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## **HYUNDAI MOTOR COMPANY**

NON-CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND SIX MONTHS ENDED  
JUNE 30, 2006 AND 2005  
AND INDEPENDENT ACCOUNTANTS'  
REVIEW REPORT

Audit • Tax • Consulting • Financial Advisory •

## Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

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

We have reviewed the accompanying non-consolidated balance sheet of Hyundai Motor Company (the "Company") as of June 30, 2006, and the related non-consolidated statements of income and cash flows for the three months and six months ended June 30, 2006 and 2005, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

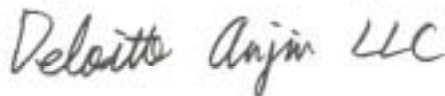
We conducted our reviews in accordance with the standards for review of interim financial statements in the Republic of Korea. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is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

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

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

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

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



July 27, 2006

### Notice to Readers

This report is effective as of July 27, 2006, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2006 AND DECEMBER 31, 2005

ASSETS	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Current assets:				
Cash and cash equivalents	₩ 1,320,791	₩ 1,803,282	\$ 1,375,394	\$ 1,877,832
Short-term financial instruments (Note 13)	3,085,007	3,860,735	3,212,545	4,020,343
Short-term investment securities (Note 4)	289,878	342,292	301,862	356,443
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩21,547 million as of June 30, 2006 and ₩21,589 million as of December 31, 2005	1,427,657	1,312,163	1,486,678	1,366,409
Inventories (Note 3)	1,265,019	1,008,086	1,317,316	1,049,762
Deferred income tax assets (Note 19)	113,555	24,929	118,250	25,960
Advances and other current assets	608,677	651,878	633,841	678,826
Total current assets	<u>8,110,584</u>	<u>9,003,365</u>	<u>8,445,886</u>	<u>9,375,575</u>
Non-current assets:				
Long-term investment securities (Notes 5 and 13)	462,668	441,008	481,795	459,240
Investment securities accounted for using the equity method (Notes 6 and 13)	6,273,359	6,115,447	6,532,707	6,368,267
Property, plant and equipment, net of accumulated depreciation of ₩5,350,131 million as of June 30, 2006 and ₩5,093,631 million as of December 31, 2005 (Notes 7, 8 and 13)	9,071,701	8,945,562	9,446,736	9,315,383
Intangibles (Note 9)	947,024	920,395	986,175	958,445
Deferred income tax assets (Note 19)	-	27,199	-	28,323
Other assets (Notes 10 and 13)	728,942	1,108,244	759,078	1,154,061
Total non-current assets	<u>17,483,694</u>	<u>17,557,855</u>	<u>18,206,491</u>	<u>18,283,719</u>
Total assets	<u>₩ 25,594,278</u>	<u>₩ 26,561,220</u>	<u>\$ 26,652,377</u>	<u>\$ 27,659,294</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF JUNE 30, 2006 AND DECEMBER 31, 2005

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
	<u>June 30, 2006</u>	<u>December 31, 2005</u>	<u>June 30, 2006</u>	<u>December 31, 2005</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Current liabilities:				
Short-term borrowings (Notes 11 and 13)	₩ 640,781	₩ 780,445	\$ 667,272	\$ 812,710
Current maturities of long-term debt and debentures (Notes 12 and 13)	207,636	464,163	216,220	483,352
Trade notes and accounts payable	2,807,214	3,443,993	2,923,268	3,586,372
Accounts payable-other	975,741	1,613,236	1,016,079	1,679,929
Accrued warranties (Note 14)	737,981	734,750	768,490	765,125
Income tax payable	179,739	41,846	187,170	43,576
Accrued expenses	344,775	43,037	359,028	44,816
Withholdings and other current liabilities	457,966	495,175	476,899	515,647
Total current liabilities	<u>6,351,833</u>	<u>7,616,645</u>	<u>6,614,426</u>	<u>7,931,527</u>
Long-term liabilities:				
Long-term debt and debentures, net of current maturities and discount on debentures issued of ₩1,806 million as of June 30, 2006 and ₩4,605 million as of December 31, 2005 (Notes 12 and 13)	930,368	935,049	968,831	973,705
Accrued severance benefits, net of National Pension payments for employees of ₩25,323 million as of June 30, 2006 and ₩29,550 million as of December 31, 2005, and individual severance insurance deposits of ₩786,731 million as of June 30, 2006 and ₩835,383 million as of December 31, 2005 (Note 2)	443,435	367,052	461,767	382,226
Long-term accrued warranties (Note 14)	2,421,504	2,433,533	2,521,612	2,534,138
Deferred income tax liabilities (Note 19)	186,892	-	194,618	-
Other long-term liabilities	123,998	256,083	129,124	266,670
Total long-term liabilities	<u>4,106,197</u>	<u>3,991,717</u>	<u>4,275,952</u>	<u>4,156,739</u>
Total liabilities	<u>10,458,030</u>	<u>11,608,362</u>	<u>10,890,378</u>	<u>12,088,266</u>
Commitments and contingencies (Note 13)				
Shareholders' equity:				
Capital stock (Note 15)	1,482,905	1,482,905	1,544,210	1,544,210
Capital surplus (Note 16)	5,395,327	5,391,620	5,618,377	5,614,516
Retained earnings (Note 17) (Net income of ₩706,116 million for the six months ended June 30, 2006 and ₩2,314,647 million for the year ended December 31, 2005)	9,259,097	8,888,352	9,641,880	9,255,808
Capital adjustments (Note 18)	(1,001,081)	(810,019)	(1,042,468)	(843,506)
Total shareholders' equity	<u>15,136,248</u>	<u>14,952,858</u>	<u>15,761,999</u>	<u>15,571,028</u>
Total liabilities and shareholders' equity	<u>₩ 25,594,278</u>	<u>₩ 26,561,220</u>	<u>\$ 26,652,377</u>	<u>\$ 27,659,294</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2006	2005	2006	2005	2006	2005
	(In millions, except per share amounts)				(In thousands, except per share amounts)	
Sales (Note 22):						
Domestic sales	₩ 2,906,284	₩ 2,700,982	₩ 5,800,469	₩ 4,872,746	\$ 6,040,268	\$ 5,074,191
Export sales	4,096,519	4,245,495	8,063,851	8,243,959	8,397,220	8,584,775
	<u>7,002,803</u>	<u>6,946,477</u>	<u>13,864,320</u>	<u>13,116,705</u>	<u>14,437,488</u>	<u>13,658,966</u>
Cost of sales	<u>5,658,016</u>	<u>5,547,769</u>	<u>11,219,155</u>	<u>10,550,434</u>	<u>11,682,969</u>	<u>10,986,602</u>
Gross profit	1,344,787	1,398,708	2,645,165	2,566,271	2,754,519	2,672,364
Selling and administrative expenses (Note 23)	<u>935,655</u>	<u>940,845</u>	<u>1,900,700</u>	<u>1,785,697</u>	<u>1,979,277</u>	<u>1,859,520</u>
Operating income	<u>409,132</u>	<u>457,863</u>	<u>744,465</u>	<u>780,574</u>	<u>775,242</u>	<u>812,844</u>
Other income (expenses), net:						
Interest income, net	21,392	12,028	44,668	33,807	46,515	35,205
Foreign exchange gain (loss), net	(5,909)	47,672	10,755	126,910	11,200	132,157
Gain on valuation of investment securities accounted for using the equity method, net (Note 6)	113,613	202,933	323,281	331,152	336,646	344,842
Gain (loss) on valuation of derivatives, net	(74,448)	(5,349)	(208,963)	83,794	(217,602)	87,258
Royalty income	68,993	66,321	122,492	105,951	127,556	110,331
Loss on disposal of trade notes and accounts receivable	(21,211)	(15,336)	(40,035)	(29,499)	(41,690)	(30,719)
Loss on disposal of property, plant and equipment, net	(11,613)	(7,305)	(21,704)	(29,165)	(22,601)	(30,371)
Gain on disposal of short-term investment securities, net	5,723	6,968	9,860	6,952	10,268	7,239
Gain on disposal of long-term investment securities, net	-	-	2,969	-	3,092	-
Other, net	13,515	17,414	22,754	36,721	23,693	38,240
	<u>110,055</u>	<u>325,346</u>	<u>266,077</u>	<u>666,623</u>	<u>277,077</u>	<u>694,182</u>
Ordinary income	519,187	783,209	1,010,542	1,447,197	1,052,319	1,507,026
Income tax expense (Note 19)	<u>131,902</u>	<u>170,014</u>	<u>304,426</u>	<u>324,225</u>	<u>317,011</u>	<u>337,629</u>
Net income	<u>₩ 387,285</u>	<u>₩ 613,195</u>	<u>₩ 706,116</u>	<u>₩ 1,122,972</u>	<u>\$ 735,308</u>	<u>\$ 1,169,397</u>
Earnings per common share (Note 2)	<u>₩ 1,768</u>	<u>₩ 2,862</u>	<u>₩ 3,200</u>	<u>₩ 5,120</u>	<u>\$ 3.33</u>	<u>\$ 5.33</u>
Earnings per common share - assuming dilution (Note 2)	<u>₩ 1,761</u>	<u>₩ 2,848</u>	<u>₩ 3,187</u>	<u>₩ 5,098</u>	<u>\$ 3.32</u>	<u>\$ 5.31</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-COLSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Cash flows from operating activities:						
Net income	₩ 387,285	₩ 613,195	₩ 706,116	₩ 1,122,972	\$ 735,308	\$ 1,169,397
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation	196,470	187,334	388,861	375,819	404,937	391,356
Amortization of intangibles	70,278	42,658	136,100	82,570	141,727	85,984
Loss (gain) on foreign currency translation, net	11,081	(6,461)	9,513	(15,601)	9,906	(16,246)
Gain on valuation of investment securities accounted for using the equity method, net	(113,613)	(202,933)	(323,281)	(331,152)	(336,646)	(344,842)
Loss (gain) on valuation of derivatives, net	74,448	5,349	208,963	(83,794)	217,602	(87,258)
Loss on disposal of trade notes and accounts receivable	21,211	15,336	40,035	29,499	41,690	30,719
Loss on disposal of property, plant and equipment, net	11,613	7,305	21,704	29,165	22,601	30,371
Gain on disposal of short-term investment securities, net	(5,723)	(6,968)	(9,860)	(6,952)	(10,268)	(7,239)
Gain on disposal of long-term investment securities, net	-	-	(2,969)	-	(3,092)	-
Provision for severance benefits	93,719	67,920	168,334	120,761	175,293	125,753
Provision for warranties	65,734	131,998	147,831	245,304	153,944	255,445
Other	1,356	1,815	7,800	6,287	8,122	6,547
Changes in operating assets and liabilities:						
Decrease (increase) in trade notes and accounts receivable	126,901	(18,442)	(155,501)	(266,985)	(161,930)	(278,022)
Increase in inventories	(80,486)	(36,498)	(330,565)	(225,070)	(344,231)	(234,375)
Decrease (increase) in other current assets	110,781	46,637	77,631	(11,908)	80,840	(12,400)
Decrease (increase) in deferred income tax assets	(15,047)	264,481	(70,339)	306,891	(73,247)	319,578
Increase (decrease) in trade notes and accounts payable	(615,749)	43,616	(637,089)	(409,120)	(663,427)	(426,034)
Increase (decrease) in accounts payable other	(361,808)	(160,353)	(652,617)	82,940	(679,597)	86,369
Increase (decrease) in income tax payable	68,498	(351,854)	137,894	(425,952)	143,595	(443,561)
Increase in accrued expenses	127,147	118,864	299,106	240,907	311,471	250,866
Increase in deferred income tax liabilities	39,155	-	186,891	-	194,617	-
Increase (decrease) in withholding and other current liabilities	90,732	101,889	(35,240)	43,912	(36,697)	45,727
Decrease in accrued warranties	(77,684)	(98,966)	(156,629)	(192,509)	(163,104)	(200,468)
Payment of severance benefits	(47,349)	(63,587)	(145,234)	(144,728)	(151,238)	(150,711)
Decrease (increase) in individual severance insurance deposits	(6,241)	(27,511)	48,652	(4,858)	50,663	(5,059)
Other	(1,478)	(6,643)	7,308	15,517	7,611	16,158
	<u>171,231</u>	<u>668,181</u>	<u>73,415</u>	<u>583,915</u>	<u>76,450</u>	<u>608,055</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Cash flows from investing activities:						
Cash inflows from investing activities:						
Proceeds from withdrawal of short-term financial instruments	₩1,461,330	₩1,087,569	₩2,665,963	₩2,148,604	\$ 2,776,177	\$ 2,237,430
Proceeds from disposal of short-term investment securities	95,768	158,232	180,373	158,412	187,830	164,961
Proceeds from disposal of long-term investment securities	-	-	48,780	-	50,797	-
Proceeds from disposal and dividends of investment securities accounted for using the equity method	83,979	139,826	83,979	145,733	87,451	151,758
Proceeds from disposal of property, plant and equipment	7,337	7,868	13,482	39,403	14,039	41,032
Reduction in other current assets	1,440	21,300	9,480	43,200	9,872	44,986
Reduction in other assets	58,713	102,877	83,994	155,088	87,466	161,499
	<u>1,708,567</u>	<u>1,517,672</u>	<u>3,086,051</u>	<u>2,690,440</u>	<u>3,213,632</u>	<u>2,801,666</u>
Cash outflows from investing activities:						
Purchase of short-term financial instruments	(739,421)	(1,096,600)	(1,890,235)	(1,342,488)	(1,968,380)	(1,397,988)
Acquisition of short-term investment securities	(60,045)	(100,220)	(130,267)	(100,416)	(135,652)	(104,567)
Acquisition of long-term investment securities	(1,832)	(9,025)	(3,829)	(17,232)	(3,987)	(17,944)
Acquisition of investment securities accounted for using the equity method	(5,863)	(270,372)	(148,402)	(424,274)	(154,537)	(441,814)
Acquisition of property, plant and equipment	(230,668)	(247,653)	(479,232)	(407,507)	(499,044)	(424,354)
Expenditures for development costs	(81,829)	(94,041)	(157,527)	(162,309)	(164,039)	(169,019)
Additions to other current assets	-	(21,000)	(6,300)	(42,600)	(6,560)	(44,361)
Additions to other assets	(57,537)	(60,428)	(81,690)	(76,595)	(85,068)	(79,762)
	<u>(1,177,195)</u>	<u>(1,899,339)</u>	<u>(2,897,482)</u>	<u>(2,573,421)</u>	<u>(3,017,267)</u>	<u>(2,679,809)</u>
	<u>531,372</u>	<u>(381,667)</u>	<u>188,569</u>	<u>117,019</u>	<u>196,365</u>	<u>121,857</u>
Cash flows from financing activities:						
Cash inflows from financing activities:						
Proceeds from short-term borrowings	3,083,941	2,935,970	5,732,091	5,659,450	5,969,063	5,893,419
Proceeds from disposal of treasury stock	-	53,617	-	53,617	-	55,834
	<u>3,083,941</u>	<u>2,989,587</u>	<u>5,732,091</u>	<u>5,713,067</u>	<u>5,969,063</u>	<u>5,949,253</u>
Cash outflows from financing activities:						
Repayment of short-term borrowings	(3,037,880)	(3,115,009)	(5,882,526)	(5,750,248)	(6,125,718)	(5,987,971)
Payment of cash dividends	(342,300)	(326,833)	(342,300)	(326,833)	(356,451)	(340,345)
Purchase of treasury stock	-	(188,734)	-	(660,571)	-	(687,880)
Repayment of long-term debt	(250,740)	(1,752)	(251,740)	(4,767)	(262,147)	(4,964)
	<u>(3,630,920)</u>	<u>(3,632,328)</u>	<u>(6,476,566)</u>	<u>(6,742,419)</u>	<u>(6,744,316)</u>	<u>(7,021,160)</u>
	<u>(546,979)</u>	<u>(642,741)</u>	<u>(744,475)</u>	<u>(1,029,352)</u>	<u>(775,253)</u>	<u>(1,071,907)</u>

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HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
 FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Net increase (decrease) in cash and cash equivalents	<u>₩ 155,624</u>	<u>₩ (356,227)</u>	<u>₩ (482,491)</u>	<u>₩ (328,418)</u>	<u>\$ (502,438)</u>	<u>\$ (341,995)</u>
Cash and cash equivalents, beginning of period	<u>1,165,167</u>	<u>1,034,509</u>	<u>1,803,282</u>	<u>1,006,700</u>	<u>1,877,832</u>	<u>1,048,318</u>
Cash and cash equivalents, end of period	<u>₩1,320,791</u>	<u>₩ 678,282</u>	<u>₩1,320,791</u>	<u>₩ 678,282</u>	<u>\$ 1,375,394</u>	<u>\$ 706,323</u>

See accompanying notes to non-consolidated financial statements.



# HYUNDAI MOTOR COMPANY

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005

### 1. THE COMPANY:

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

The Company owns and operates three principal automobile production bases: the Ulsan factory, the Asan factory and the Jeonju factory. In addition, the Company has invested in three overseas manufacturing plants including Hyundai Motor Manufacturing Alabama, LLC (HMMA) as well as nine 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 Depository Receipts issued by the Company have been listed on the London Stock Exchange and Luxemburg Stock Exchange.

As of June 30, 2006, the major shareholders of the Company are Hyundai MOBIS (15.03%), Hyundai Steel (5.87%) and Chung, Mong Koo (5.20%).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Basis of Financial Statement Presentation

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

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. dollar amounts is included solely for the convenience of readers outside of the Republic of Korea and has been made at the rate of ₩960.30 to US\$1.00 at June 30, 2006, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. dollars at that or any other rate.

The Company prepared its non-consolidated financial statements for the year ended June 30, 2006 in accordance with the Korea Financial Accounting Standards and the Statements of Korea Accounting Standards ("SKAS") No. 1 through No.20, except for No.11 and No.14.

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements for the year ended June 30, 2006 are identical to those for the year ended December 31, 2005, except for the adoption of additional SKAS No.18 - "Interests in Joint Ventures", No.19 - "Lease" and No.20 - "Related Party Disclosures", which were effective from January 1, 2006.

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

### Revenue Recognition

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

### Allowance for Doubtful Accounts

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

### Inventories

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

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

#### *Classification of Securities*

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

#### *Valuation of Securities*

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

After initial recognition, held-to-maturity securities are valued at amortized cost. The difference between their acquisition costs and face values is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sales securities are also valued at fair value, with unrealized holding gains or losses recognized in capital adjustments, until the securities are sold or if the securities are determined to be impaired and the lump-sum cumulative amount of capital adjustments are reflected in current operations. However, available-for-sales securities that are not traded in an active market and whose fair value cannot be reliably measured are valued at cost.

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

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

### Investment Securities Accounted for Using the Equity Method

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

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

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

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

### Property, Plant and Equipment and Related Depreciation

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

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

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

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

### Intangibles

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

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

### Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions are stated at present value, if the difference between nominal value and present value is material. The present value discount is amortized using the effective interest rate method, and the amortization is included in interest expense or interest income. As of June 30, 2006 and December 31, 2005, an interest rate of 8.25 percent is used in valuing the receivables and payables at present value.

### Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees were to resign amount to ₩1,255,489 million (US\$1,307,492 thousand) and ₩1,231,985 million (US\$1,282,917 thousand) as of June 30, 2006 and December 31, 2005, respectively.

Accrued severance benefits are approximately 63 percent and 68 percent funded at June 30, 2006 and December 31, 2005, respectively, through an individual severance insurance plan. Individual severance insurance deposits, in which the beneficiaries are respective employees, are presented as deduction from accrued severance benefits.

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

Actual payments of severance benefits amounted to ₩145,234 million (US\$51,238 thousand) and ₩144,728 million (US\$150,711 thousand) for the six months ended June 30, 2006 and 2005, respectively.

### Accrued Warranties

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

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

### Stock Options

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

### Derivative Instruments

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

The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecast transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustments is added to or deducted from the asset or the liability.

The Company entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of June 30, 2006 and December 31, 2005 the Company deferred the net gain of ~~¥~~36,760 million (US\$38,280 thousand) and ~~¥~~33,590 million (US\$34,979 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as capital adjustments. The longest period in which the forecasted transactions are expected to occur is within 50 months from June 30, 2006. Of the net gain on valuation recorded as capital adjustments as of June 30, 2006 amounting to ~~¥~~36,760 million (US\$38,280 thousand), ~~¥~~15,904 million (US\$16,561 thousand) is expected to be realized and charged to current operations within one year from June 30, 2006.

For the six months ended June 30, 2006 and 2005, the Company recognized the net loss of ~~¥~~208,963 million (US\$217,602 thousand) and the net gain of ~~¥~~83,794 million (US\$87,258 thousand), respectively, on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations.

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

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

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

The gain or loss on valuation of these derivatives related to the fair value of Kia shares is recognized in current operations. As of June 30, 2006 and December 31, 2005, all premiums to be paid by the Company are recorded as accounts payable - other of ~~¥~~22,234 million (US\$23,153 thousand) and ~~¥~~23,455 million (US\$ 24,425 thousand), respectively, and other long-term liabilities of ~~¥~~28,941 million (US\$30,137 thousand) and ~~¥~~40,209 million (US\$41,871 thousand), respectively, after deducting the present value discount of ~~¥~~4,355 million (US\$4,535 thousand) and ~~¥~~6,584 million (US\$6,856 thousand), respectively. Also, as of June 30, 2006 and December 31, 2005, all premiums to be received by the Company are recorded as other current assets of ~~¥~~3,645 million (US\$3,796 thousand) and ~~¥~~3,845 million (US\$4,004 thousand), respectively, and long-term other accounts receivable of ~~¥~~4,700 million (US\$4,894 thousand) and ~~¥~~6,536 million (US\$6,806 thousand), respectively, after deducting the present value discount of ~~¥~~768 million (US\$800 thousand) and ~~¥~~1,154 million (US\$1,202 thousand), respectively.

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums of ~~¥~~431,956 million (US\$449,814 thousand) and ~~¥~~751,995 million (US\$783,083 thousand) in current and non-current assets as of June 30, 2006 and December 31, 2005, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums of ~~¥~~84,922 million (US\$88,433 thousand) and ~~¥~~205,504 million (US\$214,000 thousand) is recorded in current and long-term liabilities as of June 30, 2006 and December 31, 2005, respectively.

Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korea won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Base Rate announced by Seoul Money Brokerage Service, Ltd, which was ₩960.30 and ₩1,013.00 to US\$1.00 at June 30, 2006 and December 31, 2005, 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 carryforwards. Deferred tax assets and liabilities in the same current or non-current classification are offset if these relate to income tax levied by the same tax jurisdictions.

Earnings per Common Share

Basic ordinary income per common share and net income per common share are computed by dividing ordinary and net income available to common shareholders by the weighted average number of common shares outstanding during period. Diluted ordinary income per common share and net income per common share are computed by dividing diluted ordinary and 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 ordinary income per common share and net income per common share for the three months and six months ended June 30, 2006 and 2005 are computed as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Ordinary and net income	₩ 387,285	₩ 613,195	₩ 706,116	₩ 1,122,972	\$ 735,308	\$ 1,169,397
Expected dividends on preferred stock	(20,689)	(19,133)	(41,379)	(38,266)	43,090	39,848
Ordinary and net income available to common share	366,596	594,062	664,737	1,084,706	692,218	284,588
Weighted average number of common shares outstanding (*)	<u>207,352,942</u>	<u>207,591,726</u>	<u>207,720,226</u>	<u>211,839,085</u>	<u>207,720,226</u>	<u>211,839,085</u>
Ordinary and net income per common share	<u>₩ 1,768</u>	<u>₩ 2,862</u>	<u>₩ 3,200</u>	<u>₩ 5,120</u>	<u>\$ 3.33</u>	<u>\$ 5.33</u>

(\*) Weighted average number of common shares outstanding includes transactions pertaining to disposal of treasury shares

Diluted ordinary income per common share and net income per common share for the three months and six months ended June 30, 2006 and 2005 are computed as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Ordinary and net income available to common share	₩ 366,596	₩ 594,062	₩ 664,737	₩ 1,084,706	\$ 692,218	\$ 1,129,549
Stock option compensation expense	-	-	-	121	-	126
Ordinary and net income available to diluted common share	366,596	594,062	664,737	1,084,827	692,218	1,129,423
Weighted average number of common shares and diluted securities outstanding (*)	208,175,288	208,559,646	208,555,889	212,812,723	208,555,889	212,812,723
Diluted ordinary and net income per common share	₩ 1.761	₩ 2.848	₩ 3.187	₩ 5.098	\$ 3.32	\$ 5.31

Ordinary and net income per common share and diluted Ordinary and net income per common share for the three months ended March 31, 2006 are ₩1,436 (US\$1.50) and ₩1,429 (US\$1.49), respectively, and ordinary and net income per common share and diluted ordinary and net income per common share for the year ended December 31, 2005 are ₩10,652 (US\$11.09) and ₩10,599 (US\$11.04), respectively.

### 3. INVENTORIES:

Inventories as of June 30, 2006 and December 31, 2005 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Finished goods and merchandise	₩ 473,962	₩ 224,273	\$ 493,556	\$ 233,545
Semi finished goods and work in process	451,003	407,247	469,648	424,083
Raw materials and supplies	281,489	305,972	293,126	318,621
Materials in transit	58,565	70,594	60,986	73,513
	₩ 1,265,019	₩ 1,008,086	\$ 1,317,316	\$ 1,049,762

### 4. SHORT-TERM INVESTMENT SECURITIES:

Short-term investment securities as of June 30, 2006 and December 31, 2005, all of which are classified into available-for-sale securities, consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Local currency beneficiary certificates	₩ 289,868	₩ 342,282	\$ 301,852	\$ 356,433
Government bonds	10	10	10	10
	₩ 289,878	₩ 342,292	\$ 301,862	\$ 356,443

Available-for-sale securities in short-term investment securities are stated at fair value with the resulting gain on valuation of available-for-sale securities, before the deduction of the deferred income tax effect, in capital adjustments.

The unrealized gain decreased by ₩2,191 million (US\$2,282 thousand) and gain of ₩9,977 million (US\$10,389 thousand) is realized mainly due to disposal of investments for the six months ended June 30, 2006.

5. LONG-TERM INVESTMENT SECURITIES:

(1) Long -term investment securities as of June 30, 2006 and December 31, 2005 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Available-for-sale securities	₩ 414,168	₩ 392,508	\$ 431,290	\$ 408,735
Held-to-maturity securities	48,500	48,500	50,505	50,505
	<u>₩ 462,668</u>	<u>₩ 441,008</u>	<u>\$ 481,795</u>	<u>\$ 459,240</u>

(2) Available-for-sale securities of long-term investment securities as of June 30, 2006 and December 31, 2005, consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Equity securities stated at fair value	₩ 317,958	₩ 251,701	\$ 331,103	\$ 262,106
Equity securities stated at acquisition cost	96,210	140,807	100,187	146,629
	<u>₩ 414,168</u>	<u>₩ 392,508</u>	<u>\$ 431,290</u>	<u>\$ 408,735</u>

Equity securities stated at fair value included in long-term investment securities as of June 30, 2006 consist of the following:

Name of company	Korean Won		Translation into U.S. Dollars (Note 2)	Ownership percentage (%)
	Acquisition cost	Book value	Book value	
	(In millions)		(In thousands)	
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 233,235	\$ 242,877	2.88
Hyundai Corporation	13,626	1,800	1,874	0.37
KT Freetel	10,800	9,914	10,324	0.17
Hyundai Information Technology Co., Ltd.	10,000	1,857	1,934	2.21
LG Telecom	9,795	23,312	24,276	0.68
Hyundai Development Company	9,025	18,450	19,213	0.60
Hyundai Merchant Marine Co., Ltd.	9,161	10,231	10,654	0.52
Jin Heung Mutual Savings Bank	2,166	2,010	2,093	2.28
Korea Environment Technology Co., Ltd.	1,500	3,810	3,968	6.00
Dong Yang Investment Bank	282	141	147	0.01
Treasury Stock Fund (*)		13,198	13,743	-
		<u>₩ 317,958</u>	<u>\$ 331,103</u>	

(\*) The acquisition cost of Treasury Stock Fund is ₩26,647 million (US\$27,749 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩21,372 million (US\$22,256 thousand) is recorded as treasury stock in capital adjustments.



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

Name of company	Korean Won		Translation into	Ownership percentage
	Acquisition cost	Book value	U.S. Dollars (Note 2)	
	(In millions)	(In millions)	(In thousands)	(%)
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 168,411	\$ 175,373	2.88
Hyundai Corporation	13,626	1,513	1,576	1.08
KT Freetel	10,800	8,229	8,569	0.18
Hyundai Information Technology Co., Ltd.	10,000	2,790	2,905	2.21
LG Telecom	9,795	12,483	12,999	0.68
Hyundai Development Company	9,025	20,610	21,462	0.60
Hyundai Merchant Marine Co., Ltd.	7,329	7,645	7,961	0.55
Jin Heung Mutual Savings Bank	2,166	3,097	3,225	3.33
Korea Environment Technology Co., Ltd.	1,500	4,455	4,639	6.00
Dong Yang Investment Bank	282	115	120	0.01
Treasury Stock Fund (*)		22,353	23,277	-
		<u>₩ 251,701</u>	<u>\$ 262,106</u>	

(\*) The acquisition cost of Treasury Stock Fund is ₩35,547 million (US\$37,017 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩38,023 million (US\$39,595 thousand) is recorded as treasury stock in capital adjustments.

As of June 30, 2006 and December 31, 2005, the difference between the book value and the acquisition cost of equity securities stated at fair value in long-term investment securities consists of gain on valuation of available-for-sale securities in capital adjustments and impairment loss on long-term investment securities of ₩21,165 million (US\$22,040 thousand) reflected before 2005.

The unrealized gain increased by ₩66,029 million (US\$68,759 thousand) and gain of ₩9,355 million (US\$9,742 thousand) is realized mainly due to disposal of investments for the six months ended June 30, 2006.

Equity securities stated at acquisition cost included in long-term investment securities as of June 30, 2006 consist of the following:

Affiliated company	Korean Won		Translation into	Ownership percentage
	Acquisition cost	Book value	U.S. Dollars (Note 2)	
	(In millions)	(In millions)	(In thousands)	(%)
Hyundai Oil Refinery Co., Ltd.	₩ 53,313	₩ 53,313	\$ 55,517	4.35
Hyundai Asan Corporation	22,500	5,405	5,628	4.61
Yonhap Capital Co., Ltd.	10,000	10,000	10,413	9.99
Hyundai Unicorns Co., Ltd.	5,795	137	143	14.90
Hankyoreh Plus Inc.	4,800	284	296	7.41
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,676	14.97
Industry Otomotif Komersial	4,439	4,439	4,623	15.00
Kihyup Finance	3,000	3,000	3,124	10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,603	13.66
ENOVA System	2,204	2,204	2,295	3.80
NESSCAP Inc.	1,997	1,997	2,080	12.59
Hyundai Research Institute	1,359	1,271	1,324	14.90
The Sign Corporation (Formerly Mobil.Com Co., Ltd.)	1,200	1,200	1,250	11.59
Heesung PM Tech Corporation	1,194	1,194	1,243	19.90
ROTIS Inc.	1,000	8	8	1.33
Mando Map & Soft Co., Ltd.	778	778	810	13.97
Micro Infinity	607	607	632	9.76
NGVTEK.com (*)	571	571	595	53.66

Affiliated company	Korean Won		Translation into	Ownership percentage (%)
			U.S. Dollars	
	Acquisition cost	Book value	(Note 2) Book value	
	(In millions)		(In thousands)	
Novelis Korea Co., Ltd.	₩ 502	₩ 502	\$ 523	0.03
Clean Air Technology Inc.	500	500	521	16.13
Carnes Co., Ltd. (*)	250	250	260	49.99
Jinil MVC Co., Ltd.	180	180	187	18.00
Other	1,379	1,379	1,436	
	<u>₩ 124,559</u>	<u>₩ 96,210</u>	<u>\$ 100,187</u>	

(\*) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$7,289 thousand), are not material.

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

Affiliated company	Korean Won		Translation into	Ownership percentage (%)
			U.S. Dollars	
	Acquisition cost	Book value	(Note 2) Book value	
	(In millions)		(In thousands)	
Hyundai Oil Refinery Co., Ltd.	₩ 88,857	₩ 88,857	\$ 92,530	7.24
Hyundai Asan Corporation	22,500	5,405	5,628	4.61
Yonhap Capital Co., Ltd.	10,000	10,000	10,413	9.99
Hyundai Unicorns Co., Ltd.	5,795	137	143	14.90
Hankyoreh Plus Inc.	4,800	284	296	7.41
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,676	14.97
Industry Otomotif Komersial	4,439	4,439	4,623	15.00
Kihyup Finance	3,000	3,000	3,124	10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,603	13.66
ENOVA System	2,204	2,204	2,295	3.80
Hyundai Research Institute	1,359	1,271	1,324	14.90
The Sign Corporation (Formerly Mobil.Com Co., Ltd.)	1,200	1,200	1,250	11.59
Heesung PM Tech Corporation	1,194	1,194	1,243	19.90
ROTIS Inc.	1,000	8	8	1.33
Mando Map & Soft Co., Ltd.	778	778	810	13.97
Micro Infinity	607	607	632	10.51
NGVTEK.com (*)	571	571	595	53.66
Novelis Korea Co., Ltd.	502	502	523	0.03
Clean Air Technology Inc.	500	500	521	16.13
Carnes Co., Ltd. (*)	250	250	260	49.99
Jinil MVC Co., Ltd.	180	180	187	18.00
Hyundai Motor Hungary (*)	5,415	5,415	5,639	100.00
Hyundai Motor Norway AS (*)	5,636	5,636	5,869	100.00
Other	1,379	1,379	1,437	-
	<u>₩ 169,156</u>	<u>₩ 140,807</u>	<u>\$ 146,629</u>	

(\*) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$ 7,289 thousand), are not material.

As of June 30, 2006 and December 31, 2005, the difference between the book value and the acquisition cost of equity securities consists of impairment loss on long-term investment securities of ₩28,349 million (US\$29,521 thousand) reflected before 2005.

- (3) Debt securities included in held-to-maturity of long-term investment securities as of June 30, 2006 and December 31, 2005 are subordinate debt securities of ₩48,500 million (US\$50,505 thousand) with the maturity on July 19, 2008, issued by Hyundai Capital Service Inc.

6. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

- (1) Investment securities accounted for using the equity method as of June 30, 2006 consist of the following:

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Ownership percentage (%)
	Acquisition	Net equity	Book value	Acquisition	Net equity	Book value	
	cost	value		cost	value		
	(In millions)			(In thousands)			
Hyundai Motor America	₩ 1,134,406	₩ 1,222,019	₩ 946,142	\$ 1,181,304	\$1,272,539	\$ 985,257	100.00
Hyundai Motor India	244,017	461,281	454,385	254,105	480,351	473,170	100.00
Beijing-Hyundai Motor Company	201,179	393,791	383,911	209,496	410,071	399,782	50.00
Hyundai Assan Otomotive							
Sannayi Ve Ticaret A.S.	91,315	50,523	42,323	95,090	52,612	44,073	70.00
Hyundai Translead	74,977	72,729	99,762	78,077	75,736	103,886	100.00
Hyundai Motor Europe							
Technical Center GmbH	53,496	51,124	51,124	55,708	53,238	53,238	100.00
China Millennium Corporations	53,466	12,443	53,170	55,676	12,957	55,368	59.60
Hyundai Motor Japan Co. (*1)	42,292	(41,075)	-	44,040	(42,773)	-	100.00
Hyundai Motor (UK) Ltd. (*1)	36,681	5,252	-	38,197	5,469	-	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	14,095	29,393	25,137	14,678	30,608	100.00
Hyundai Motor Europe GmbH	17,529	27,205	27,205	18,254	28,330	28,330	100.00
Beijing Mobis Transmission Co., Ltd.	16,696	16,380	16,380	17,386	17,057	17,057	21.04
Hyundai Motor Group China Ltd.	15,371	13,058	12,771	16,006	13,598	13,299	50.00
Hyundai Motor Company Australia	12,382	42,908	37,215	12,894	44,682	38,754	100.00
Hyundai America Technical Center Inc.	9,635	16,462	16,462	10,033	17,143	17,143	100.00
Hyundai Motor Deutschland GmbH	6,761	17,349	14,424	7,041	18,066	15,020	30.00
Hyundai Motor Norway AS	5,636	5,639	5,639	5,869	5,872	5,872	100.00
Hyundai Motor Hungary	5,415	2,097	2,097	5,639	2,184	2,184	100.00
Beijing Jinxian Motor							
Safeguard Service Co., Ltd.	4,907	3,217	3,150	5,110	3,350	3,280	91.75
HMJ R&D Center Inc.	1,510	1,863	1,863	1,572	1,940	1,940	100.00
Kia Motors Corporation	923,957	1,979,917	2,045,858	962,155	2,061,769	2,130,436	38.67
Hyundai Capital Service Inc.	500,325	531,807	381,253	521,009	553,793	397,014	56.47
Hyundai Card Co., Ltd.	435,571	251,693	259,671	453,578	262,098	270,406	33.27
ROTEM	270,222	259,649	325,858	281,393	270,383	339,329	78.36
Hyundai HYSOCO	200,768	260,417	246,096	209,068	271,183	256,270	26.13
Korea Aerospace Industries, Ltd.	129,800	42,866	42,649	135,166	44,638	44,412	33.33
Hyundai Powertech	120,000	152,456	145,193	124,961	158,759	151,195	50.00
Hyundai Autonet Co., Ltd. (*2)	118,554	73,698	121,247	123,455	76,745	126,260	16.77
Dymos Inc.	68,872	112,102	109,899	71,719	116,736	114,442	47.27
Korea Economy Daily	29,973	21,423	24,833	31,212	22,309	25,860	20.55
Eukor Car Carriers Inc. (*2)	29,347	78,829	69,506	30,560	82,088	72,379	12.00
Partecs Co.	22,400	22,613	22,613	23,326	23,548	23,548	56.00
KEFICO	20,911	109,503	107,063	21,775	114,030	111,489	50.00
Haevichi Leisure Co., Ltd.	9,000	9,142	9,142	9,372	9,520	9,520	50.00
WIA Corporation	4,288	157,052	131,410	4,465	163,545	136,843	39.46
Autoever Systems Corp.	1,250	10,393	10,393	1,302	10,823	10,823	25.00
Iijin Bearing Co., Ltd.	826	14,496	14,496	860	15,095	15,095	20.00
Daesung Automotive Co., Ltd.	400	8,763	8,763	417	9,125	9,125	20.00
	<u>₩ 4,938,274</u>	<u>₩ 6,485,179</u>	<u>₩ 6,273,359</u>	<u>\$ 5,142,428</u>	<u>\$ 6,753,284</u>	<u>\$ 6,532,707</u>	

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

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

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

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Acquisition cost (%)
	Acquisition cost	Net equity value	Book value	Acquisition cost	Net equity value	Book value	
	(In millions)			(In thousands)			
Hyundai Motor America	₩ 1,134,406	₩ 1,281,492	₩ 999,839	\$ 1,181,304	\$ 1,334,470	\$ 1,041,174	100.00
Hyundai Motor India	244,017	425,840	416,611	254,105	443,445	433,834	100.00
Beijing-Hyundai Motor Company	201,179	370,079	357,744	209,496	385,379	372,534	50.00
Hyundai Assan Otomotive							
Sannayi Ve Ticaret A.S.	91,315	138,242	122,906	95,090	143,957	127,987	70.00
Hyundai Translead	74,977	68,771	96,769	78,077	71,614	100,770	100.00
China Millennium Corporations	53,466	11,212	53,039	55,676	11,676	55,232	59.60
Hyundai Motor Europe							
Technical Center GmbH	47,634	43,458	43,458	49,603	45,255	45,255	100.00
Hyundai Motor Japan Co. (*1)	42,292	(32,540)	-	44,040	(33,885)	-	100.00
Hyundai Motor (UK) Ltd. (*1)	36,681	16,682	-	38,197	17,372	-	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	12,290	28,118	25,137	12,798	29,280	100.00
Hyundai Motor Europe GmbH	17,529	22,002	22,002	18,254	22,912	22,912	100.00
Hyundai Motor Group China Ltd.	15,371	14,068	14,068	16,006	14,650	14,650	50.00
Beijing Mobis Transmission Co., Ltd.	13,518	16,697	16,696	14,077	17,387	17,386	21.04
Hyundai Motor Company Australia	12,382	36,390	26,305	12,894	37,894	27,392	100.00
Hyundai America Technical Center Inc.	9,635	16,375	16,375	10,033	17,052	17,052	100.00
Hyundai Motor Deutschland GmbH	6,761	13,985	11,045	7,041	14,563	11,502	30.00
Beijing Jinxian Motor							
Safeguard Service Co., Ltd.	4,907	4,222	4,222	5,110	4,397	4,397	91.75
HMJ R&D Center Inc.	1,510	1,941	1,941	1,572	2,021	2,021	100.00
Kia Motors Corporation	923,957	1,987,587	2,053,260	962,155	2,069,756	2,138,144	38.67
Hyundai Capital Service Inc.	500,325	447,942	346,834	521,009	466,460	361,173	56.12
Hyundai Card Co., Ltd.	293,031	96,653	104,858	305,145	100,649	109,193	31.04
ROTEM	270,222	235,974	304,341	281,393	245,729	316,923	78.36
Hyundai HYSKO	200,768	261,259	246,740	209,068	272,060	256,941	26.13
Korea Aerospace Industries, Ltd.	129,800	82,291	82,075	135,166	85,693	85,468	33.33
Hyundai Powertech	120,000	147,505	139,089	124,961	153,603	144,839	50.00
Hyundai Autonet Co., Ltd.	118,554	69,192	117,970	123,455	72,052	122,847	21.62
Dymos Inc.	68,872	108,234	105,983	71,719	112,709	110,364	47.27
WIA Corporation	34,357	151,117	124,665	35,777	157,364	129,819	39.46
Korea Economy Daily	29,973	20,824	24,378	31,212	21,685	25,386	20.55
Eukor Car Carriers Inc. (*2)	29,347	73,596	63,989	30,560	76,639	66,632	12.00
Partecs Co.	22,400	22,400	22,400	23,326	23,326	23,326	56.00
KEFICO	20,911	112,004	109,487	21,775	116,634	114,013	50.00
Haevichi Leisure Co., Ltd.	9,000	9,097	9,097	9,372	9,473	9,473	50.00
Autoever Systems Corp.	1,250	8,998	8,998	1,302	9,370	9,370	25.00
Iljin Bearing Co., Ltd.	826	14,128	14,128	860	14,712	14,712	20.00
Daesung Automotive Co., Ltd.	400	6,017	6,017	417	6,266	6,266	20.00
	<u>₩ 4,805,712</u>	<u>₩ 6,316,024</u>	<u>₩ 6,115,447</u>	<u>\$ 5,004,384</u>	<u>\$ 6,577,137</u>	<u>\$ 6,368,267</u>	

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

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

- (2) The changes in investment securities accounted for using the equity method for the six months ended June 30, 2006 are as follows:

Affiliated company	Korean Won					Translation into U.S. Dollars (Note 2)	
	Beginning of period	Acquisition / Disposition	Gain (loss) on valuation	Other changes (*)	End of period	End of period	
	(In millions)					(In thousands)	
Hyundai Motor America	₩ 999,839	₩ -	₩ 61,538	₩ (115,235)	₩ 946,142	\$ 985,257	
Hyundai Motor India	416,611	-	71,118	(33,344)	454,385	473,170	
Beijing-Hyundai Motor Company	357,744	-	42,306	(16,139)	383,911	399,782	
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	122,906	-	(35,996)	(44,587)	42,323	44,073	
Hyundai Translead	96,769	-	6,597	(3,604)	99,762	103,886	
Hyundai Motor Europe Technical Center GmbH	43,458	5,863	989	814	51,124	53,238	
China Millennium Corporations	53,039	-	620	(489)	53,170	55,368	
Hyundai Motor Japan Co.	-	-	-	-	-	-	
Hyundai Motor (UK) Ltd.	-	-	106	(106)	-	-	
Hyundai Motor Poland Sp.zo.o.	28,118	-	1,934	(659)	29,393	30,608	
Hyundai Motor Europe GmbH	22,002	-	4,788	415	27,205	28,330	
Beijing Mobis Transmission Co., Ltd.	16,696	-	413	(729)	16,380	17,057	
Hyundai Motor Group China Ltd.	14,068	-	(679)	(618)	12,771	13,299	
Hyundai Motor Company Australia	26,305	-	14,201	(3,291)	37,215	38,754	
Hyundai America Technical Center Inc.	16,375	-	942	(855)	16,462	17,143	
Hyundai Motor Deutschland GmbH	11,045	-	3,114	265	14,424	15,020	
Hyundai Motor Norway AS	-	5,636	549	(546)	5,639	5,872	
Hyundai Motor Hungary	-	5,415	(2,242)	(1,076)	2,097	2,184	
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,222	-	(887)	(185)	3,150	3,280	
HMJ R&D Center Inc.	1,941	-	(19)	(59)	1,863	1,940	
Kia Motors Corporation	2,053,260	-	45,125	(52,527)	2,045,858	2,130,436	
Hyundai Capital Service Inc.	346,834	-	65,151	(30,732)	381,253	397,014	
Hyundai Card Co., Ltd.	104,858	142,539	23,292	(11,018)	259,671	270,406	
ROTEM	304,341	-	20,225	1,292	325,858	339,329	
Hyundai HYSCO	246,740	-	4,027	(4,671)	246,096	256,270	
Korea Aerospace Industries, Ltd.	82,074	-	(39,425)	-	42,649	44,412	
Hyundai Powertech	139,089	-	6,089	15	145,193	151,195	
Hyundai Autonet Co., Ltd.	117,971	-	3,416	(140)	121,247	126,260	
Dymos Inc.	105,983	-	3,951	(35)	109,899	114,442	
Korea Economy Daily	24,378	-	456	(1)	24,833	25,860	
Eukor Car Carriers Inc.	63,989	-	5,517	-	69,506	72,379	
Partecs Co.	22,400	-	213	-	22,613	23,548	
KEFICO	109,487	-	6,439	(8,863)	107,063	111,489	
Haevichi Leisure Co., Ltd.	9,097	-	45	-	9,142	9,520	
WIA Corporation	124,665	-	6,820	(75)	131,410	136,843	
Autoever Systems Corp.	8,998	-	1,393	2	10,393	10,823	
Iljin Bearing Co., Ltd.	14,128	-	593	(225)	14,496	15,095	
Daesung Automotive Co., Ltd.	6,017	-	562	2,184	8,763	9,125	
	<u>₩ 6,115,447</u>	<u>₩ 159,453</u>	<u>₩ 323,281</u>	<u>₩ (324,822)</u>	<u>₩ 6,273,359</u>	<u>\$ 6,532,707</u>	

- (\*) Other changes consist of the decrease by ₩83,979 million (US\$87,451 thousand) due to receipt of the dividends, increase of retained earnings by ₩7,798 million (US\$8,120 thousand) and decrease of capital adjustments by ₩248,641 million (US\$258,920 thousand).

The changes in equity securities accounted for using the equity method for the six months ended June 30, 2005 are as follows:

Affiliated company	Korean Won					Translation into U.S. Dollars (Note 2)	
	Beginning of period	Acquisition / Disposition	Gain (loss) on valuation	Other changes (*)	End of period	End of period	
	(In millions)					(In thousands)	
Hyundai Motor America	₩ 711,431	₩ 309,606	₩ (20,456)	₩ (24,079)	₩ 976,50	\$ 1,016,872	
Hyundai Motor India	359,233	-	64,002	(5,654)	417,581	434,844	
Beijing-Hyundai Motor Company	304,040	-	37,520	(93,166)	248,394	258,663	
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	24,765	-	37,579	(1,045)	61,299	63,833	
Hyundai Translead	61,278	-	10,958	(510)	71,726	74,691	
Hyundai Motor Europe Technical Center GmbH	-	47,634	937	(4,782)	43,789	45,599	
China Millennium Corporations	53,450	16	194	(169)	53,491	55,702	
Hyundai Motor Japan Co.	-	9,813	-	(9,813)	-	-	
Hyundai Motor Poland Sp.zo.o.	25,543	-	1,844	(1,201)	26,186	27,269	
Hyundai-Kia Machine Europe GmbH	9,288	(9,288)	-	-	-	-	
Hyundai Motor Europe GmbH	35,044	-	(9,996)	(3,783)	21,265	22,144	
Beijing Mobis Transmission Co., Ltd.	13,205	-	2,295	(219)	15,281	15,913	
Hyundai Motor Group China Ltd.	-	15,371	(1,583)	32	13,820	14,391	
Hyundai Motor Company Australia	30,932	-	(11,805)	(1,007)	18,120	18,869	
Hyundai America Technical Center Inc.	15,148	-	691	(277)	15,562	16,205	
Hyundai Motor Deutschland GmbH	12,588	-	362	(2,034)	10,916	11,367	
Beijing Jinxian Motor Safeguard Service Co., Ltd.	-	4,907	(1,167)	491	4,231	4,406	
HMJ R&D Center Inc.	2,244	-	(6)	(187)	2,051	2,136	
Kia Motors Corporation	1,960,439	-	92,589	(92,464)	1,960,564	2,041,616	
Hyundai Capital Service Inc.	259,656	-	65,642	(38,126)	287,172	299,044	
Hyundai Card Co., Ltd.	97,706	-	5,645	16,733	120,084	125,048	
ROTEM	288,532	-	(9,643)	691	279,580	291,138	
Hyundai HYSKO	243,925	-	15,978	(4,193)	255,710	266,281	
Korea Aerospace Industries, Ltd.	81,827	-	156	17	82,000	85,390	
Hyundai Powertech	134,475	-	(615)	1,305	135,165	140,753	
Dymos Inc.	93,620	-	8,464	(38)	102,046	106,265	
Korea Economy Daily	14,247	10,000	(567)	(73)	23,607	24,583	
Eukor Car Carriers Inc.	50,008	-	12,141	-	62,149	64,718	
KEFICO	93,566	-	14,616	(4,066)	104,116	108,420	
Haevichi Leisure Co., Ltd.	-	9,000	-	-	9,000	9,372	
WIA Corporation	88,604	25,368	13,434	(11,695)	115,711	120,495	
Autoever Systems Corp.	5,968	-	1,310	-	7,278	7,579	
Iljin Bearing Co., Ltd.	13,102	-	594	338	14,034	14,614	
Daesung Automotive Co., Ltd.	6,094	-	39	(121)	6,012	6,261	
	<u>₩ 5,089,958</u>	<u>₩ 422,427</u>	<u>₩ 331,152</u>	<u>₩ (279,095)</u>	<u>₩ 5,564,442</u>	<u>\$ 5,794,481</u>	

(\*) Other changes consist of the decrease by ₩139,826 million (US\$145,607 thousand) due to receipt of the dividends, increase of retained earnings by ₩47,697 million (US\$49,669 thousand) and decrease of capital adjustments by ₩186,967 million (US\$194,696 thousand).

Investment securities accounted for using the equity method as of June 30, 2006 and 2005, and December 31, 2005 are valued based on the financial statements of the investees as of the same balance sheet date, respectively, which were neither audited nor reviewed by an external auditor.

(3) Condensed financial information of the affiliates as of and for the six months ended June 30, 2006 is as follows:

Affiliated company	Korean Won				Translation into U.S. Dollars (Note 2)			
	Assets	Liabilities	Sales	Net income (loss)	Assets	Liabilities	Sales	Net income (loss)
	(In millions)				(In thousands)			
Hyundai Motor America	₩3,829,500	₩2,607,481	₩4,523,963	₩ (19,832)	\$ 3,987,816	\$ 2,715,278	\$ 4,429,827	\$ (20,652)
Hyundai Motor India	956,791	495,510	916,306	69,841	996,346	515,995	954,187	72,728
Beijing-Hyundai Motor Company	1,497,754	710,172	1,684,207	79,539	1,559,673	739,531	1,753,834	82,827
Hyundai Assan Otomotive								
Sannayi Ve Ticaret A.S.	450,629	378,453	462,429	(51,570)	469,259	394,099	481,546	(53,702)
Hyundai Translead	285,514	212,785	191,269	8,630	297,318	221,582	199,176	8,987
Hyundai Motor Europe								
Technical Center GmbH	110,107	58,983	20,498	1,071	114,659	61,421	21,345	1,115
China Millennium Corporations	82,694	61,816	70	22	86,113	64,372	73	23
Hyundai Motor Japan Co.	21,645	62,720	13,689	(3,073)	22,540	65,313	14,255	(3,200)
Hyundai Motor (UK) Ltd.	360,291	355,039	330,370	(11,857)	375,186	369,717	344,028	(12,347)
Hyundai Motor Poland Sp.zo.o.	40,427	26,332	76,330	2,530	42,098	27,421	79,486	2,635
Hyundai Motor Europe GmbH	484,182	456,977	1,507,060	3,049	504,199	475,869	1,569,364	3,175
Beijing Mobis								
Transmission Co., Ltd.	168,001	90,140	117,718	1,964	174,946	93,867	122,585	2,045
Hyundai Motor Group China Ltd.	27,379	1,263	325	(1,515)	28,511	1,315	338	(1,578)
Hyundai Motor Company								
Australia	226,994	184,086	354,252	4,289	236,378	191,696	368,897	4,466
Hyundai America								
Technical Center Inc.	38,861	22,399	38,812	804	40,468	23,325	40,417	837
Hyundai Motor								
Deutschland GmbH	165,409	107,580	225,857	(2,664)	172,247	112,027	235,194	(2,774)
Hyundai Motor Norway AS	36,810	31,171	42,554	660	38,332	32,460	44,313	687
Hyundai Motor Hungary	12,415	10,318	12,798	(819)	12,928	10,745	13,327	(853)
Beijing Jinxian Motor								
Safeguard Service Co., Ltd.	6,697	3,191	11,573	(126)	6,974	3,323	12,051	(131)
HMJ R&D Center Inc.	5,728	3,865	5,664	34	5,965	4,025	5,898	35
Kia Motors Corporation	11,574,800	6,337,800	8,846,000	83,500	12,053,317	6,599,813	9,211,705	86,952
Hyundai Capital Service Inc.	11,922,872	10,919,227	1,115,044	184,514	12,415,778	11,370,641	1,161,141	192,142
Hyundai Card Co., Ltd.	2,990,196	2,233,775	434,766	77,016	3,113,814	2,326,122	452,740	80,200
ROTEM	1,499,271	1,168,188	713,892	29,885	1,561,253	1,216,482	743,405	31,120
Hyundai HYSCO	2,490,130	1,493,410	1,410,693	13,233	2,593,075	1,555,149	1,469,013	13,780
Korea Aerospace Industries, Ltd.	1,376,900	1,175,500	274,700	(118,314)	1,433,823	1,224,097	286,056	(123,205)
Hyundai Powertech	873,117	568,205	469,035	8,182	909,213	591,695	488,425	8,520
Hyundai Autonet Co., Ltd.	607,077	167,593	393,391	29,168	632,174	174,522	409,654	30,374
Dymos Inc.	708,188	471,030	609,225	9,452	737,465	490,503	634,411	9,843
Korea Economy Daily	197,589	93,359	54,572	2,801	205,758	97,219	56,828	2,917
Eukor Car Carriers Inc.	1,593,199	936,294	803,070	81,534	1,659,064	975,002	836,270	84,905
Partecs Co.	53,529	13,149	-	436	55,742	13,693	-	454
KEFICO	346,806	127,800	244,122	11,160	361,143	133,083	254,214	11,621
Haevichi Leisure Co., Ltd.	18,345	61	-	91	19,103	64	-	95
WIA Corporation	1,559,774	1,164,735	1,432,192	5,240	1,624,257	1,212,887	1,491,401	5,457
Autoever Systems Corp.	114,414	72,841	164,571	5,716	119,144	75,852	171,375	5,952
Iljin Bearing Co., Ltd.	133,654	61,176	102,055	2,562	139,179	63,705	106,274	2,668
Daesung Automotive Co., Ltd.	67,833	24,016	39,478	1,216	70,637	25,009	41,110	1,266

- (4) Significant unrealized profits (losses) that occurred in transactions with investees for the six months ended June 30, 2006 are as follows:

Transaction type	Korean Won				Translation into
	Beginning of period	Increase	Decrease	End of period	U.S. Dollars (Note 2)
					End of period
					(In thousands)
Inventories	₩ 202,968	₩ 191,895	₩ (202,968)	₩ 191,895	\$ 199,828
Property	100,908	65,899	(14,301)	152,506	158,811
Accrued warranties	(37,354)	(63,415)	37,354	(63,415)	(66,037)
	<u>₩ 266,522</u>	<u>₩ 194,379</u>	<u>₩ (179,915)</u>	<u>₩ 280,986</u>	<u>\$ 292,602</u>

- Significant unrealized profits (losses) that occurred in transactions with investees for the six months ended June 30, 2005 are as follows:

Transaction type	Korean Won				Translation into
	Beginning of period	Increase	Decrease	End of period	U.S. Dollars (Note 2)
					End of period
					(In thousands)
Inventories	₩ 300,989	₩ 184,044	₩ (300,989)	₩ 184,044	\$ 191,653
Property	41,008	29,053	(5,482)	64,579	67,249
Accrued warranties	(67,920)	(68,020)	67,920	(68,020)	(70,832)
	<u>₩ 274,077</u>	<u>₩ 145,077</u>	<u>₩ (238,551)</u>	<u>₩ 180,603</u>	<u>\$ 188,070</u>

- (5) The significant differences of accounting treatments between the Company and investees for similar transactions and accounting events are adjusted. Such adjustments of the difference of accounting treatments increased the gain on equity method valuation included in current operations by ₩1,961 million (US\$2,042 thousand) for the six months ended June 30, 2006 and decreased the gain on equity method valuation included in current operations by ₩26,820 million (US\$27,929 thousand) and increased retained earnings by ₩15,814 million (US\$16,468 thousand) for the six months ended and as of June 30, 2005.
- (6) The difference between the acquisition cost and the Company's portion of an investee's net equity at the date the Company was considered to be able to exercise significant influence over the operating and financial policy of an investee is amortized (or reversed) over 20 years, using the straight-line method. Also, the Company assesses any possible recognition of impairment loss on unamortized balance of the difference considered as goodwill. The unamortized (or reversed) balance of goodwill and negative goodwill as of June 30, 2006 are ₩291,690 million (US\$303,749 thousand) and ₩51,948 million (US\$54,096 thousand), respectively. In addition, the unamortized (or reversed) balance of goodwill and negative goodwill as of June 30, 2005 are ₩268,728 million (US\$279,838 thousand) and ₩62,047 million (US\$64,612 thousand), respectively.

- (7) The market price of listed equity securities as of June 30, 2006 is as follows:

Affiliated company	Korean Won			Translation into
	Price per share	Number of shares	Market value	U.S. Dollars (Note 2)
				Market value
				(In thousands)
Kia Motors Corporation	₩ 16,250	134,285,491	₩ 2,182,139	\$ 2,272,351
Hyundai HYSKO	10,600	20,954,188	222,114	231,296



7. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipments as of June 30, 2006 and December 31, 2005 consist of the following:

Description	Korean won		Translation into U.S. dollars (Note 2)	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Buildings and structures	₩ 3,463,255	₩ 3,254,559	\$ 3,606,430	\$ 3,389,107
Machinery and equipment	5,025,449	4,746,662	5,233,207	4,942,895
Vehicles	74,922	72,101	78,019	75,082
Dies, molds and tools	2,476,455	2,451,778	2,578,835	2,553,138
Other equipment	628,481	600,039	654,464	624,844
	11,668,562	11,125,139	12,150,955	11,585,066
Less accumulated depreciation	5,350,131	5,093,631	5,571,312	5,304,208
	6,318,431	6,031,508	6,579,643	6,280,858
Land	1,928,267	1,899,548	2,007,984	1,978,078
Construction in progress	825,003	1,014,506	859,109	1,056,447
	₩ 9,071,701	₩ 8,945,562	\$ 9,446,736	\$ 9,315,383

The changes in property, plant and equipment for the six months ended June 30, 2006 are as follows:

	Korean Won						End of period	Translation into U. S. Dollars (Note 2) End of period
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other changes (*)		
	(In millions)							
Land	₩ 1,899,548	₩ -	₩ 29,390	₩ (671)	₩ -	₩ -	₩ 1,928,267	\$ 2,007,984
Buildings and structures	2,555,048	-	211,308	(2,162)	(53,059)	-	2,711,135	2,823,217
Machinery and equipment	2,620,856	-	359,736	(27,392)	(183,132)	-	2,770,068	2,884,586
Vehicles	35,003	-	4,630	(489)	(4,553)	-	34,591	36,021
Dies, molds and tools	583,581	-	101,042	(1,474)	(106,607)	-	576,542	600,377
Other equipment	237,020	-	30,949	(364)	(41,510)	-	226,095	235,442
Construction in progress	1,014,506	479,232	(737,055)	(109)	-	68,429	825,003	859,109
End of the period	₩ 8,945,562	₩ 479,232	₩ -	₩ (32,661)	₩ (388,861)	₩ 68,429	₩ 9,071,701	\$ 9,446,736

(\*) Other changes consist of decrease in transfer of ₩5,203 million (US\$5,418 thousand) from construction in progress to industrial property rights and increase in transfer of ₩73,632 million (US\$76,676 thousand) from inventories to construction in progress.

The changes in property, plant and equipment for the six months ended June 30, 2005 are as follows:

	Korean Won						End of period	Translation into U. S. Dollars (Note 2) End of period
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other changes (*)		
	(In millions)							
Land	₩ 1,895,016	₩ -	₩ 1,806	₩ (765)	₩ -	₩ -	₩ 1,896,057	\$ 1,974,442
Buildings and structures	2,503,746	-	71,164	(1,763)	(50,244)	-	2,522,903	2,627,203
Machinery and equipment	2,548,219	-	253,501	(48,079)	(169,731)	-	2,583,910	2,690,732
Vehicles	39,980	-	2,274	(493)	(4,429)	-	37,332	38,875
Dies, molds and tools	596,484	-	74,052	(2,442)	(110,987)	-	557,107	580,138
Other equipment	263,800	-	30,260	(9,711)	(40,428)	-	243,921	254,005
Construction in progress	886,158	407,507	(433,057)	(5,399)	-	64,341	919,550	957,565
End of the period	₩ 8,733,403	₩ 407,507	₩ -	₩ (68,652)	₩ (375,819)	₩ 64,341	₩ 8,760,780	\$ 9,122,962

(\*) Other changes consist of decrease in transfer of ₩3,985 million (US\$4,150 thousand) from construction in progress to industrial property rights and increase in transfer of ₩68,326 million (US\$71,151 thousand) from inventories to construction in progress.

As of June 30, 2006, a substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩863,217 million (US\$898,903 thousand) (see Note 14).

As of June 30, 2006, the published value of the Company-owned land (12,957 thousand square meters) totals ₩2,266,204 million (US\$2,359,892 thousand) in terms of land prices officially announced by the Korean government.

#### 8. INSURANCE:

As of June 30, 2006, property, plant and equipment are insured for ₩5,394,528 million (US\$5,617,545 thousand) with Hyundai Fire & Marine Insurance Co. In addition, the Company carries products and completed operations liability insurance with a maximum coverage of US\$155,000 thousand and ₩1,000 million (US\$1,041 thousand), general insurance for vehicles and workers' compensation and casualty insurance for employees.

#### 9. INTANGIBLES:

Intangibles as of June 30, 2006 and December 31, 2005 consist of the following:

Description	Korean Won			Translation into U. S. Dollars (Note 2)	
	June 30, 2006		December 31, 2005	June 30, 2006	December 31, 2005
	Acquisition cost	Accumulated amortization	Book value	Book value	Book value
	(In millions)			(In thousands)	
Industrial property rights	41,793	(24,533)	17,260	15,573	17,974
Development costs	1,876,259	(957,093)	919,166	893,309	957,165
Other	37,532	(26,934)	10,598	11,513	11,036
	<u>₩1,955,584</u>	<u>₩(1,008,560)</u>	<u>₩ 947,024</u>	<u>₩ 920,395</u>	<u>\$ 986,175</u>
					<u>\$ 958,445</u>

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

Description	Korean Won				Translation into U. S. Dollars (Note 2)
	Industrial property rights	Development costs	Other	Total	Total
	(In millions)				(In thousands)
Beginning of period	₩ 15,573	₩ 893,309	₩ 11,513	₩ 920,395	\$ 958,445
Addition: Expenditures	5,203	157,527	-	162,730	169,457
Deduction: Amortization	(3,516)	(131,670)	(915)	(136,101)	(141,727)
End of period	<u>₩ 17,260</u>	<u>₩ 919,166</u>	<u>₩ 136,101</u>	<u>₩ 947,024</u>	<u>\$ 986,175</u>

The changes in intangibles for the six months ended June 30, 2005 are as follows:

Description	Korean Won				Translation into U. S. Dollars (Note 2)
	Industrial property rights	Development costs	Other	Total	Total
	(In millions)				(In thousands)
Beginning of period	₩ 14,485	₩ 628,640	₩ 13,363	₩ 656,488	\$ 683,628
Addition: Expenditures	3,985	162,309	-	166,294	173,169
Deduction: Amortization	(3,437)	(78,207)	(926)	(82,570)	(85,984)
End of period	<u>₩ 15,033</u>	<u>₩ 712,742</u>	<u>₩ 12,437</u>	<u>₩ 740,212</u>	<u>\$ 770,813</u>

Development costs for the three months and six months ended June 30, 2006 and 2005 are as follows:

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Six months		Six-month	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Development costs	₩ 81,829	₩ 94,041	₩ 157,527	₩ 162,309	\$ 164,039	\$ 169,019
Ordinary development (manufacturing cost)	28,017	27,964	54,257	51,041	56,500	53,151
Research costs (SG&A)	106,726	100,846	229,744	186,526	239,242	194,237
	<u>₩ 216,572</u>	<u>₩ 222,851</u>	<u>₩ 441,528</u>	<u>₩ 399,876</u>	<u>\$ 459,781</u>	<u>\$ 416,407</u>

#### 10. OTHER ASSETS:

Other assets as of June 30, 2006 and December 31, 2005 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Long-term financial instruments	₩ 40	₩ 40	\$ 42	\$ 42
Long-term notes and accounts receivable, less unamortized present value discount of ₩1,362 million as of June 30, 2006 and ₩1,471 million as of December 31, 2005	9,314	11,034	9,699	11,490
Long-term other accounts receivable, less unamortized present value discount of ₩768 million as of June 30, 2006 and ₩1,154 million as of December 31, 2005	84,423	86,260	87,913	89,826
Long-term loans	16,359	18,786	17,035	19,563
Lease and rental deposits	189,045	192,531	196,860	200,490
Long-term deposits	50,462	49,732	52,548	51,788
Deferred gain on valuation of derivatives	379,299	749,861	394,981	780,862
	<u>₩ 728,942</u>	<u>₩ 1,108,244</u>	<u>\$ 759,078</u>	<u>\$ 1,154,061</u>

Long-term notes and accounts receivable included in other assets are stated net of unamortized present value discount of ₩1,362 million (US\$1,418 thousand) and ₩1,471 million (US\$1,532 thousand) as of June, 2006 and December 31, 2005, respectively, using an interest rate of 8.25 percent for the six months ended June 30, 2006 and for the year ended December 31, 2005.

#### 11. SHORT-TERM BORROWINGS:

Short-term borrowings as of June 30, 2006 and December 31, 2005 amount to ₩640,781 million (US\$ 667,272 thousand) and ₩780,445 million (US\$ 812,710 thousand), respectively, and consist primarily of overdrafts and export financing loans with annual interest rates ranging from Libor + 0.16 percent to 6.86 percent.

12. LONG-TERM DEBT AND DEBENTURES:

Long-term debt and debentures as of June 30, 2006 and December 31, 2005 consist of the following:

Description	Annual interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
		June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
		(In millions)		(In thousands)	
Debentures	3.75 ~ 7.80	<u>₩ 1,121,728</u>	<u>₩ 1,381,196</u>	<u>\$ 1,168,102</u>	<u>\$ 1,438,296</u>
Local currency loans:					
General loans	3.00 ~ 5.42	<u>16,276</u>	<u>17,917</u>	<u>16,949</u>	<u>18,658</u>
Foreign currency loans:					
Capital lease	Libor + 0.98	<u>-</u>	<u>99</u>	<u>-</u>	<u>103</u>
		<u>1,138,004</u>	<u>1,399,212</u>	<u>1,185,051</u>	<u>1,457,057</u>
Less: current maturities		<u>207,636</u>	<u>464,163</u>	<u>216,220</u>	<u>483,352</u>
		<u>₩ 930,368</u>	<u>₩ 935,049</u>	<u>\$ 968,831</u>	<u>\$ 973,705</u>

Debentures as of June 30, 2006 and December 31, 2005 consist of the following:

Description	Maturity	Interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
			June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
			(In thousands)		(In thousands)	
Non-guaranteed debentures	13 Aug., 2006 ~ 11 Aug., 2010	3.75 ~ 6.00	<u>₩ 900,000</u>	<u>₩ 1,150,000</u>	<u>\$ 937,207</u>	<u>\$ 1,197,542</u>
Overseas debentures	18 Jul., 2006 ~ 15 Jul., 2007	7.60 ~ 7.80	<u>223,534</u>	<u>235,801</u>	<u>232,775</u>	<u>245,550</u>
			<u>1,123,534</u>	<u>1,385,801</u>	<u>1,169,982</u>	<u>1,443,092</u>
Less: discount on debentures			<u>1,806</u>	<u>4,605</u>	<u>1,880</u>	<u>4,796</u>
			<u>₩ 1,121,728</u>	<u>₩ 1,381,196</u>	<u>₩ 1,168,102</u>	<u>\$ 1,438,296</u>

The maturity of long-term debt and debentures as of June 30, 2006 is as follows:

Description	Debentures	Korean Won		Translation into U.S. Dollars (Note 2)
		Local currency loans	Total	Total
		(In millions)		(In thousands)
July 1, 2007~June 30, 2008	<u>₩ 117,901</u>	<u>₩ 1,726</u>	<u>₩ 119,627</u>	<u>\$ 124,573</u>
July 1, 2008~June 30, 2009	<u>200,000</u>	<u>952</u>	<u>200,952</u>	<u>209,260</u>
July 1, 2009~June 30, 2010	<u>300,000</u>	<u>1,241</u>	<u>301,241</u>	<u>313,695</u>
Thereafter	<u>300,000</u>	<u>10,354</u>	<u>310,354</u>	<u>323,183</u>
	<u>917,901</u>	<u>14,273</u>	<u>932,174</u>	<u>970,711</u>
Less: discount on debentures	<u>1,806</u>	<u>-</u>	<u>1,806</u>	<u>1,880</u>
	<u>₩ 916,095</u>	<u>₩ 14,273</u>	<u>₩ 930,368</u>	<u>\$ 968,831</u>

13. COMMITMENTS AND CONTINGENCIES:

- (1) The Company is contingently liable for guarantees of indebtedness, primarily for the following affiliates (including foreign subsidiaries), as of June 30, 2006.

Description	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Hyundai Merchant Marine	₩ 222,999	\$ 232,218
Hyundai Card Co., Ltd.	3,841	4,000
Hyundai Capital Co., Ltd	325,397	338,849
Hyundai Motor Manufacturing Alabama LLC	648,203	675,001
Hyundai Motor Finance Company	691,416	720,000
Smart Alabama LLC	115,236	120,000
ROTEM	66,283	69,023
Hyundai Motor Europe GmbH	29,182	30,388
Hyundai Translead	95,070	99,000
Hyundai Auto Canada Captive Insurance Incorporation	14,385	14,980
Hyundai Motor Poland Sp.zo.o.	6,080	6,331
Hyundai Motor Japan Co.	33,361	34,740
HMJ R&D Center Inc.	4,587	4,777
Beijing Hines Millennium Real Estate Development Co., Ltd.	14,405	15,001
Beijing Jingxian Motor Safeguard Service Co., Ltd	2,401	2,500
Hyundai Motor Europe Technical Center GmbH	48,637	50,648
Equus Cayman Finance Ltd.	384,120	400,000
	₩ 2,705,603	\$ 2,817,456

(\*) Guaranteed amounts in foreign currency are translated using the Base Rate of ₩960.30 to US\$1.00 at June 30, 2006 (Note 2).

- (2) As of June 30, 2006, 617,466 shares of Kia Motors Corporation, 2,640,000 shares of Eukor Car Carriers Inc., 12,000 shares of Eukor Car Carriers Singapore Pte Ltd. and 150 investment certificates of Machinery Insurance Cooperative in long-term investment securities and investment securities accounted for using the equity method, 7 blank promissory notes, 1 check amounting to ₩2,624 million (US\$ 2,732 thousand) and property, plant and equipment are pledged as collateral for short-term borrowings, long-term debt and other payables (see Note 7). Certain bank deposits of ₩13,447 million (US\$ 14,003 thousand) in short-term and long-term financial instruments are restricted for use due to guarantees for customer financing transactions, research and development and other obligations.
- (3) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩75,036 million (US\$ 78,138 thousand) to the banks concerned as of June 30, 2006. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.
- (4) As of June 30, 2006, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,161,204 million (US\$ 1,209,210 thousand), including discounted overseas accounts receivable translated using the foreign exchange rate at June 30, 2006.
- (5) The Company accrues estimated product liabilities expenses and carries the products and completed operations liability insurance (see Note 8) in order to cover the potential loss, which may occur due to the law suits related to its operation such as product liabilities. The Company expects that the resolution of pending cases against the Company as of June 30, 2006 will not have any material effect on its financial position.
- (6) Some directors of the Company are sued in the Seoul District Court with respect to certain money transactions of the prior years. Currently, it is impossible to reasonably measure the effect of this trial on the Company's financial statements; accordingly, no adjustment is reflected in the accompanying financial statements.

14. ACCRUED WARRANTIES:

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

Description	Korean Won	Translation into
	(In millions)	U.S. Dollars (Note 2) (In thousands)
Beginning of year	₩ 3,168,283	\$ 3,299,263
Accrual	147,831	153,944
Use	(156,629)	(163,105)
End of year	₩ 3,159,485	\$ 3,290,102

15. CAPITAL STOCK:

Capital stock as of June 30, 2006 and December 31, 2005 consists of the following:

	Authorized	Issued	Par value	Korean Won	Translation into
				(In millions)	U.S. Dollars (Note 2) (In thousands)
Common stock	450,000,000 shares	219,058,702 shares	₩ 5,000	₩ 1,151,894	\$ 1,199,515
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	323,127
				₩ 1,482,905	\$ 1,544,210

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

The preferred shares are non-cumulative, participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as of June 30, 2006, a total of 27,588,281 preferred shares (First and Third preferred shares) are eligible to receive cash dividends, if declared, equal to that declared for common shares plus an additional 1 percent minimum increase while the dividend rate for the remaining 37,613,865 preferred shares (Second preferred shares) is 2 percent higher than that declared for common shares.

16. CAPITAL SURPLUS:

Capital surplus as of June 30, 2006 and December 31, 2005 consists of the following:

Description	Korean Won		Translation into	
	June 30,	December 31,	June 30,	December 31,
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Paid-in capital in excess of par value	₩ 3,280,839	₩ 3,280,839	\$ 3,416,473	\$ 3,416,473
Asset revaluation surplus	1,852,871	1,852,871	1,929,471	1,929,471
Other	261,617	257,910	272,433	268,572
	₩ 5,395,327	₩ 5,391,620	\$ 5,618,377	\$ 5,614,516

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

17. RETAINED EARNINGS:

Retained earnings as of June 30, 2006 and December 31, 2005 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Appropriated:				
Legal reserve	₩ 223,370	₩ 188,870	\$ 232,604	\$ 196,678
Reserve for business rationalization	545,800	545,800	568,364	568,364
Reserve for improvement of financial structure	98,947	98,947	103,038	103,038
Reserve for overseas market development	48,800	48,800	50,817	50,817
Reserve for technology development	<u>7,628,100</u>	<u>5,358,100</u>	<u>7,943,455</u>	<u>5,579,611</u>
	8,545,017	6,240,517	8,898,278	6,498,508
Before appropriation	<u>714,080</u>	<u>2,647,835</u>	<u>743,602</u>	<u>2,757,300</u>
	<u>₩ 9,259,097</u>	<u>₩ 8,888,352</u>	<u>\$ 9,641,880</u>	<u>\$ 9,255,808</u>

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

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

Appropriations of retained earnings for the year ended December 31, 2005 was approved at the shareholders' meeting on March 10, 2006 and the appropriations including the cash dividends of ₩342,310 million (US\$356,462 thousand) are reflected in retained earnings on that date.

18. CAPITAL ADJUSTMENTS:

Capital adjustments as of June 30, 2006 and December 31, 2005 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Treasury stock	₩ (719,462)	₩ (736,113)	\$ (749,205)	\$ (766,545)
Gain on valuation of available-for-sale securities, net	152,567	120,301	158,874	125,274
Gain on valuation of investment securities accounted for using the equity method	251,076	268,109	261,456	279,193
Loss on valuation of investment securities accounted for using the equity method	(726,043)	(500,899)	(756,059)	(521,607)
Stock option cost	14,130	14,231	14,714	14,819
Gain on valuation of derivatives	26,651	24,352	27,752	25,360
	<u>₩ (1,001,081)</u>	<u>₩ (810,019)</u>	<u>\$ (1,042,468)</u>	<u>\$ (843,506)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 11,289,290 common shares and 2,950,960 preferred shares with a carrying value of ₩719,904 million (US\$749,666 thousand) as of June 30, 2006, 11,416,470 common shares and 2,950,960 preferred shares with a carrying value of ₩736,113 million (US\$766,545 thousand) as of December 31, 2005, which were acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund.

(2) Stock option cost

The Company granted directors stock options at an exercise price of ₩26,800 (grant date: February 14, 2003, beginning date for exercise: February 14, 2006, expiry date for exercise: February 13, 2011). These stock options all require at least two-year continued service starting from the grant date. If all stock options as of June 30, 2006 are exercised, 1,233,777 shares will be issued as new shares or treasury stock or will be compensated by cash, according to the decision of the Board of Directors.

The Company calculates the total compensation expense using an option-pricing model, in which the risk-free rate of 4.94%, an expected exercise period of 5.5 years and an expected variation rate of stock price of 63.29 percent are used. Total compensation expenses amounting to ₩14,130 million (US\$14,714 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.

On the other hand, 8,777 shares among the granted stock-option have been cancelled in 2006. Therefore, ₩101 million in stock compensation expense, which was recognized previously before 2006, has been reversed; thus, there is no compensation cost for the Company to recognize as expense after 2006

(3) Gain on valuation of derivatives

As of June 30, 2006 and December 31, 2005, net gain of ₩26,651 million (US\$27,753 thousand) and ₩24,352 million (US\$25,359 thousand), after deducting the deferred income tax effect, respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports is included in capital adjustments on the basis set forth in Note 2.



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

Income tax expense for the six months ended June 30, 2006 and 2005 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Income tax currently payable	₩ 187,873	₩ 289,373	\$ 195,640	\$ 301,336
Changes in deferred income taxes due to:				
Temporary differences	124,128	221,647	129,260	230,810
Carry forward of unused tax credits	1,337	-	1,392	-
Items directly charged to equity	(8,912)	(186,795)	(9,281)	(194,517)
Income tax expense	₩ 304,426	₩ 324,225	\$ 317,011	\$ 337,629

For the six months ended June 30, 2006 and 2005, the differences between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Income before tax	₩ 1,010,542	₩ 1,447,197	\$ 1,052,319	\$ 1,507,026
Addition	1,603,875	2,124,744	1,670,181	2,212,584
Deduction	(1,605,660)	(2,331,371)	(1,672,040)	(2,427,753)
Taxable income	₩ 1,008,757	₩ 1,240,570	\$ 1,050,460	\$ 1,291,857

The components of deferred income tax assets (liabilities) as of June 30, 2006 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Current	Non current	Current	Non current
	(In millions)		(In thousands)	
Allowance for doubtful accounts	₩ 891	₩ -	\$ 928	\$ -
Investment securities accounted for using the equity method	-	(656,201)	-	(683,329)
Accrued warranties	202,945	665,913	211,335	693,443
Long-term investment securities	-	(44,250)	-	(46,079)
Reserve for research and manpower development	(58,208)	(39,875)	(60,614)	(41,523)
Depreciation	24	(74,726)	25	(77,815)
Development cost	(4,495)	-	(4,681)	-
Derivative instruments	(7,831)	(74,987)	(8,155)	(78,087)
Accrued income	(20,953)	-	(21,819)	-
Other	1,182	37,234	1,231	38,772
	₩ 113,555	₩ (186,892)	\$ 118,250	\$ (194,618)

The components of deferred tax assets as of December 31, 2005 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Current	Non current	Current	Non current
	(In millions)		(In thousands)	
Allowance for doubtful accounts	₩ 729	₩ -	\$ 759	\$ -
Investment securities accounted for using the equity method	-	(483,630)	-	(503,624)
Accrued warranties	202,056	669,222	210,409	696,888
Long-term investment securities	-	(32,011)	-	(33,334)
Reserve for research and manpower development	(64,167)	(66,000)	(66,820)	(68,729)
Depreciation	24	(58,413)	25	(60,828)
Development cost	(7,368)	-	(7,673)	-
Derivative instruments	(104,071)	(35,340)	(108,373)	(36,801)
Accrued income	(16,025)	-	(16,687)	-
Other	13,751	33,371	14,320	34,751
	<u>₩ 24,929</u>	<u>₩ 27,199</u>	<u>\$ 25,960</u>	<u>\$ 28,323</u>

The components of items charged to equity as of June 30, 2006 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Temporary differences	Tax effect	Temporary differences	Tax effect
	(In millions)		(In thousands)	
Income tax of gain on disposal of treasury stock	₩ 5,113	₩ 1,406	\$ 5,324	\$ 1,464
Deferred tax charged or credited to:				(200,175)
Retained earnings	(3,128)	(860)	(3,257)	(896)
Capital adjustments	(24,170)	(6,646)	(25,170)	(6,920)
	<u>₩ (27,298)</u>	<u>₩ (7,506)</u>	<u>\$ (28,427)</u>	<u>\$ (7,816)</u>

The components of items charged to equity as of December 31, 2005 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Temporary differences	Tax effect	Temporary differences	Tax effect
	(In millions)		(In thousands)	
Income tax of gain on disposal of treasury stock	₩ 32,909	₩ 9,050	\$ 34,269	\$ 9,424
Deferred tax charged or credited to:				(200,175)
Retained earnings	(681,573)	(187,432)	(709,750)	(195,181)
Capital adjustments	35,226	9,687	36,682	10,088
	<u>₩ (646,347)</u>	<u>₩ (177,745)</u>	<u>\$ (673,068)</u>	<u>\$ (185,093)</u>

The deferred income tax assets related to the deductible temporary differences arising from investments in subsidiaries and associates of ₩1,078,988 million (US\$1,123,595 thousand), constructive dividends of ₩101,133 million (US\$105,314 thousand) and other of ₩6,269 million (US\$6,528 thousand) as of June 30, 2006 were not recognized since it is not probable that the temporary difference will be reversed in the foreseeable future. Also, the deferred income tax liabilities related to the gain on revaluation of land of ₩444,109 million (US\$462,469 thousand) as of June 30, 2006 were not recognized since the land may not be disposed of in the foreseeable future.

The deferred income tax assets related to the deductible temporary differences arising from investments in subsidiaries and associates of ₩882,298 million (US\$918,773 thousand), constructive dividends of ₩101,133 million (US\$105,314 thousand) and other of ₩19,077 million (US\$19,866 thousand) as of June 30, 2005 were not recognized since it is not probable that the temporary difference will be reversed in the foreseeable future. Also, the deferred income tax liabilities related to the gain on revaluation of land of ₩446,641 million (US\$465,106 thousand) as of June 30, 2005 were not recognized since the land may not be disposed of in the foreseeable future.

The Company believes average taxable income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. Effective tax rate used in calculating deferred tax assets or liabilities arising from temporary differences is 27.5% including resident tax. The effective tax rates are 30.1 percent and 22.4 percent for the six months ended June 30, 2006 and 2005, respectively.

## 20. RELATED PARTY TRANSACTIONS:

(1) The consolidated subsidiaries as of June 30, 2006 are as follows:

<u>Description</u>	<u>Subsidiaries</u>
Domestic subsidiaries	Kia Motors Corporation (KIA), Hyundai HYSCO, Hyundai Capital Service Inc. (HCS), Hyundai Card Co., Ltd., KEFICO Corporation, Hyundai Powertech, WIA Corporation (WIA), Dymos Inc. (DYMOS), Automobile Industrial Ace Corporation, ROTEM, Haevichi Resort, METIA Co., Ltd. (Formerly Aju Metal Co., Ltd.), Mseat Co., Ltd., Autoever Systems Corp., Partecs Co., Hyundai Autonet Co., Ltd. Haevichi Leisure Co., Ltd. and Carnes Co., Ltd.
Foreign subsidiaries	Hyundai Motor India (HMI), Hyundai Motor America (HMA), Hyundai Motor Japan Co. (HMJ), Hyundai Motor Poland Sp.Zo.O (HMP), Hyundai Motor Europe GmbH (HME), Hyundai Motor Company Australia (HMCA), Hyundai Motor (UK) Ltd. (HMUK), Hyundai Motor Norway AS (HMN), Hyundai Motor Hungary (HMH), Hyundai Translead, Inc. (HT), Hyundai America Technical Center Inc. (HATCI), Hyundai Motor Europe Technical Center GmbH (HMETC), Beijing Mobis Transmission Co., Ltd. (BMT), Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (HAOSVT), Hyundai Motor Group (China) Ltd. (HMGC), Hyundai Jingxian Motor Safeguard Service Co., Ltd. (HJMSS), Hyundai Motor Manufacturing Alabama, LLC (HMMA), Hyundai Motor Finance Company (HMFC), Hyundai Auto Canada Captive Insurance Incorporation (HACCII), Sevenwood Property Inc., World Marketing Group LLC (WMG), Hyundai de Mexico, S.A. de C.V. (HYMEX), Stampet Metal America Research Technology Inc. (SMARTI), Stampet Metal America Research Technology LLC, China Millennium Corporations (CMEs), Beijing Hines Millennium Real Estate Development, KIA Motors America Inc. (KMA), KIA Japan Co., Ltd. (KJC), KIA Motors Deutschland GmbH (KMD), KIA Canada, Inc. (KCI), KIA Motors Polska Sp.z.o.o. (KMP), KIA Motors Europe GmbH (KME), Kia Motors Slovakia S.r.o. (KMS), KIA Motors Belgium (KMB), KIA Motors Czech s.r.o. (KMCZ), KIA Motors (UK) Ltd. (KMUK), KIA Motors Austria GmbH (KMAS), KIA Motors Hungary Kft (KMH), Kia Motors Iberia (KMIB), Kia Motors Sweden AB (KMSW), Kia Automobiles France (KMF), Dong Feng Yueda Kia Motors, Hyundai Pipe of America, Inc., Hysco America Co. Inc., Beijing Hyundai Hysco Steel Process Co, Ltd., Hyundai-Kia Machine America Corp. (HKMA), Hyundai-Kia Machine Europe GmbH (HKME) and Wia Automotive Parts

(2) Significant transactions with subsidiaries and affiliates for the six months ended June 30, 2006 are as follows:

The companies	2006			
	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
<b>Subsidiaries:</b>				
Kia Motors Corporation	₩ 349,128	₩ 362,227	\$ 363,561	\$ 377,202
Dymos Inc.	1,253	303,340	1,305	315,880
Hyundai Capital Service Inc.	226,199	23,218	235,550	24,178
WIA Corporation	75,207	123,885	78,316	129,007
KEFICO Corporation	73	151,318	76	157,574
Hyundai Powertech	10,008	83,462	10,422	86,912
Hyundai Autonet Co., Ltd.	77	82,358	80	85,763
Hyundai HYSCO	925	71,315	963	74,263
Autoever Systems Corp.	73	59,903	76	62,379
Hyundai Card Co., Ltd.	129	31,416	134	32,715
METIA Co., Ltd. (Formerly Aju Metal Co., Ltd.)	1,240	12,976	1,291	13,512
ROTEM	181	6,524	188	6,794
Hyundai Motor America	1,935,537	-	2,015,555	-
Hyundai Motor Europe GmbH	1,474,691	-	1,535,657	-
HAOSVT	364,682	-	379,758	-
Hyundai Motor Company Australia	230,576	-	240,108	-
Hyundai Motor India	221,089	3,004	230,229	3,128
Hyundai Motor Manufacturing Alabama, LLC	100,354	-	104,503	-
Hyundai Motor Poland Sp. Zo.O	66,614	-	69,368	-
Hyundai Motor Norway AS	32,050	-	33,375	-
Hyundai America Technical Center Inc.	14	31,026	15	32,309
Hyundai Motor Europe Technical Center GmbH	35	12,049	36	12,547
Hyundai Motor Hungary	5,832	-	6,073	-
Hyundai Motor Japan Co.	4,602	-	4,792	-
Others	954	86	993	90
<b>Affiliates:</b>				
Hyundai MOBIS	279,327	1,354,047	290,875	1,410,025
Hyundai Steel Company	790	12,257	823	12,764
EUKOR Car Carriers, Inc.	829	136,859	863	142,517
Iljin Bearing Co., Ltd.	12	17,304	12	18,019
Beijing-Hyundai Motor Company	287,374	-	299,254	-
HMJ R&D Center Inc.	3	3,622	3	3,772
GEA	-	613	-	638
Glovis Co., Ltd.	1,036	166,080	1,079	172,946
Amco Corp.	680	175,347	708	182,596
Innotion Corp.	56	16,508	58	17,190
IHL Corp.	1,020	44,072	1,062	45,894
Wisco Co., Ltd.	406	14,986	423	15,606
Korea Automotive Systems Co., Ltd.	2	26,734	2	27,839
BNG Steel Co., Ltd.	2	37,564	2	39,117
Ecoplastic Corp.	4,989	105,494	5,195	109,855
Others	54	-	56	-

Significant transactions with subsidiaries and affiliates for the three months ended June 30, 2006 are as follows

The companies	2006			
	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
<b>Subsidiaries:</b>				
Kia Motors Corporation	₩ 178,877	₩ 168,030	\$ 186,272	\$ 174,977
Dymos Inc.	637	153,471	663	159,816
Hyundai Capital Service Inc.	115,229	12,335	119,993	12,845
WIA Corporation	43,838	64,514	45,650	67,181
KEFICO Corporation	57	75,769	59	78,901
Hyundai Powertech	6,461	38,330	6,728	39,915
Hyundai Autonet Co., Ltd.	73	43,858	76	45,671
Hyundai HYSCO	472	20,067	492	20,897
Autoever Systems Corp.	40	30,795	42	32,068
Hyundai Card Co., Ltd.	60	16,017	62	16,679
METIA Co., Ltd. (Formerly Aju Metal Co., Ltd.)	843	6,679	878	6,955
ROTEM	101	1,522	105	1,585
Hyundai Motor America	880,988	-	917,409	-
Hyundai Motor Europe GmbH	720,158	-	749,930	-
HAOSVT	185,382	-	193,046	-
Hyundai Motor Company Australia	137,667	-	143,358	-
Hyundai Motor India	120,544	606	125,527	631
Hyundai Motor Manufacturing Alabama, LLC	71,030	-	73,966	-
Hyundai Motor Poland Sp. Zo.O	35,815	-	37,296	-
Hyundai Motor Norway AS	21,234	-	22,112	-
Hyundai America Technical Center Inc.	3	12,589	3	13,109
Hyundai Motor Europe Technical Center GmbH	7	4,609	7	4,800
Hyundai Motor Hungary	5,832	-	6,073	-
Hyundai Motor Japan Co.	2,369	-	2,467	-
Others	722	86	752	90
<b>Affiliates:</b>				
Hyundai MOBIS	150,692	685,141	156,922	713,466
Hyundai Steel Company	404	4,234	421	4,409
EUKOR Car Carriers, Inc.	468	1,221	487	1,271
Iljin Bearing Co., Ltd.	-	8,646	-	9,003
Beijing-Hyundai Motor Company	158,799	-	165,364	-
HMJ R&D Center Inc.	1	1,614	1	1,681
GEA	-	401	-	418
Glovis Co., Ltd.	335	83,618	349	87,075
Amco Corp.	327	82,449	341	85,858
Innotion Corp.	36	8,753	37	9,115
IHL Corp.	491	22,246	511	23,166
Wisco Co., Ltd.	406	8,384	423	8,731
Korea Automotive Systems Co., Ltd.	1	13,114	1	13,656
BNG Steel Co., Ltd.	2	18,570	2	19,338
Ecoplastic Corp.	1,764	52,276	1,837	54,437

Significant transactions with affiliated companies for the three months and six months ended June 30, 2005 are as follows.

Affiliated company	2005					
	Korean won				Translation into U.S. dollars (Note 2)	
	Three months		Six months		Six months	
	Sales /proceeds	Purchases /expense	Sales /proceeds	Purchases /expense	Sales /proceeds	Purchases /expenses
	(In millions)				(In thousands)	
Hyundai Motor America	₩ 1,246,457	₩ -	₩ 2,575,838	₩ -	\$ 2,682,326	\$ -
Hyundai Motor India	125,295	4,004	200,972	9,413	209,280	9,802
Hyundai Motor Poland Sp.zo.o.	30,808	-	61,351	-	63,887	-
Hyundai Motor Japan	5,499	-	7,923	-	8,251	-
Hyundai Motor Europe GmbH	473,959	-	1,171,135	-	1,219,551	-
Hyundai Motor Company Australia	124,941	-	251,652	-	262,056	-
HAOSVT	165,751	-	289,253	-	301,211	-
Beijing-Hyundai Motor Company	193,929	-	337,545	-	351,500	-
Kia Motors Corporation	298,653	101,878	457,338	184,863	476,245	192,505
Hyundai MOBIS	168,501	589,433	313,551	1,070,681	326,514	1,114,944
Hyundai Powertech	977	55,344	3,838	105,067	3,997	109,411
Hyundai Capital Service Inc.	77,665	8,229	116,297	18,072	121,105	18,819
Hyundai HYSKO	515	29,143	1,026	87,348	1,068	90,959
Dymos Inc.	3,521	135,228	3,705	259,610	3,858	270,343
WIA Corporation	37,544	63,694	99,833	127,264	103,960	132,525
Glovis Co., Ltd.	-	96,403	-	170,163	-	177,198
Autoever Systems Corp.	-	15,707	-	25,137	-	26,176
Amco Corp.	-	82,983	-	137,644	-	143,334
KEFICO	-	74,893	-	153,417	-	159,759

(3) Significant outstanding balances as of June 30, 2006 are as follows:

The companies	2006			
	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Hyundai HYSKO	₩ 961	₩ 33,167	\$ 1,001	\$ 34,538
KEFICO Corporation	1,018	48,728	1,060	50,742
Autoever Systems Corp.	16	31,243	17	32,535
Dymos Inc.	6,884	110,622	7,169	115,195
Kia Motors Corporation	178,772	228,063	186,163	237,491
Hyundai Capital Service Inc.	67,021	6,566	69,792	6,837
Hyundai Card Co., Ltd.	19,669	39,808	20,482	41,454
WIA Corporation	22,474	49,448	23,403	51,492
Hyundai Powertech	5,094	42,804	5,305	44,574
ROTEM	32	3,114	33	3,243
METIA Co., Ltd. (Formerly Aju Metal Co., Ltd.)	557	4,935	580	5,139
Hyundai Autonet Co., Ltd.	203	49,863	211	51,924
HAOSVT	40,891	-	42,581	-
Hyundai Motor America	61,704	17,096	64,255	17,803
Hyundai Motor Manufacturing Alabama, LLC	53,703	84	55,923	87
Hyundai Motor India	32,934	13	34,296	14
Hyundai Motor Poland Sp. Zo.O	6,980	898	7,269	935
Hyundai Motor Company Australia	28,369	304	29,542	317
Hyundai Motor Europe GmbH	54,878	3,183	57,147	3,315
Hyundai Motor Norway AS	3,552	-	3,699	-
Hyundai Steel Company	343	2,485	357	2,588

The companies	2006			
	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Hyundai MOBIS	₩ 116,833	₩ 595,356	\$ 121,663	\$ 619,969
EUKOR Car Carriers, Inc.	-	26,231	-	27,315
Iljin Bearing Co., Ltd.	35	3,706	36	3,859
Beijing-Hyundai Motor Company	32,105	-	33,432	-
Innotion Corp.	-	43,244	-	45,032
Wisco Co., Ltd.	608	7,659	633	7,976
Korea Automotive Systems Co., Ltd.	19	10,972	20	11,426
BNG Steel Co., Ltd.	-	13,368	-	13,921
Ecoplastic Corp.	774	36,978	806	38,507
Glovis Co., Ltd.	303	48,168	316	50,159
Amco Corp.	204	135,342	212	140,937
IHL Corp.	142	18,488	148	19,252
Others	888	670	925	698

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

The companies	2005			
	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Hyundai HYSCO	₩ 1,478	₩ 29,244	\$ 1,539	\$ 30,453
KEFICO Corporation	1,059	51,346	1,103	53,469
Autoever Systems Corp.	-	38,077	-	39,651
Dymos Inc.	10,408	127,408	10,838	132,675
Kia Motors Corporation	165,081	201,858	171,906	210,203
Hyundai Capital Service Inc.	48,500	5,602	50,505	5,834
Hyundai Card Co., Ltd.	44,292	52,501	46,123	54,671
WIA Corporation	17,506	95,182	18,230	99,117
Hyundai Powertech	12,910	74,958	13,444	78,057
ROTEM	-	26,127	-	27,207
Hyundai Autonet Co., Ltd.	-	47,894	-	49,874
HAOSVT	19,547	7,823	20,355	8,146
Hyundai Motor America	130,554	15,374	135,951	16,010
Hyundai Motor Manufacturing				
Alabama, LLC	60,997	-	63,519	-
Hyundai Motor India	31,132	-	32,419	-
Hyundai Motor Poland Sp. Zo.O	2,646	-	2,755	-
Hyundai Motor Company Australia	30,539	-	31,802	-
Hyundai Motor Europe GmbH	57,589	-	59,970	-
Hyundai MOBIS	112,481	632,193	117,131	658,329
Glovis Co., Ltd.	-	49,599	-	51,649
Amco Corp.	-	188,196	-	195,976

(4) Compensations for registered directors and unregistered directors of the Company for the six months ended June 30, 2006 are as follows:

Description	Korean Won	Translation into U.S. Dollars (Note 2)
	(In millions)	(In thousands)
Short-term salaries	22,737	23,677
Severance benefits (*)	7,872	8,197
Total compensation cost of outstanding stock option	8,795	9,159

(\*) This represent the provision for the six months ended June 30, 2006, The accrued severance benefits as of June 30, 2006 amounts to ₩62,302 million (US\$64,878 thousand).

21. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

The assets and liabilities denominated in foreign currencies as of June 30, 2006 and December 31, 2005 are summarized below.

	Foreign currencies				Korean Won			
	June 30, 2006		December 31, 2005		June 30, 2006		December 31, 2005	
	(In millions)							
Assets	US\$	410,936,380	US\$	459,845,839	₩	394,621	₩	465,824
	JP ¥	97,874,600	JP ¥	521,943,349		816		4,489
	GBP	15,384,843	GBP	5,842,779		27,010		10,197
	CAD	7,736,186	CAD	12,841,782		6,688		11,189
	EUR	151,620,046	EUR	173,259,828		184,359		207,938
	AUD	29,961,894	AUD	28,008,337		21,259		20,835
					₩	634,753	₩	720,472
Liabilities	US\$	545,184,195	US\$	620,674,146	₩	523,539	₩	628,743
	JP ¥	26,577,769,289	JP ¥	23,720,378,695		221,666		204,005
	GBP	7,861,335	GBP	10,390,825		13,802		18,134
	CAD	2,478,946	CAD	2,976,134		2,143		2,593
	AUD	8,178,319	AUD	7,838,317		5,803		5,831
	EUR	187,806,502	EUR	250,169,891		228,359		300,241
	SGD	-	SGD	123,995		-		76
	CHF	3,731,065	CHF	2,358,819		2,896		1,819
	SEK	221,000	SEK	442,000		29		56
					₩	998,237	₩	1,161,498

22. REGIONAL SALES INFORMATION

Sales by region for the three months and six months ended June 30, 2006 and 2005 are as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Domestic sales	₩ 2,906,284	₩ 2,700,982	₩ 5,800,469	₩ 4,872,746	\$ 6,040,268	\$ 5,074,191
Export sales - Vehicle Products						
North America	880,987	1,246,384	1,953,544	2,575,812	2,034,306	2,682,299
Europe	1,214,394	1,071,224	2,329,776	2,100,353	2,426,092	2,187,184
South America	281,015	172,579	543,196	375,481	565,652	391,004
Asia & Pacific	322,481	381,235	540,998	647,298	563,364	674,058
Middle Asia & Africa	543,149	467,933	1,077,963	845,099	1,122,527	880,037
	3,242,026	3,339,355	6,445,477	6,544,043	6,711,941	6,814,582
Export sales - Other	854,493	906,140	1,618,374	1,699,916	1,685,280	1,770,193
Export sales	4,096,519	4,245,495	8,063,851	8,243,959	8,397,221	8,584,775
Total sales	₩ 7,002,803	₩ 6,946,477	₩ 13,864,320	₩ 13,116,705	\$ 14,437,488	\$ 13,658,966



23. SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses for the three months and six months ended June 30, 2006 and 2005 are as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Salary-related costs	₩ 242,362	₩ 212,347	₩ 492,146	₩ 425,892	\$ 512,492	\$ 443,499
Export costs	180,809	185,804	357,890	358,251	372,686	373,062
Sales promotion and advertisements	114,871	90,312	222,644	164,136	231,848	170,922
Sales commissions	95,838	84,687	189,110	151,007	196,928	157,250
Sales warranties	75,975	144,772	167,926	266,176	174,868	277,180
Taxes and dues	5,478	10,484	8,710	14,783	9,070	15,394
Communications	4,732	5,233	9,549	10,489	9,944	10,923
Utilities	4,175	4,101	10,866	11,094	11,315	11,553
Freight and warehousing	17,342	18,370	35,503	34,014	36,971	35,420
Rent	4,728	4,986	9,744	9,457	10,147	9,848
Travel	14,114	14,198	31,339	28,215	32,635	29,381
Service charges	39,550	33,800	78,118	63,084	81,347	65,692
Maintenance	2,884	4,488	5,707	9,174	5,943	9,553
Supplies	3,745	5,085	7,851	9,508	8,176	9,901
Research	106,726	100,846	229,744	186,526	239,242	194,237
Depreciation	17,487	16,118	34,309	32,825	35,727	34,182
Amortization	2,234	2,170	4,431	4,351	4,614	4,531
Stock option cost	-	-	-	167	-	174
Other	2,605	3,044	5,113	6,548	5,324	6,818
	<u>₩ 935,655</u>	<u>₩ 940,845</u>	<u>₩ 1,900,700</u>	<u>₩ 1,785,697</u>	<u>\$ 1,979,277</u>	<u>\$ 1,859,520</u>