270
Advanced depreciation provisions	(509,692)	(2,972)	(543,266)	(3,168)
Other	1,847,688	545,511	1,969,396	581,445
Accumulated temporary differences	1,767,798	381,972	1,884,244	407,133
Carry over tax deduction	439,542	443,936	468,495	473,178
	<u>₩ 2,207,340</u>	<u>₩ 825,908</u>	<u>\$ 2,352,739</u>	<u>\$ 880,311</u>

The components of accumulated temporary differences and deferred tax assets (liabilities) as of December 31, 2006 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Accumulated temporary differences	Deferred tax assets (liabilities)	Accumulated temporary differences	Deferred tax assets (liabilities)
	(In millions)		(In thousands)	
Accrued warranties	₩ 4,186,016	₩ 1,151,154	\$ 4,461,752	\$ 1,226,981
Long-term investment securities	253,414	(16,770)	270,107	(17,875)
Allowance for doubtful accounts	254,688	70,039	271,465	74,653
Other non-current assets	(1,805,122)	(628,300)	(1,924,027)	(669,687)
Reserve for research and manpower development	(685,799)	(188,595)	(730,973)	(201,018)
Derivative liabilities	(158,598)	(43,614)	(169,045)	(46,487)
Development cost	(16,574)	(4,558)	(17,666)	(4,858)
Depreciation	(322,151)	(106,456)	(343,371)	(113,468)
Accrued income	(272,258)	(74,871)	(290,192)	(79,803)
Dividends	7,745	2,130	8,255	2,270
Advanced depreciation provisions	(509,786)	(8,352)	(543,366)	(8,902)
Other	781,439	329,119	832,913	350,799
Accumulated temporary differences	1,713,014	480,926	1,825,852	512,605
Carry over tax deduction	396,445	416,730	422,559	444,180
	<u>₩ 2,109,459</u>	<u>₩ 897,656</u>	<u>\$ 2,248,411</u>	<u>\$ 956,785</u>

The temporary differences of ₩218,889 million (US\$233,307 thousand) and ₩317,555 million (US\$ 338,473 thousand) as of December 31, 2007 and 2006, respectively, were not recognized since it is not probable that the temporary difference will be reversed in the foreseeable future.

Effective tax rate used in calculating deferred tax assets or liabilities arising from temporary differences of the company and domestic subsidiaries are 27.5% including resident tax.

23. DIVIDENDS:

The computation of the proposed dividends for 2007 is as follows:

	Number of shares	Dividend rate	Korean Won (in millions)	Translation into U.S. Dollars (Note 2) (in thousands)
Common shares, net of treasury shares	208,802,067	20%	₩ 208,802	\$ 222,556
Preferred shares, net of treasury shares:				
First and Third preferred shares	25,637,321	21%	26,919	28,692
Second preferred shares	36,613,865	22%	40,275	42,928
			<u>₩ 275,996</u>	<u>\$ 294,176</u>

The computation of the proposed dividends for 2006 is as follows:

	Number of shares	Dividend rate	Korean Won (in millions)	Translation into U.S. Dollars (Note 2) (in thousands)
Common shares, net of treasury shares	208,178,785	20%	₩ 208,179	\$ 221,892
Preferred shares, net of treasury shares:				
First and Third preferred shares	25,637,321	21%	26,919	28,692
Second preferred shares	36,613,865	22%	40,275	42,928
			<u>₩ 275,373</u>	<u>\$ 293,512</u>

The payout ratios (dividends declared/net income) are 17.2% and 21.9% for the years ended December 31, 2007 and 2006, respectively.

24. ELIMINATION OF UNREALIZED PROFITS AND LOSSES:

Unrealized profits and losses resulting from sales among consolidated subsidiaries are calculated based on the average gross margin rate of selling companies and are eliminated in the consolidated financial statements.

Unrealized profits and losses related to sales of inventories and property, plant and equipment in 2007 are as follows:

	Korean Won			Translation into U.S. Dollars (Note 2)		
	Inventories	Property, plant and equipment (In millions)	Others	Inventories	Property, plant and equipment (In thousands)	Others
Upstream sales	₩ 3,999	₩ -	₩ -	\$ 4,262	\$ -	\$ -
Downstream sales	145,202	129,366	(41,074)	154,767	137,887	(43,780)
Sales between consolidated subsidiaries	180,598	26,907	(38,044)	192,494	28,679	(40,550)

Unrealized profits and losses related to sales of inventories and property, plant and equipment in 2006 are as follows:

	Korean Won			Translation into U.S. Dollars (Note 2)		
	Inventories	Property, plant and equipment (In millions)	Others	Inventories	Property, plant and equipment (In thousands)	Others
Upstream sales	₩ 3,440	₩ -	₩ 93	\$ 3,667	\$ -	\$ 99
Downstream sales	119,876	120,145	(51,598)	127,772	128,059	(54,997)
Sales between consolidated subsidiaries	220,585	16,861	(26,655)	235,115	17,972	(28,411)

25. INTER-COMPANY TRANSACTIONS:

Significant transactions in 2007 and 2006 between the Company and consolidated subsidiaries are as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)			
	2007		2006		2007		2006	
	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses
	(In millions)				(In thousands)			
Kia Motors Corporation	₩ 870,101	₩ 423,335	₩ 623,330	₩ 651,530	\$ 927,415	\$ 451,220	\$ 664,389	\$ 694,447
Dymos Inc.	1,020	512,921	3,888	453,225	1,087	546,708	4,144	483,079
Hyundai Capital Service Inc.	518,536	41,708	475,404	46,701	552,692	44,455	506,719	49,777
WIA Corporation	207,880	264,036	145,944	253,820	221,573	281,428	155,557	270,539
KEFICO Corporation	921	323,267	93	293,153	982	344,561	99	312,463
Hyundai HYSKO	4,020	240,511	1,846	171,530	4,285	256,354	1,968	182,829
Hyundai Powertech	26,841	207,611	18,317	150,671	28,609	221,287	19,524	160,596
Autoever Systems Corp.	502	165,231	172	154,967	535	176,115	183	165,175
Hyundai Autonet Co., Ltd.	839	101,251	230	142,653	894	107,920	245	152,050
Hyundai Card Co., Ltd.	1,847	71,401	286	70,844	1,969	76,104	305	75,511
METIA Co., Ltd.	2,045	48,448	1,892	30,323	2,180	51,639	2,017	32,320
Hyundai Rotem (Formerly, ROTEM))	4,890	63,280	569	43,548	5,212	67,448	606	46,417
Partecs Co.	-	11,001	1,425	739	-	11,726	1,519	788
Haevichi Resort	373	6,007	53	5,565	398	6,403	56	5,932
Automobile Industrial Ace Corporation	660	2,144	42	1,002	703	2,285	45	1,068
M & Soft Co., Ltd (Formerly, Mando Map & Soft Co., Ltd.)	842	1,738	1	885	897	1,852	1	943
Mseat Co., Ltd.	58	-	-	-	62	-	-	-
Hyundai Motor America	2,723,242	164	2,918,600	-	2,902,624	175	3,110,851	-
Hyundai Motor Europe GmbH	2,629,892	-	2,650,542	-	2,803,125	-	2,825,135	-
Hyundai Motor Poland Sp.Zo. O	795,821	-	135,275	-	848,242	-	144,186	-
Hyundai Motor India	616,646	284	516,389	3,781	657,265	303	550,404	4,030
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	613,033	-	635,142	-	653,414	-	676,979	-
Hyundai Auto Canada	579,281	-	567,818	-	617,439	-	605,221	-
Hyundai Motor Company Australia	486,677	-	460,393	-	518,735	-	490,719	-
Hyundai Motor Group (China) Ltd.	426,258	2,159	99,778	1,093	454,336	2,301	106,350	1,165
Hyundai Motor Manufacturing Alabama, LLC	306,621	708	265,596	-	326,818	755	283,091	-
Hyundai Motor Norway	63,516	-	66,037	-	67,700	-	70,387	-
Hyundai America Technical Center Inc.	732	47,057	27	60,602	780	50,157	29	64,594
Hyundai Motor Europe Technical Center GmbH	172	12,580	7,268	28,465	183	13,409	7,747	30,340
Hyundai Motor Japan Co.	6,330	-	7,123	-	6,747	-	7,592	-
Hyundai Motor Finance Company	1,709	-	1,378	-	1,822	-	1,469	-

As of December 31, 2007 and 2006, significant balances related to the transactions between the Company and consolidated subsidiaries are as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)			
	2007		2006		2007		2006	
	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable
	(In millions)				(In thousands)			
Kia Motors Corporation	₩ 182,715	₩ 149,666	₩ 221,427	₩ 133,366	\$ 194,751	\$ 159,525	\$ 236,013	\$ 142,151
Dymos Inc.	5,869	123,931	8,545	93,343	6,256	132,094	9,108	99,492
WIA Corporation	33,588	58,873	33,564	80,492	35,800	62,751	35,775	85,794
Hyundai Powertech	19,579	66,668	2,964	33,995	20,869	71,059	3,159	36,234
Hyundai Rotem (Formerly, ROTEM)	237	74,043	187	53,262	253	78,920	199	56,770
Autoever Systems Corp.	8	72,639	30	69,512	9	77,424	32	74,091
Hyundai Card	32,487	34,602	53,780	48,678	34,627	36,881	57,323	51,884

	Korean Won				Translation into U.S. Dollars (Note 2)			
	2007		2006		2007		2006	
	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable
	(In millions)				(In thousands)			
KEFICO Corporation	₩ 849	₩ 62,653	₩ 902	₩ 43,211	\$ 905	\$ 66,780	\$ 961	\$ 46,057
Hyundai HYSCO	3,549	41,576	3,210	51,669	3,783	44,315	3,421	55,072
Hyundai Capital Service Inc.	27,697	8,065	34,188	10,043	29,521	8,596	36,440	10,705
Hyundai Autonet Co., Ltd	132	26,295	261	27,389	141	28,027	278	29,193
Haevichi Resort	14,453	1,475	13,110	1,163	15,405	1,572	13,974	1,240
METIA Co., Ltd.	113	11,488	89	12,969	120	12,245	95	13,823
Hyundai Motor America	600,619	22,711	926,886	19,973	640,182	24,207	987,941	21,289
Hyundai Motor Poland Sp. Zo. O	327,607	137	43,342	1,465	349,187	146	46,197	1,562
Hyundai Motor Europe GmbH	252,921	2,497	355,901	-	269,581	2,661	379,344	-
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	192,433	1,130	215,215	62	205,109	1,204	229,391	66
Hyundai Motor Company Australia	125,383	255	101,238	103	133,642	272	107,907	110
Hyundai Motor Norway	24,587	116	34,170	4	26,207	124	36,421	4
Hyundai Motor Japan Co.	18,388	5,626	16,532	104	19,599	5,997	17,621	111
Hyundai Motor Manufacturing Alabama, LLC	15,395	5,080	68,674	1,516	16,409	5,415	73,198	1,616
Hyundai Motor India	9,127	470	50,196	281	9,728	501	53,502	300
Hyundai Motor Europe Technical Center GmbH	186	6,326	49	4,234	198	6,743	52	4,513
Hyundai America Technical Center Inc.	39	2,929	17	7,131	42	3,122	18	7,601

Significant transactions in 2007 and 2006 between the consolidated subsidiaries are as follows:

Subsidiaries	Counterpart subsidiaries	Korean Won		Translation into U.S. Dollars (Note 2)	
		2007	2006	2007	2006
		Subsidiary's income	Subsidiary's income	Subsidiary's income	Subsidiary's income
		(In millions)		(In thousands)	
Kia Motors Corporation	Hyundai Capital Service Inc.	₩ 90,639	₩ 122,219	\$ 96,609	\$ 130,270
	WIA Corporation	300,093	8,281	319,860	8,826
	Autoever Systems Corp.	7,805	4,062	8,319	4,330
	METIA Co., Ltd.	7,514	5,411	8,009	5,767
	Hyundai Powertech	22,689	1,472	24,184	1,569
	Dymos Inc.	33,340	1,718	35,536	1,831
	Hyundai HYSCO	8,281	145	8,826	155
	Hyundai Card	309	111	329	118
	KEFICO Corporation	2,939	181	3,133	193
	Mseat Co., Ltd.	7	44	7	47
	Hyundai Rotem (Formerly, ROTEM)	387	433	412	462
	Kia Motors America Inc.	4,165,067	4,124,897	4,439,423	4,396,607
	Kia Motors Europe GmbH	418,475	3,258,681	446,040	3,473,333
	Kia Canada, Inc.	508,307	424,924	541,790	452,914
	Dong Feng Yueda Kia Motor Co., Ltd.	256,047	235,748	272,913	251,277
	Kia Motors Polska Sp.z.o.o.	89,492	57,565	95,387	61,357
	Kia Motors Slovakia. s.r.o	-	42,225	-	45,006
	Kia Motors Sales Slovensko s.r.o.	189,510	123,716	201,993	131,865
	Hyundai Motor America	193,388	531,123	206,127	566,109
	Kia Motors Australia Pty. Ltd.	334,622	217,046	356,664	231,343
	Hyundai Auto Canada	33,593	63,286	35,806	67,455
	Hyundai Motor Group (China) Ltd.	157,826	36,778	168,222	39,201
Autoever Systems Corp.	Kia Motors Corporation	57,742	46,666	61,546	49,740
	Hyundai Capital Service Inc.	24,633	30,393	26,256	32,395
	Hyundai Card	33,335	24,600	35,531	26,220
	Hyundai HYSCO	9,615	11,756	10,248	12,530

Subsidiaries	Counterpart subsidiaries	Korean Won		Translation into U.S. Dollars (Note 2)	
		2007	2006	2007	2006
		Subsidiary's income	Subsidiary's income	Subsidiary's income	Subsidiary's income
		(In millions)		(In thousands)	
	WIA Corporation	₩ 6,643	₩ 5,617	\$ 7,081	\$ 5,987
	Dymos Inc.	2,877	3,168	3,067	3,377
	Hyundai Rotem (Formerly, ROTEM)	10,245	7,786	10,920	8,299
	Hyundai Autonet Co., Ltd.	11,733	7,580	12,506	8,079
	KEFICO Corporation	2,410	1,684	2,569	1,795
	Hyundai Powertech	4,157	2,645	4,431	2,819
	Kia Motors Slovakia. s.r.o	2,731	7,475	2,911	7,967
	Hyundai Motor India	1,382	2,541	1,473	2,708
	Hyundai Information Service North America	3,081	1,024	3,284	1,091
	Dong Feng Yueda Kia Motor Co., Ltd.	3,503	2,975	3,734	3,171
Hyundai Capital Service Inc.	Kia Motors Corporation	20,834	20,968	22,206	22,349
	Hyundai Card	20,373	14,209	21,715	15,145
	Hyundai Powertech	-	-	-	-
	Autoever Systems Corp.	43	47	46	50
Hyundai Card	Hyundai Capital Service Inc.	8,581	38,344	9,146	40,870
	Kia Motors Corporation	23,818	21,405	25,387	22,815
	Autoever Systems Corp.	3,990	3,919	4,253	4,177
	Hyundai HYSCO	-	407	-	434
	WIA Corporation	-	-	-	-
KEFICO Corporation	Kia Motors Corporation	91,950	86,426	98,007	92,119
	Hyundai Powertech	40,825	-	43,514	-
Dymos Inc.	Kia Motors Corporation	144,992	141,951	154,543	151,301
	Hyundai Rotem (Formerly, ROTEM)	56,706	32,339	60,441	34,469
	Mseat Co., Ltd.	14,043	22,803	14,968	24,305
	WIA Corporation	27,963	1,575	29,805	1,679
	Hyundai Powertech	30,127	4,305	32,111	4,589
WIA Corporation	Kia Motors Corporation	2,076,133	1,149,524	2,212,890	1,225,244
	Hyundai Rotem (Formerly, ROTEM))	3,000	16,102	3,198	17,163
	Dymos Inc.	19,968	10,140	21,283	10,808
	METIA Co., Ltd.	6,573	5,762	7,006	6,142
	Hyundai Powertech	4,172	3,118	4,447	3,323
	Partecs Co.	1,475	2,172	1,572	2,315
	Hyundai HYSCO	7,308	318	7,789	339
	Hyundai-Kia Machine America Corp	89,763	58,910	95,676	62,790
	Hyundai-Kia Machine Europe GmbH	70,683	61,521	75,339	65,573
	Wia Automotive Parts	28,939	13,761	30,845	14,667
	Hyundai Motor India	63	2,048	67	2,183
Hyundai Powertech	Kia Motors Corporation	327,743	356,269	349,332	379,737
Hyundai Rotem (Formerly, ROTEM)	Kia Motors Corporation	26,310	14,712	28,043	15,681
	WIA Corporation	-	7,795	-	8,308
	Autoever Systems Corp	253	1,463	270	1,559
	Dymos Inc.	-	-	-	-
	Partecs Co.	32,814	11,701	34,975	12,472
Hyundai HYSCO	Kia Motors Corporation	41,443	42,453	44,173	45,249
	Hyundai Card	-	-	-	-
	WIA Corporation	5,571	4,610	5,938	4,914
	Hyundai Hysco USA, Inc.	153,462	137,339	163,571	146,386
	Beijing Hyundai Hysco Steel Process Co., Ltd.	79,703	95,723	84,953	102,028
	Hysco America Company. Inc.	53,317	53,013	56,829	56,505
	Hysco Slovakia, s.r.o.	28,878	7,809	30,780	8,323
	Dong Feng Yueda Kia Motor Co., Ltd.	3,403	11,473	3,627	12,229

Subsidiaries	Counterpart subsidiaries	Korean Won		Translation into U.S. Dollars (Note 2)	
		2007	2006	2007	2006
		Subsidiary's income	Subsidiary's income	Subsidiary's income	Subsidiary's income
		(In millions)		(In thousands)	
	Hyundai Motor India	₩ 2,530	₩ 2,285	\$ 2,697	\$ 2,436
METIA Co., Ltd.	WIA Corporation	54,329	52,061	57,908	55,490
	Kia Motors Corporation	15,929	12,038	16,978	12,831
	Dymos Inc.	2,792	2,655	2,976	2,830
Automobile Industrial Ace Corporation	WIA Corporation	8,795	57,822	9,374	61,631
	Kia Motors Corporation	109,961	49,727	117,204	53,003
	Dymos Inc.	128	135	136	144
Mseat Co., Ltd.	Dymos Inc.	195,944	223,549	208,851	238,274
	Kia Motors Corporation	109,961	-	117,204	-
Hyundai Autonet Co., Ltd.	Kia Motors Corporation	26,057	31,384	27,773	33,451
	Hyundai-Hitech Electronics	73,492	-	78,333	-
Haevichi Resort	Kia Motors Corporation	2,670	1,422	2,846	1,516
	Hyundai Card	453	226	483	241
	Hyundai HYSCO	212	228	226	243
M & Soft Co., Ltd (Formerly, Mando Map & Soft Co., Ltd.)	Kia Motors Corporation	44	16	47	17
	Autoever Systems Corp	2	37	2	39
Hyundai America Technical Center Inc.	Kia Motors Corporation	26,466	40,162	28,209	42,808
Hyundai Motor America	Hyundai America Technical Center Inc.	28,346	29,582	30,213	31,531
	Hyundai Motor Finance Company	1,930	3,848	2,057	4,101
	Hyundai Motor Manufacturing Alabama, LLC	9,191	1,210	9,796	1,290
	World Marketing Group LLC	3,527	3,708	3,759	3,952
	Kia Motors America Inc.	2,442	2,550	2,603	2,718
World Marketing Group LLC	Hyundai Motor America	9,723	8,229	10,363	8,771
	Kia Motors America Inc.	9,191	-	9,796	-
Hyundai Motor Europe Technical Center GmbH	Kia Motors Corporation	11,841	22,703	12,621	24,198
	Hyundai Motor Europe GmbH	-	1,154	-	1,230
Hyundai-Kia Machine America Corp	WIA Corporation	636	-	678	-
Kia Motors America Inc.	Kia Motors Corporation	327,223	477,983	348,777	509,468
	Hyundai Motor America	3,086	2,932	3,289	3,125
Hyundai Motor Europe GmbH	Hyundai Motor (UK) Ltd.	308,735	403,106	329,072	429,659
	Hyundai Motor Europe Technical Center GmbH	616	1,471	657	1,568
	Kia Motors Europe GmbH	846	1,756	902	1,872
Hyundai Motor Finance Company	Hyundai Motor America	-	3,066	-	3,268
Hyundai Translead, Inc.	Hyundai Motor America	9,661	8,221	10,297	8,763
	Hyundai Motor Finance Company	180	-	192	-
	Kia Motors America Inc.	6,319	-	6,735	-
Hyundai Motor India	WIA Corporation	16,072	36,972	17,131	39,407
	Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	14,783	-	15,757	-
	Hyundai Motor (UK) Ltd.	29,244	-	31,170	-
Kia Motors Europe GmbH	Kia Motors Corporation	30,333	103,773	32,331	110,609
	Kia Motors (UK) Ltd.	448,649	527,092	478,202	561,812
	Kia Motors Belgium	167,360	126,685	178,384	135,030
	Kia Motors Austria GmbH	85,414	81,448	91,040	86,813
	Kia Motors Polska Sp.z.o.o.	112,300	50,664	119,697	54,001
	Kia Motors Hungary Kft	50,039	30,492	53,335	32,501
	Kia Motors Deutschland GmbH	602,986	538,269	642,705	573,725
	Kia Motors Iberia	694,412	629,793	740,153	671,278
	Kia Automobiles France	214,374	228,881	228,495	243,958
	Kia Motors Czech s.r.o.	100,976	48,005	107,627	51,167

Subsidiaries	Counterpart subsidiaries	Korean Won		Translation into U.S. Dollars (Note 2)	
		2007	2006	2007	2006
		Subsidiary's income	Subsidiary's income	Subsidiary's income	Subsidiary's income
		(In millions)		(In thousands)	
	Kia Motors Sweden AB	₩ 113,334	₩ 41,896	\$ 120,799	\$ 44,656
	Kia Motors Sales Slovensko S.r.o.	27,080	22,045	28,864	23,497
Kia Canada, Inc.	Kia Motors Corporation	19,339	18,078	20,613	19,269
Kia Motors Slovensko S.r.o.	Kia Motors Europe GmbH	1,716,085	38,262	1,829,125	40,782
	Kia Motors Sales Slovensko S.r.o.	42,866	-	45,690	-
Hyundai Motor Manufacturing Alabama, LLC	Hyundai Motor America	3,392,893	3,292,806	3,616,386	3,509,706
	Hyundai Auto Canada	459,250	-	489,501	-
	Hyundai Motor Finance Company	9,303	-	9,916	-

As of December 31, 2007 and 2006, significant balances related to the transactions between the consolidated subsidiaries are as follows:

Subsidiaries	Counterpart subsidiaries	Korean Won		Translation into U.S. Dollars (Note 2)	
		2007	2006	2007	2006
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable
		(In millions)		(In thousands)	
Kia Motors Corporation	Hyundai Capital Service Inc.	₩ 11,902	₩ 24,154	\$ 12,686	\$ 25,745
	WIA Corporation	29,756	54,640	31,716	58,239
	Autoever Systems Corp.	355	320	378	341
	METIA Co., Ltd.	1,873	-	1,996	-
	Hyundai Powertech	15,100	115	16,095	123
	Dymos Inc.	264	250	281	266
	Hyundai HYSCO	1,924	1,098	2,051	1,170
	Hyundai Card	6,846	15,149	7,297	16,147
	KEFICO Corporation	-	1	-	1
	Mseat Co., Ltd.	-	-	-	-
	Hyundai Rotem (Formerly, ROTEM)	21	19	22	20
	Kia Motors America Inc.	125,806	1,125,670	134,093	1,199,819
	Kia Motors Europe GmbH	191,516	1,969,044	204,131	2,098,747
	Kia Canada, Inc.	15,382	161,253	16,395	171,875
	Dong Feng Yueda Kia Motor Co., Ltd.	61,950	52,891	66,031	56,375
	Kia Motors Polska Sp.z.o.o.	-	11,475	-	12,231
	Kia Motors Slovakia. s.r.o	-	8,454	-	9,011
	Kia Motors Sales Slovensko s.r.o.	105,277	-	112,212	-
	Hyundai Motor America	27,233	47,098	29,027	50,200
	Kia Motors Australia Pty. Ltd.	29,615	85,466	31,566	91,096
	Hyundai Auto Canada	2,043	498	2,178	531
	Hyundai Motor Group (China) Ltd.	3,543	30,080	3,776	32,061
Autoever Systems Corp.	Kia Motors Corporation	11,312	12,224	12,057	13,029
	Hyundai Capital Service Inc.	524	148	559	158
	Hyundai Card	6,187	9,655	6,595	10,291
	Hyundai HYSCO	3,581	3,314	3,817	3,532
	WIA Corporation	891	960	950	1,023
	Dymos Inc.	1,388	1,350	1,479	1,439
	Hyundai Rotem (Formerly, ROTEM)	4,855	4,159	5,175	4,433
	Hyundai Autonet Co., Ltd.	3,479	4,084	3,708	4,353
	KEFICO Corporation	565	432	602	460
	Hyundai Powertech	1,866	1,790	1,989	1,908
	Kia Motors Slovakia. s.r.o	194	1,568	207	1,671
	Hyundai Motor India	339	2,143	361	2,284
	Hyundai Information Service North America	365	373	389	398
	Dong Feng Yueda Kia Motor Co., Ltd.	1,746	1,995	1,861	2,126
Hyundai Capital Service Inc.	Kia Motors Corporation	2,951	32,253	3,145	34,378

Subsidiaries	Counterpart subsidiaries	Korean Won		Translation into U.S. Dollars (Note 2)	
		2007	2006	2007	2006
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable
		(In millions)		(In thousands)	
	Hyundai Card	₩ 1,120	₩ 894	\$ 1,194	\$ 953
	Hyundai Powertech	-	3,307	-	3,525
	Autoever Systems Corp.	-	-	-	-
Hyundai Card	Hyundai Capital Service Inc.	65,413	64,389	69,722	68,630
	Kia Motors Corporation	28,926	11,530	30,831	12,289
	Autoever Systems Corp.	7,173	24,029	7,645	25,612
	Hyundai HYSKO	260	263	277	280
	WIA Corporation	2,341	2,107	2,495	2,246
KEFICO Corporation	Kia Motors Corporation	15,679	13,222	16,712	14,093
	Hyundai Powertech	5,816	7,479	6,199	7,972
Dymos Inc.	Kia Motors Corporation	19,512	26,359	20,797	28,095
	Hyundai Rotem (Formerly, ROTEM)	22,475	15,964	23,955	17,016
	Mseat Co., Ltd.	-	660	-	703
	WIA Corporation	627	817	668	871
	Hyundai Powertech	6,633	4,070	7,070	4,338
WIA Corporation	Kia Motors Corporation	283,889	250,898	302,589	267,425
	Hyundai Rotem (Formerly, ROTEM)	527	7,455	562	7,946
	Dymos Inc.	871	4,597	928	4,900
	METIA Co., Ltd.	6,453	5,382	6,878	5,737
	Hyundai Powertech	2,196	2,464	2,341	2,626
	Partecs Co.	134	2,389	143	2,546
WIA Corporation	Hyundai HYSKO	5,113	-	5,450	-
	Hyundai-Kia Machine America Corp	46,633	14,316	49,705	15,259
	Hyundai-Kia Machine Europe GmbH	6,080	10,110	6,480	10,776
	Wia Automotive Parts	12,949	14,913	13,802	15,895
	Hyundai Motor India	858	170	915	181
Hyundai Powertech	Kia Motors Corporation	58,890	66,322	62,769	70,691
Hyundai Rotem (Formerly, ROTEM)	Kia Motors Corporation	2,520	18,336	2,686	19,544
	WIA Corporation	-	-	-	-
	Autoever Systems Corp	1	132	1	141
	Dymos Inc.	25,375	4,597	27,046	4,900
	Partecs Co.	47,867	7,816	51,020	8,331
Hyundai HYSKO	Kia Motors Corporation	3,374	11,274	3,596	12,017
	Hyundai Card	3,604	12,434	3,841	13,253
	WIA Corporation	2,551	2,215	2,719	2,361
	Hyundai Hysco USA, Inc.	15,510	4,652	16,532	4,958
	Beijing Hyundai Hysco Steel Process Co., Ltd.	80	3,588	85	3,824
	Hysco America Company, Inc.	5,281	444	5,629	473
	Hysco Slovakia, s.r.o.	41	1,274	44	1,358
	Dong Feng Yueda Kia Motor Co., Ltd.	-	461	-	491
	Hyundai Motor India	-	411	-	438
METIA Co., Ltd.	WIA Corporation	19,680	29,568	20,976	31,516
	Kia Motors Corporation	3,630	9,416	3,869	10,036
	Dymos Inc.	1,037	1,269	1,105	1,353
Automobile Industrial Ace Corporation	WIA Corporation	1,707	1,703	1,819	1,815
	Kia Motors Corporation	16,057	15,922	17,115	16,971
	Dymos Inc.	18	133	19	142
Mseat Co., Ltd.	Dymos Inc.	59,732	63,518	63,667	67,702
	Kia Motors Corporation	16,057	-	17,115	-
Hyundai Autonet Co., Ltd.	Kia Motors Corporation	9,056	11,931	9,653	12,717
	Hyundai-Hitech Electronics	14,570	10,244	15,530	10,919
Haevichi Resort	Kia Motors Corporation	3,178	3,048	3,387	3,249
	Hyundai Card	116	111	124	118
	Hyundai HYSKO	55	33	59	35
M & Soft Co., Ltd (Formerly,	Kia Motors Corporation	23	-	25	-

Subsidiaries	Counterpart subsidiaries	Korean Won		Translation into U.S. Dollars (Note 2)	
		2007	2006	2007	2006
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable
		(In millions)		(In thousands)	
Mando Map & Soft Co., Ltd.)	Autoever Systems Corp	₩ -	₩ -	\$ -	\$ -
Hyundai America Technical Center Inc.	Kia Motors Corporation	2,844	5,018	3,031	5,349
Hyundai Motor America	Hyundai America Technical Center Inc.	1,653	1,564	1,762	1,667
	Hyundai Motor Finance Company	856	-	912	-
	Hyundai Motor Manufacturing Alabama, LLC	5,598	4,805	5,967	5,122
	World Marketing Group LLC	3	4	3	4
	Kia Motors America Inc.	265	410	282	437
World Marketing Group LLC	Hyundai Motor America	39,851	15,175	42,476	16,175
Hyundai Motor Europe Technical Center GmbH	Kia Motors America Inc.	-	6,367	-	6,786
Hyundai-Kia Machine America Corp	Kia Motors Corporation	6,061	5,696	6,460	6,071
Kia Motors America Inc.	Hyundai Motor Europe GmbH	-	-	-	-
	WIA Corporation	527	288	562	307
	Kia Motors Corporation	8,930	151,524	9,518	161,505
	Hyundai Motor America	479	-	511	-
Hyundai Motor Europe GmbH	Hyundai Motor (UK) Ltd.	292,016	178,045	311,251	189,773
	Hyundai Motor Europe Technical Center GmbH	-	-	-	-
	Kia Motors Europe GmbH	37	-	39	-
Hyundai Motor Finance Company	Hyundai Motor America	343,284	308,972	365,896	329,324
Hyundai Translead, Inc.	Hyundai Motor America	1,260	791	1,343	843
	Hyundai Motor Finance Company	74	10,656	79	11,358
	Kia Motors America Inc.	969	1,040	1,033	1,109
Hyundai Motor India	WIA Corporation	166	2,492	177	2,656
	Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	694	1,049	740	1,118
	Hyundai Motor (UK) Ltd.	16,152	19,894	17,216	21,204
Kia Motors Europe GmbH	Kia Motors Corporation	9,801	-	10,447	-
	Kia Motors (UK) Ltd.	439,917	509,475	468,895	543,035
	Kia Motors Belgium	148,108	91,036	157,864	97,033
	Kia Motors Austria GmbH	83,071	85,763	88,543	91,412
	Kia Motors Polska Sp.z.o.o.	57,932	51,386	61,748	54,771
	Kia Motors Hungary Kft	29,499	32,573	31,442	34,719
	Kia Motors Deutschland GmbH	436,321	460,572	465,062	490,910
	Kia Motors Iberia	572,381	403,044	610,084	429,593
	Kia Automobiles France	274,516	252,817	292,599	269,470
	Kia Motors Czech s.r.o.	29,056	17,479	30,970	18,630
	Kia Motors Sweden AB	58,749	36,800	62,619	39,224
	Kia Motors Sales Slovensko S.r.o.	14,608	13,056	15,570	13,916
Kia Canada, Inc.	Kia Motors Corporation	2,482	3,268	2,645	3,483
Kia Motors Slovensko S.r.o.	Kia Motors Europe GmbH	219,511	37,238	233,970	39,691
	Kia Motors Sales Slovensko S.r.o.	36,671	-	39,087	-
Hyundai Motor Manufacturing Alabama, LLC	Hyundai Motor America	244,056	255,501	260,132	272,331
	Hyundai Auto Canada	45,078	37,460	48,047	39,928
	Hyundai Motor Finance Company	1,495	219,505	1,593	233,964

26. RELATED PARTY TRANSACTIONS:

(1) In 2007, significant transactions with related parties other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean Won		Translation into U.S. Dollars (Note 2)	
		Sales/ revenues	Purchases/ expenses	Sales/ revenues	Purchases/ expenses
		(In millions)		(In thousands)	
Hyundai Motor Company	Hyundai Mobis	₩ 389,543	₩ 3,144,665	\$ 415,203	\$ 3,351,807
	Asset Management Co., Ltd.	2,005	229,432	2,137	244,545
	Glovis Co., Ltd.	89,077	429,515	94,945	457,808
	Beijing-Hyundai Motor Company	418,959	41,806	446,556	44,560
	Hyundai Steel Company	3,268	1,822	3,483	1,942
	Iljin Bearing Co., Ltd.	1	33,597	1	35,810
	Eukor Car Carriers Inc.	879	534,026	937	569,203
Kia Motors Corporation	Hyundai Mobis	50,271	1,516,019	53,582	1,615,880
	Asset Management Co., Ltd.	788	76,821	840	81,881
	Glovis Co., Ltd.	84,073	221,446	89,611	236,033
	Donghui Auto Co., Ltd.	-	88,695	-	94,537
	Eukor Car Carriers Inc.	250	370,521	266	394,928

In 2006, significant transactions with related parties other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean Won		Translation into U.S. Dollars (Note 2)	
		Sales/ revenues	Purchases/ expenses	Sales/ revenues	Purchases/ expenses
		(In millions)		(In thousands)	
Hyundai Motor Company	Hyundai Mobis	₩ 467,897	₩ 2,703,705	\$ 498,718	\$ 2,881,800
	Asset Management Co., Ltd.	352	348,064	375	370,991
	Glovis Co., Ltd.	24,522	347,910	26,137	370,827
	Beijing-Hyundai Motor Company	566,300	53,998	603,603	57,555
	Hyundai Steel Company	1,683	12,039	1,794	12,832
	Iljin Bearing Co., Ltd.	12	33,898	13	36,131
	Eukor Car Carriers Inc.	1,505	457,403	1,604	487,533
Kia Motors Corporation	Hyundai Mobis	41,357	1,850,066	44,081	1,971,931
	Asset Management Co., Ltd.	843	74,896	899	79,829
	Glovis Co., Ltd.	11,606	190,593	12,370	203,148
	Donghui Auto Co., Ltd.	571	85,567	609	91,203
	Eukor Car Carriers Inc.	-	435,692	-	464,391

(2) As of December 31, 2007, significant balances related to the transactions other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean Won		Translation into U.S. Dollars (Note 2)	
		Receivables	Payables	Receivables	Payables
		(In millions)		(In thousands)	
Hyundai Motor Company	Hyundai Mobis	₩ 126,432	₩ 548,361	\$ 134,760	\$ 584,482
	Asset Management Co., Ltd.	320	66,040	341	70,390
	Glovis Co., Ltd.	2,494	51,675	2,658	55,079
	Hyundai Steel Company	482	22,399	514	23,874
	Iljin Bearing Co., Ltd.	1	33,597	1	35,810
	Eukor Car Carriers Inc.	9	40,482	10	43,149
Kia Motors Corporation	Hyundai Mobis	16,528	313,125	17,617	333,751
	Asset Management Co., Ltd.	-	36,586	-	38,996
	Glovis Co., Ltd.	1,420	36,640	1,514	39,054
	Eukor Car Carriers Inc.	-	29,943	-	31,915

As of December 31, 2006, significant balances related to the transactions other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean Won		Translation into U.S. Dollars (Note 2)	
		Receivables	Payables	Receivables	Payables
		(In millions)		(In thousands)	
Hyundai Motor Company	Hyundai Mobis	₩ 84,146	₩ 498,272	\$ 89,689	\$ 531,094
	Asset Management Co., Ltd.	527	144,466	562	153,982
	Glovis Co., Ltd.	9,946	47,177	10,601	50,285
	Hyundai Steel Company	558	22,625	595	24,115
	Iljin Bearing Co., Ltd.	66	3,300	70	3,517
	Eukor Car Carriers Inc.	17	39,939	18	42,570
Kia Motors Corporation	Hyundai Mobis	15,739	217,980	16,776	232,339
	Asset Management Co., Ltd.	-	31,209	-	33,265
	Glovis Co., Ltd.	823	27,525	877	29,338
	Eukor Car Carriers Inc.	-	45,417	-	48,409

27. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses in 2007 and 2006 are as follows:

	Korean Won		Translation into U.S. Dollars (Note 2)		
	2007	2006	2007	2006	
		(In millions)		(In thousands)	
Salaries	₩ 2,545,845	₩ 2,196,904	\$ 2,713,542	\$ 2,341,616	
Export related expenses	1,284,054	1,313,587	1,368,636	1,400,114	
Sales promotion	2,392,644	3,329,762	2,550,249	3,549,096	
Sales commission	787,898	572,865	839,797	610,600	
Sales warranties	975,825	908,657	1,040,103	968,511	
Taxes and dues	139,313	128,984	148,490	137,480	
Communications	66,567	64,668	70,952	68,928	
Utilities	51,541	54,661	54,936	58,262	
Freight and warehousing	424,278	214,971	452,226	229,131	
Rent	115,233	128,296	122,823	136,747	
Travel	152,031	136,406	162,045	145,391	
Service charges	553,751	657,115	590,227	700,400	
Maintenance	57,261	75,047	61,033	79,990	
Supplies	56,676	56,200	60,409	59,902	
Research	608,631	636,611	648,722	678,545	
Depreciation	420,053	434,600	447,722	463,227	
Amortization	86,993	94,238	92,723	100,446	
Provision for other liabilities	315,819	345,455	336,622	368,210	
Other	251,605	264,051	268,180	281,445	
	<u>₩ 11,286,018</u>	<u>₩ 11,613,078</u>	<u>\$ 12,029,437</u>	<u>\$ 12,378,041</u>	

28. COMMITMENTS AND CONTINGENCIES:

- (1) The Company and its consolidated subsidiaries are contingently liable for guarantees of indebtedness of related parties including subsidiaries as of December 31, 2007 as follows:

<u>Company providing guarantee of indebtedness</u>	<u>Beneficiary companies</u>	<u>Korean Won (In millions)</u>	<u>Translation into U.S. Dollars (Note 2) (In thousands)</u>	
Hyundai Motor Company	Hyundai Capital Co., Ltd	₩ 317,908	\$ 338,849	
	Hyundai Merchant Marine	180,048	191,908	
	Hyundai Rotem (Formerly, ROTEM)	186,100	198,359	
	Hyundai Motor America	187,640	200,000	
	Hyundai Motor Manufacturing Alabama LLC	633,285	675,000	
	Hyundai Auto Canada	16,057	17,115	
	Hyundai Motor Finance Company	468,162	499,000	
	Hyundai Motor Europe GmbH	23,481	25,028	
	HMI	187,640	200,000	
	Hyundai Motor Europe Technical Center GmbH	69,063	73,612	
	Hyundai Motor (UK) Ltd.	32,797	34,957	
	Hyundai Motor Japan Co.	41,667	44,412	
	HMJ R&D Center Inc.	3,167	3,376	
	Hyundai Translead	79,747	85,000	
	Smart Alabama LLC	107,893	115,000	
	Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,815	3,000	
	Beijing Hines Millennium Real Estate Development Co., Ltd.	13,229	14,100	
	Equus Cayman Finance Ltd.	375,280	400,000	
	Hyundai America Technical Center Inc.	15,011	16,000	
	UTS	225,168	240,000	
	Hyundai HYSCO	Hyundai Hysco USA, Inc.	14,073	15,000
		Hysco Steel India. Ltd	22,048	23,500
		Beijing Hyundai Hysco Steel Process Co., Ltd.	15,123	16,119
Hysco America Company, Inc		28,146	30,000	
Hysco Slovakia S.R.O		17,266	18,403	
Jiangsu Hyundai Hysco Steel Process Co., Ltd.		9,610	10,243	
Beijing Hyundai Hysco Steel Process Co., Ltd	Jiangsu Hyundai Hysco Steel Process Co., Ltd	9,382	10,000	
Dymos Inc.	Beijing Lear Dymos Automotive Systems Co.	3,002	3,200	
	Dymos India Automotive Private Limited	14,073	15,000	
MSEAT Corp.	Dymos Inc.	19,644	20,938	
WIA Corp.	WIA Automotive Parts	32,837	35,000	
	Hyundai-Kia Machine America Corp.	35,652	38,000	
	Hyundai-Kia Machine Europe GmbH	20,028	21,347	
	Wia Trade Corporation	23,455	25,000	
Kia Motors Corporation	Kia Motors Slovakia	498,482	531,317	
	Kia Motors (UK) Ltd.	7,908	8,429	
	Kia Motors Europe GmbH	27,625	29,445	
	Dongfeng Yueda Kia Motors Co., Ltd.	119,067	126,910	
Hyundai Autonet	Hyundai Hi-Tech Electronics (Tianjin) Co. Ltd.	11,258	12,000	
Total		<u>₩ 4,094,837</u>	<u>\$ 4,364,567</u>	

- (2) As of December 31, 2007, the outstanding balance of accounts receivable discounted with recourse amounts to ₩413,822 million (US\$441,081 thousand), including discounted overseas accounts receivable translated using the foreign exchange rate at December 31, 2007.

- (3) The Company offered financial institutions 45 checks including two checks amounting to ₩5,754 million (US\$6,133 thousand) and 117 promissory notes including 2 checks amounting to ₩1,820 million (US\$1,940 thousand) that were issued by the Company as collateral to guarantee the payment of borrowings.
- (4) The Company uses a customer financing system related to a long-term instalment sales system and has provided guarantees of ₩38,730 million (US\$41,281 thousand) to the banks concerned as of December 31, 2007. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.
- (5) The Company signed lease financial agreements with Hyundai Commercial and Hyundai Capital to promote sales of buses. According to the agreements, the Company has a joint responsibility to the guarantee limit of the lease user's liability stipulated in the agreement. As of December 31, 2007, the amount of guarantee is ₩86,457 million (US\$ 92,152 thousand). In addition, the Company is obliged to pay the lease fee and dispose of leased assets within certain period in case the lease users are bankrupt or long-term overdue.
- (6) Ongoing lawsuits
 - 1) 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 December 31, 2007 will not have any material effect on its financial position.
 - 2) Twenty five significant lawsuits that Kia Motors Corporation, one of domestic subsidiaries, is facing are in progress and the potential payment for damages according to the result of the lawsuits is up to ₩17,753 million (US\$18,922 thousand). Kia Motors Corporation is involved in lawsuits, in Brazilian court, pertaining to the disputes with the Brazilian shareholders of Asia Motors Do Brazil S.A. (AMB) and AMB, which was established as a joint venture by Asia Motors with a Brazilian investor. In December 2001, Kia Motors Corporation brought the case to the International Court of Arbitration in International Chamber of Commerce (ICC) to settle the disputes pursuant to the terms of contract signed at the time of the inception of the joint venture, which stipulate that in case the business has been adversely affected by a party's failure to comply with contract terms and other reasons, the matter should be taken before the International Court of Arbitration for settlement and parties shall be held accountable according to the results. The case was decided in favour of Kia Motors Corporation in the International Court of Arbitration on July 22, 2004. In addition, Kia Motors Corporation, a shareholder of AMB, has already written off this investment of ₩14,057 million (US\$14,983 thousand). Although the outcome of this matter is not currently predictable, management believes that the resolution of these matters will not have material adverse effect on the operation or financial position of the company.
 - 3) There exist other ongoing lawsuits related to subsidiaries that were not presented above; however, the Company expects there would not be significant effects on its consolidated financial statements.

- (7) As of December 31, 2007, the Company's consolidated subsidiaries have been provided for payment guarantee by other companies as follows:

Consolidated Subsidiaries	Company providing guarantee of indebtedness	Amounts of guarantee (KRW in millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Dymos Inc.	Seoul Guarantee Insurance Company	KRW 8,899	\$ 9,485
KEFICO Corporation	Korea Exchange Bank	USD 79,000	79
	Korea Exchange Bank	JPY 427,353,000	3,794
	Korea Exchange Bank	EUR 237,000	349
	Seoul Guarantee Insurance Company	KRW 107	114
	Machinery Insurance Cooperative and others	KRW 1,241,414	1,323,187
Hyundai Rotem (Formerly, ROTEM)		USD 204,311,334	204,311
		EUR 181,765,268	267,603
		CAD 8,032,593	8,193
		HKD 45,138,196	5,786
		SGD 11,409,023	7,891
		BRL 5,000,000	3,086
		TND 1,500,000	1,250
		TWD 6,870,312	236
Hyundai Card Co., Ltd. WIA Corp.	Seoul Guarantee Insurance Company	KRW 18,534	19,755
	The Export-Import Bank of Korea	USD 40,526,507	40,527
	Shinhan Bank	USD 128,374	128
	Woori Bank	USD 483,067	483
	Machinery Insurance Cooperative and others	KRW 152,044	162,059
Hyundai Autonet	Financial Institutions	KRW 21,717	23,147
Hyundai Motor Manufacturing Alabama LLC	Goldman Sachs and other	KRW 633,249	674,962

- (8) The Company and Kia Motors Corporation 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).
- (9) In 2006, the Company sold 10,658,367 shares of Hyundai Rotem (Formerly, 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.
- (10) Hyundai Capital Co., Ltd., one of domestic subsidiaries of the Company, made a credit facility agreement on a US\$ 600 million renewable one-year revolving credit facility up to 3 years to be provided by General Electric Capital Corporation (the "GECC") to Hyundai Capital Co., Ltd. on January 13, 2006. Under the terms of such agreement, Hyundai Capital Co., Ltd. shall pay commitment fee of Libor+90bp for the usage of facility and 20bp for the remaining. Also, the maturity of individual draw-down is within 1 year from the time of withdrawal and in case of termination, the maturity for previous withdrawals can be extended to 1 year from the time of termination. In addition, Hyundai Capital Co., Ltd, GECC and the Company made a support agreement on credit facility agreement on the same date of the credit facility agreement. According to the support agreement, when Hyundai Capital Co., Ltd cannot redeem in a year after the withdrawal, GECC has the right of debt-to-equity swap for the relevant draw-down and has the put option that GECC can sell converted stocks to the Company within the ownership of the Company. In this case, the amount which the Company pays to GECC is the amount of withdrawal for debt-to-equity swap multiplied by the ownership of the Company. Also, the Company has the call option that it can buy converted stocks from GECC on the same condition of put option when the GECC does not exercise the put option. According to the support agreement, Hyundai Capital Co., Ltd is supposed to pay 15bp commission to the Company based on the amount on which the credit facility agreement was established multiplied by the ownership percentage of the company.

(11) Hyundai Capital Co., Ltd made a Revolving Credit Facility Agreement with following financial institutions for Credit Line:

<u>Financial institution</u>	<u>Credit Line</u>	<u>Commission</u>	<u>Contract term</u>
ING Bank N.V., Seoul Branch	KRW 94,000 million	- committed : 91dayCD+0.55% - uncommitted : 8bp	2007.11.26 ~ 2008.11.24
Mizuho Corporate Bank, Seoul Branch	KRW 92,000 million	- committed : 91dayCD+0.55% - uncommitted : 8bp	2007.12.18 ~ 2008.12.17
JP Morgan Seoul Branch	KRW 47,000 million	- committed : 91dayCD+0.55% - uncommitted : 8bp	2007.9.27 ~ 2008.9.26
ABN Amro, Seoul Branch	KRW 46,600 million	- committed : 91dayCD+0.55% - uncommitted : 8bp	2007. 9.20 ~ 2008. 9.20
Citibank, Seoul	KRW 47,000 million	- committed : 91dayCD+0.55% - uncommitted : 8bp	2007. 9.17 ~ 2008. 9.17
MUFJ, Seoul Branch	KRW 50,000 million	- committed : 91dayCD+0.93% - uncommitted : 8bp	2007.12.27 ~ 2008.12.27

(12) Hyundai Card Co., Ltd., one of domestic subsidiaries of the Company, made an agreement regarding asset backed securitization. According to the agreement, in order for the credibility of the asset-backed securities, several required provisions are made as a trigger clauses to be used for early redemption calls, thereby limiting the risk that investors will have resulting from a change in quality of the assets in the future. In the event the asset-backed securitization of the Hyundai Card Co., Ltd. is in violation of the applicable trigger clause, Hyundai Card Co., Ltd. is obliged to make early redemption for asset-backed securities.

(13) WIA Corp., one of domestic subsidiaries of the Company, made a general installment financing contract with Doosan Capital Corp. and Hyundai Commercial in order to promote the sales of its machine tools. According to the contract, if a user of the instalment financing service is in default, WIA Corp. has to accept responsibility for the default receivable. The amounts of principal that have not matured are ₩66,335 million (US\$70,705 thousand) and ₩64,989 million (US\$69,270 thousand) for Doosan Capital Corp. and Hyundai Commercial, respectively. The ceiling amounts are ₩150,000 million (US\$159,881 thousand) and ₩54,000 million (US\$57,557 thousand) for Doosan Capital Corp. and Hyundai Commercial, respectively, as of December 31, 2007.

29. DERIVATIVE INSTRUMENTS:

(1) The Company entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of December 31, 2007 and 2006, the Company deferred the net gain of ₩28,526 million (US\$30,405 thousand) and ₩20,068 million (US\$21,390 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as accumulated other comprehensive income (loss). The longest period in which the forecasted transactions are expected to occur is within 47 months from December 31, 2007. Of the net loss on valuation recorded as accumulated other comprehensive income (loss) as of December 31, 2007 amounting to ₩812 million (US\$865 thousand) is expected to be realized and charged to current operations within one year from December 31, 2007.

For the year ended December 31, 2007 and 2006, the Company recognized the net loss of ₩197,265 million (US\$210,259 thousand) and ₩226,624 million (US\$241,552 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.

All premiums to be paid by the Company are recorded as accounts payable - other of ₩21,615 million (US\$23,039 thousand) as of December 31, 2007, and accounts payable-other of ₩21,524 million (US\$ 22,942 thousand) and other non-current liabilities of ₩21,417 million (US\$22,828 thousand) as of December 31, 2006, after deducting the present value discount of ₩2,703 million (US\$2,881 thousand). Also, all premiums to be received by the Company are recorded as other current assets of ₩3,561 million (US\$3,796 thousand) as of December 31, 2007, and other current assets of ₩3,529 million (US\$3,761 thousand) and other assets of ₩3,529 million (US\$3,761 thousand) as of December 31, 2006 after deducting the present value discount of ₩448 million (US\$478 thousand).

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums to be paid of ₩114,248 million (US\$121,774 thousand) and ₩290,925 million (US\$310,088 thousand) in current and non-current derivative assets as of December 31, 2007 and 2006, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums to be received of ₩161,850 million (US\$172,511 thousand) and ₩55,506 million (US\$59,162 thousand) is recorded in current and non-current derivative liabilities as of December 31, 2007 and 2006, respectively.

(2) The transactions of currency options and forwards belonging to subsidiaries as of December 31, 2007 consist of the following:

Derivatives	Contract amount	Period	Gains (losses) for the term		Other comprehensive income(loss)	
			Korean Won (In millions)	Translation into U.S. Dollars (In thousands)	Korean Won (In millions)	Translation into U.S. Dollars (In thousands)
Currency option	USD 120,000,000	2008.01.29~2008.12.29	₩ 731	\$ 779	₩ -	\$ -
Currency forward	EUR 120,000,000	2008.01.23~2008.12.29				
	USD 820,000,000	2008.01.07~2008.06.30	(2,319)	(2,472)	(7,888)	(8,408)
	USD 2,827,220	2008.01.03~2009.06.29				
	EUR 111,141	2008.01.29~2008.01.31	74	79	-	-
Forward exchange	EUR 6,000,000	2008.01.28~2008.02.26	(1,525)	(1,625)	-	-
	Total		₩ (3,039)	\$ (3,239)	₩ (7,888)	\$ (8,408)

(3) Some subsidiaries entered into currency swap contract and cross-currency swap contract to hedge the exposure to changes in foreign exchange rates and interest rates on variable-rate debentures. Due to the currency swap and cross-currency swap transactions, the maximum period exposed to changes in expected future cash flows is till December 2012. Gains and losses on valuation of derivatives as of December 31, 2007 are as follows:

Description	Contract amount	Gains (losses) for the term		Other comprehensive income (loss)	
		Korean Won (In millions)	Translation into U.S. Dollars (In thousands)	Korean Won (In millions)	Translation into U.S. Dollars (In thousands)
Currency swap contract	5,271,231	₩ 201,212	\$ 214,466	₩ (70,683)	\$ (75,339)
Cross-currency swap contract	3,741,342	(26,202)	(27,928)	3,057	3,258
Total	9,012,573	₩ 175,010	\$ 186,538	₩ (67,626)	\$ (72,081)

30. SEGMENT INFORMATION:

(1) Consolidated financial statements by industry

The consolidated balance sheets as of December 31, 2007 and 2006, and consolidated statements of income for the years then ended, by industry under which the Company and its subsidiaries' business are classified, are as follows:

Consolidated Balance Sheets as of December 31, 2007

ASSETS	Korean Won		Translation into U.S. Dollars (Note 2)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
	(In millions)		(In thousands)	
Current assets:	₩ 27,232,650	₩ 1,274,076	\$ 29,026,487	\$ 1,358,000
Non-current assets:				
Investments, net of unamortized present value discount	6,394,009	679,552	6,815,188	724,315
Property, plant and equipment, net of accumulated depreciation	25,426,586	202,944	27,101,456	216,312
Intangibles, net of amortization	2,918,940	77,929	3,111,213	83,062
Other financial business assets	-	21,903,980	-	23,346,813
Total non-current assets	<u>34,739,535</u>	<u>22,864,405</u>	<u>37,027,857</u>	<u>25,728,502</u>
Total assets	<u>₩ 61,972,185</u>	<u>₩ 24,138,481</u>	<u>\$ 66,054,343</u>	<u>\$ 25,728,502</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	₩ 27,016,873	₩ 10,037,976	\$ 28,796,496	\$ 10,699,186
Non-current liabilities	12,564,004	10,763,366	13,391,605	11,472,358
Other financial business liabilities	-	169,759	-	180,941
Total liabilities	<u>39,580,877</u>	<u>20,971,101</u>	<u>42,188,102</u>	<u>22,352,485</u>
Shareholders' equity:				
Capital stock	1,486,980	1,876,824	1,584,929	2,000,452
Capital surplus	5,385,017	400,813	5,739,732	427,215
Retained earnings	11,479,509	938,799	12,235,674	1,000,638
Capital adjustments	(718,855)	-	(766,207)	-
Accumulated other comprehensive income (loss)	364,160	(49,056)	388,148	(52,287)
Minority interests	4,394,497	-	4,683,966	-
Total shareholders' equity	<u>22,391,308</u>	<u>3,167,380</u>	<u>23,866,242</u>	<u>3,376,018</u>
Total liabilities and shareholders' equity	<u>₩ 61,972,185</u>	<u>₩ 24,138,481</u>	<u>\$ 66,054,343</u>	<u>\$ 25,728,502</u>

Consolidated Balance Sheets as of December 31, 2006

ASSETS	Korean Won		Translation into U.S. Dollars (Note 2)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
	(In millions)		(In thousands)	
Current assets:	₩ 23,854,680	₩ 1,446,622	\$ 25,426,007	\$ 1,541,912
Non-current assets:				
Investments, net of unamortized present value discount	4,873,774	1,646,205	5,194,813	1,754,642
Property, plant and equipment, net of accumulated depreciation	23,309,614	181,781	24,845,037	193,755
Intangibles, net of amortization	2,548,243	60,222	2,716,098	64,189
Other financial business assets	-	15,144,269	-	16,141,834
Total non-current assets	<u>30,731,631</u>	<u>17,032,477</u>	<u>32,755,949</u>	<u>18,154,420</u>
Total assets	<u>₩ 54,586,311</u>	<u>₩ 18,479,099</u>	<u>\$ 58,181,956</u>	<u>\$ 19,696,332</u>

	Korean Won		Translation into U.S. Dollars (Note 2)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	₩ 23,883,705	₩ 7,736,308	\$ 25,456,944	\$ 8,245,905
Non-current liabilities	10,642,770	8,201,734	11,343,818	8,741,989
Other financial business liabilities	-	148,224	-	157,988
Total liabilities	<u>34,526,475</u>	<u>16,086,266</u>	<u>36,800,762</u>	<u>17,145,881</u>
Shareholders' equity:				
Capital stock	1,484,942	1,649,640	1,582,756	1,758,303
Capital surplus	5,405,773	428,463	5,761,856	456,686
Retained earnings	9,812,872	323,248	10,459,254	344,541
Capital adjustments	(706,379)	(20)	(752,909)	(21)
Accumulated other comprehensive loss	(88,031)	(8,498)	(93,830)	(9,058)
Minority interests	4,150,659	-	4,424,066	-
Total shareholders' equity	<u>20,059,836</u>	<u>2,392,833</u>	<u>21,381,194</u>	<u>2,550,451</u>
Total liabilities and shareholders' equity	<u>₩ 54,586,311</u>	<u>₩ 18,479,099</u>	<u>\$ 58,181,956</u>	<u>\$ 19,696,332</u>

Consolidated Statements of Income for the year ended December 31, 2007

	Korean Won		Translation into U.S. Dollars (Note 2)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
	(In millions)		(In thousands)	
Sales	₩ 66,790,778	₩ 3,636,487	\$ 71,190,341	\$ 3,876,025
Cost of sales	54,124,293	2,168,931	57,689,504	2,311,800
Selling and administrative expenses	10,127,904	1,097,501	10,795,037	1,169,794
Operating income	2,538,581	370,055	2,705,799	394,431
Other income (expenses), net	(263,395)	205,139	(280,745)	218,652
Income before income tax	2,275,186	575,194	2,425,054	613,082
Income tax expense	652,546	207	695,530	221
Income before minority interests	1,622,640	574,987	1,729,525	612,862
Minority interests	74,823	-	79,752	-
Net income	<u>₩ 1,547,817</u>	<u>₩ 574,987</u>	<u>\$ 1,649,773</u>	<u>\$ 621,862</u>

Consolidated Statements of Income for the year ended December 31, 2006

	Korean Won		Translation into U.S. Dollars (Note 2)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
	(In millions)		(In thousands)	
Sales	₩ 61,081,347	₩ 3,389,565	\$ 65,104,825	\$ 3,612,838
Cost of sales	49,275,977	1,785,167	52,521,826	1,902,757
Selling and administrative expenses	10,420,927	1,089,208	11,107,362	1,160,955
Operating income	1,384,443	515,190	1,475,637	549,126
Other income (expenses), net	235,052	197,675	250,535	210,696
Income before income tax	1,619,495	712,865	1,726,172	759,822
Income tax expense	605,540	110,362	645,427	117,632
Income before minority interests	1,013,955	602,503	1,080,745	642,190
Minority interests	(236,829)	-	252,429	-
Net income	<u>₩ 1,250,784</u>	<u>₩ 602,503</u>	<u>\$ 1,333,174</u>	<u>\$ 642,190</u>

The above consolidated financial statements by industry type are prepared independently between non-financial industry and financial industry. Therefore, the total amounts, such as assets and net income for each industry, do not tally with the corresponding amounts in the consolidated balance sheets and statements of income.

(2) Regional Results of Operations and Total Assets

Results of operations and total assets, by region where the Company and its subsidiaries for the year ended and as of December 31, 2007 are located, are as follows:

	Korean Won				Consolidation adjustments	Consolidated amounts
	Domestic	North America	Asia	Europe		
	(In millions)					
Total sales	₩ 63,772,038	₩19,575,201	₩ 6,264,741	₩15,414,457	₩(35,424,921)	₩ 69,601,516
Inter-company sales	(25,709,493)	(4,600,949)	(143,529)	(4,970,950)	35,424,921	-
Net sales	38,062,545	14,974,252	6,121,212	10,443,507	-	69,601,516
Operating income	2,531,080	143,893	57,482	(219,059)	334,626	2,848,022
Total assets	72,455,687	15,008,890	4,234,227	10,293,461	(18,144,739)	83,847,526

Results of operations and total assets, by region where the Company and its subsidiaries for the year ended and as of December 31, 2006 are located, are as follows:

	Korean Won				Consolidation adjustments	Consolidated amounts
	Domestic	North America	Asia	Europe		
	(In millions)					
Total sales	₩ 59,453,876	₩19,363,992	₩ 4,537,222	₩11,418,514	₩(31,125,579)	₩ 63,648,025
Inter-company sales	(24,247,624)	(3,950,211)	(40,754)	(2,886,990)	31,125,579	-
Net sales	35,206,252	15,413,781	4,496,468	8,531,524	-	63,648,025
Operating income	1,984,375	227,411	165,833	(419,745)	(161,184)	1,796,690
Total assets	63,552,839	12,317,483	2,903,920	6,810,376	(14,875,133)	70,709,485

31. DISPOSAL OF RECEIVABLES IN FINANCIAL SUBSIDIARIES:

Hyundai Capital Service Inc. sold receivables to the SPCs for the purpose of raising its operating capital in accordance with the Act on Asset Backed Securities. The amounts of disposal for the years ended December 31, 2007 and 2006 are ₩619,474 million (US\$ 660,279 thousand) and ₩1,733,002 million (US\$1,847,156 thousand), respectively. The amounts of money receivable trust purchased at the disposal of receivables to the SPCs are ₩248,754 million (US\$ 265,140 thousand) and ₩502,633 million (US\$ 535,742 thousand) in 2007 and 2006, respectively. Also, Hyundai Card Co., Ltd. sold its card assets of ₩728,060 million (US\$ 776,018 thousand) for ₩724,868 million (US\$ 772,616 thousand) before 2006 in accordance with the Act on Asset Backed Securities. The target loan principal of the related assets is ₩839,276 million (US\$ 894,560 thousand) as of December 31, 2007. The principle of the trust assets varies according to the amount used by the credit card members as they are comprehensive transferred assets of the member. It recognized assets in trust as net of asset-backed senior series beneficial trust certificates amount to ₩400,300 million (US\$ 426,668 thousand) as of December 31, 2007.

In addition, Hyundai Card Co., Ltd. sold its accounts written-off and overdue card assets of ₩135,890 million (US\$ 144,841 thousand) and ₩417,464 million (US\$ 444,963 thousand) to Hyundai Capital Service Inc. in 2007 and 2006, respectively. It recognizes the difference between book value and sales value as bad debt provisions.