

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND SIX MONTHS ENDED  
JUNE 30, 2008 AND 2007  
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

# Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

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

We have reviewed the accompanying non-consolidated balance sheet of Hyundai Motor Company (the "Company") as of June 30, 2008, the related non-consolidated statements of income for the three months and six months ended June 30, 2008 and 2007, and the related non-consolidated statements of changes in shareholders' equity and cash flows for the six months ended June 30, 2008 and 2007, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

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

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, 2007, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the year then ended (not presented herein) and in our report dated January 25, 2008, we expressed an unqualified opinion on those non-consolidated financial statements. The accompanying balance sheet as of December 31, 2007, which is comparatively presented, does not differ in material respects from such audited non-consolidated balance sheet, except for those disclosed in Note 2.

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, changes in shareholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to 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 25, 2008

## Notice to Readers

This report is effective as of July 25, 2008, 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, 2008 AND DECEMBER 31, 2007

<u>ASSETS</u>	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
	(In millions)		(In thousands)	
<b>Current assets:</b>				
Cash and cash equivalents	₩ 1,454,478	₩ 1,446,065	\$ 1,393,979	\$ 1,385,916
Short-term financial instruments (Note 3)	3,794,467	2,939,227	3,636,637	2,816,970
Short-term investment securities (Note 5)	79,155	110,932	75,863	106,318
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩6,984 million as of June 30, 2008 and December 31, 2007 (Note 13)	2,439,416	2,196,795	2,337,949	2,105,420
Trade notes and accounts receivable - other	452,539	443,751	433,716	425,293
Inventories (Note 4)	1,710,737	1,448,974	1,639,579	1,388,704
Deferred tax assets (Note 20)	240,785	185,103	230,770	177,404
Derivative assets (Note 22)	52,993	13,508	50,789	12,946
Advances and other current assets	265,213	136,813	254,180	131,123
Total current assets	<u>10,489,783</u>	<u>8,921,168</u>	<u>10,053,462</u>	<u>8,550,094</u>
<b>Non-current assets:</b>				
Long-term investment securities (Notes 6 and 13)	980,372	1,267,717	939,594	1,214,987
Investments securities accounted for using the equity method (Notes 7 and 13)	8,847,783	7,805,738	8,479,761	7,481,060
Property, plant and equipment, net of accumulated depreciation of ₩6,728,836 million as of June 30, 2008 and ₩6,338,929 million as of December 31, 2007 (Notes 8 and 13)	9,591,971	9,721,065	9,192,995	9,316,719
Intangibles (Note 9)	1,379,759	1,381,124	1,322,368	1,323,676
Derivative assets (Note 22)	4,175	100,741	4,001	96,551
Other assets (Notes 3 and 10)	415,556	389,376	398,272	373,180
Total non-current assets	<u>21,219,616</u>	<u>20,665,761</u>	<u>20,336,991</u>	<u>19,806,173</u>
Total assets	<u>₩ 31,709,399</u>	<u>₩ 29,586,929</u>	<u>\$ 30,390,453</u>	<u>\$ 28,356,267</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF JUNE 30, 2008 AND DECEMBER 31, 2007

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
	<u>June 30, 2008</u>	<u>December 31, 2007</u>	<u>June 30, 2008</u>	<u>December 31, 2007</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
<b>Current liabilities:</b>				
Short-term borrowings (Notes 11 and 13)	₩ 689,485	₩ 431,209	\$ 660,806	\$ 413,273
Current maturities of long-term debt and debentures (Notes 12 and 13)	200,978	201,461	192,618	193,081
Trade notes and accounts payable	3,252,200	2,938,628	3,116,925	2,816,396
Accounts payable-other	959,275	1,306,774	919,374	1,252,419
Accrued warranties (Note 14)	939,994	870,749	900,895	834,531
Income tax payable	403,805	499,379	387,009	478,607
Accrued expenses	540,844	30,170	518,348	28,915
Derivative liabilities (Note 22)	339,548	86,935	325,425	83,319
Withholdings and other current liabilities	533,356	690,687	511,171	661,959
Total current liabilities	<u>7,859,485</u>	<u>7,055,992</u>	<u>7,532,571</u>	<u>6,762,500</u>
<b>Non-current liabilities:</b>				
Long-term debt and debentures, net of current maturities and discount on debentures issued of ₩2,025 million as of June 30, 2008 and ₩2,455 million as of December 31, 2007 (Notes 12 and 13)	1,212,948	1,212,886	1,162,496	1,162,436
Accrued severance benefits, net of National Pension payments for employees of ₩15,881 million as of June 30, 2008 and ₩18,666 million as of December 31, 2007, and individual severance insurance deposits of ₩915,020 million as of June 30, 2008 and ₩935,914 million as of December 31, 2007	537,553	445,306	515,194	426,784
Long-term accrued warranties (Note 14)	2,388,793	2,184,670	2,289,432	2,093,799
Deferred tax liabilities (Note 20)	251,960	385,369	241,480	369,340
Derivative liabilities (Note 22)	147,329	74,915	141,201	71,799
Other non-current liabilities	42,724	25,160	40,946	24,113
Total non-current liabilities	<u>4,581,307</u>	<u>4,328,306</u>	<u>4,390,749</u>	<u>4,148,271</u>
Total liabilities	<u>12,440,792</u>	<u>11,384,298</u>	<u>11,923,320</u>	<u>10,910,771</u>
<b>Commitments and contingencies (Note 13)</b>				
<b>Shareholders' equity:</b>				
Capital stock	1,486,980	1,486,980	1,425,129	1,425,129
Capital surplus	5,821,159	5,752,060	5,579,030	5,512,804
Capital adjustments (Note 15)	(718,804)	(718,855)	(688,906)	(688,954)
Accumulated other comprehensive income (Notes 16 and 17)	537,966	198,012	515,589	189,776
Retained earnings (Note 18)	<u>12,141,306</u>	<u>11,484,434</u>	<u>11,636,291</u>	<u>11,006,741</u>
Total shareholders' equity	<u>19,268,607</u>	<u>18,202,631</u>	<u>18,467,133</u>	<u>17,445,496</u>
Total liabilities and shareholders' equity	<u>₩ 31,709,399</u>	<u>₩ 29,586,929</u>	<u>\$ 30,390,453</u>	<u>\$ 28,356,267</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, 2008 AND 2007

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2008	2007	2008	2007	2008	2007
	(In millions, except per share amounts)				(In thousands, except per share amounts)	
Sales (Note 23):						
Domestic sales	₩ 3,510,774	₩ 3,407,212	₩ 6,968,859	₩ 6,375,946	\$ 6,678,991	\$ 6,110,740
Export sales	5,595,987	4,669,714	10,335,712	8,422,322	9,905,800	8,071,998
	<u>9,106,761</u>	<u>8,076,926</u>	<u>17,304,571</u>	<u>14,798,268</u>	<u>16,584,791</u>	<u>14,182,738</u>
Cost of sales	<u>7,057,933</u>	<u>6,450,664</u>	<u>13,507,467</u>	<u>11,936,331</u>	<u>12,945,627</u>	<u>11,439,842</u>
Gross profit	2,048,828	1,626,262	3,797,104	2,861,937	3,639,164	2,742,896
Selling and administrative expenses (Notes 21 and 24)	<u>1,386,292</u>	<u>1,003,445</u>	<u>2,605,429</u>	<u>1,910,412</u>	<u>2,497,057</u>	<u>1,830,949</u>
Operating income	<u>662,536</u>	<u>622,817</u>	<u>1,191,675</u>	<u>951,525</u>	<u>1,142,107</u>	<u>911,947</u>
Other income (expenses), net:						
Interest income, net	44,231	25,759	92,161	46,878	88,328	44,928
Gain (loss) on foreign currency translation, net	140	3,968	(19,982)	4,915	(19,151)	4,711
Gain (loss) on foreign exchange transaction, net	(48,019)	2,803	(47,302)	(7,498)	(45,334)	(7,186)
Gain on valuation of investment securities accounted for using the equity method, net (Note 7)	34,747	158,479	95,148	188,476	91,190	180,636
Gain (loss) on valuation of derivatives, net (Note 22)	(12,210)	63,815	(149,929)	42,293	(143,693)	40,534
Rental and royalty income	38,496	31,149	71,633	51,145	68,653	49,018
Loss on disposal of trade notes and accounts receivables	(23,573)	(23,984)	(44,901)	(43,874)	(43,033)	(42,049)
Loss on disposal of property, plant and equipment, net	(1,529)	(40,185)	(6,491)	(52,675)	(6,221)	(50,484)
Gain on disposal of short-term investment securities, net	1,804	4,094	1,799	6,408	1,724	6,141
Gain (loss) on disposal of long-term investment securities, net	(46,636)	14,147	(46,636)	14,445	(44,696)	13,844
Other, net	<u>9,533</u>	<u>(7,721)</u>	<u>36,401</u>	<u>17,499</u>	<u>34,887</u>	<u>16,771</u>
	<u>(3,016)</u>	<u>232,324</u>	<u>(18,099)</u>	<u>268,012</u>	<u>(17,346)</u>	<u>256,864</u>
Income before income tax	659,520	855,141	1,173,576	1,219,537	1,124,761	1,168,811
Income tax expense (Note 20)	<u>112,589</u>	<u>243,604</u>	<u>233,993</u>	<u>300,614</u>	<u>224,260</u>	<u>288,110</u>
Net income	<u>₩ 546,931</u>	<u>₩ 611,537</u>	<u>₩ 939,583</u>	<u>₩ 918,923</u>	<u>\$ 900,501</u>	<u>\$ 880,701</u>
Basic earnings per common share (Note 19)	<u>₩ 2,013</u>	<u>₩ 2,257</u>	<u>₩ 3,457</u>	<u>₩ 3,389</u>	<u>\$ 3.31</u>	<u>\$ 3.25</u>
Diluted earnings per common share (Note 19)	<u>₩ 2,011</u>	<u>₩ 2,252</u>	<u>₩ 3,453</u>	<u>₩ 3,381</u>	<u>\$ 3.31</u>	<u>\$ 3.24</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

	Korean Won						Translation into
							U.S. Dollars
	Capital stock	Capital surplus	Capital adjustments	Accumulative other comprehensive income	Retained earnings	Total amount	Total amount (Note 2)
(In millions)						(In thousands)	
January 1, 2007	<del>₩</del> 1,484,942	<del>₩</del> 5,409,005	<del>₩</del> (706,979)	<del>₩</del> (226,605)	<del>₩</del> 10,090,465	<del>₩</del> 16,050,828	\$ 15,383,197
Cumulative effect of changes in accounting policy (Note 2)	-	317,615	-	(350,082)	32,467	-	-
Beginning balance after correction	1,484,942	5,726,620	(706,979)	(576,687)	10,122,932	16,050,828	15,383,197
Payment of cash dividend	-	-	-	-	(275,373)	(275,373)	(263,919)
Gain on valuation of treasury stock fund	-	-	2,447	-	-	2,447	2,345
Gain on valuation of available-for-sale securities, net	-	-	-	367,922	-	367,922	352,618
Gain on valuation of derivatives, net	-	-	-	2,023	-	2,023	1,939
Net income	-	-	-	-	918,923	918,923	880,701
Changes in retained earnings using the equity method	-	(5,470)	-	94,546	39,340	128,416	123,075
June 30, 2007	<del>₩</del> 1,484,942	<del>₩</del> 5,721,150	<del>₩</del> (704,532)	<del>₩</del> (112,196)	<del>₩</del> 10,805,822	<del>₩</del> 17,195,186	\$ 16,479,956
January 1, 2008	<del>₩</del> 1,486,980	<del>₩</del> 5,439,915	<del>₩</del> (718,855)	<del>₩</del> 548,094	<del>₩</del> 11,446,497	<del>₩</del> 18,202,631	\$ 17,445,496
Cumulative effect of changes in accounting policy (Note 2)	-	312,145	-	(350,082)	37,937	-	-
Beginning balance after correction	1,486,980	5,752,060	(718,855)	198,012	11,484,434	18,202,631	17,445,496
Adjustments resulting from revision of the written opinion for applying Accounting Standards No. 06-2 (Note 2)	-	-	-	-	12,078	12,078	11,576
Payment of cash dividend	-	-	-	-	(275,996)	(275,996)	(264,516)
Gain on valuation of treasury stock fund	-	-	108	-	-	108	104
Cancellation of stock options	-	57	(57)	-	-	-	-
Loss on valuation of available-for-sale securities, net	-	-	-	(209,362)	-	(209,362)	(200,654)
Loss on valuation of derivatives, net	-	-	-	(158,956)	-	(158,956)	(152,344)
Net income	-	-	-	-	939,583	939,583	900,501
Changes in retained earnings using the equity method	-	69,042	-	708,272	(18,793)	758,521	726,970
June 30, 2008	<del>₩</del> 1,486,980	<del>₩</del> 5,821,159	<del>₩</del> (718,804)	<del>₩</del> 537,966	<del>₩</del> 12,141,306	<del>₩</del> 19,268,607	\$ 18,467,133

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-COLSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Cash flows from operating activities:				
Net income	₩ 939,583	₩ 918,923	\$ 900,501	\$ 880,701
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation	439,216	401,289	420,947	384,597
Amortization of intangibles	232,210	179,639	222,551	172,167
Loss (gain) on foreign currency translation, net	19,982	(4,915)	19,151	(4,711)
Gain on valuation of investment securities accounted for using the equity method, net	(95,148)	(188,476)	(91,190)	(180,636)
Loss (gain) on valuation of derivatives, net	149,929	(42,293)	143,693	(40,534)
Loss on disposal of trade notes and accounts receivable	44,901	43,874	43,033	42,049
Loss on disposal of property, plant and equipment, net	6,491	52,675	6,221	50,484
Gain on disposal of short-term investment securities, net	(1,799)	(6,408)	(1,724)	(6,141)
Gain (loss) on disposal of long-term investment securities, net	46,636	(14,445)	44,696	(13,844)
Dividends of investment securities accounted for using the equity method	131,131	76,182	125,677	73,013
Provision for severance benefits	245,199	195,695	235,000	187,555
Provision for warranties	458,159	168,602	439,102	161,589
Amortization of discount on debentures	409	356	392	341
Other	19,394	1,152	18,588	1,104
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable	(282,272)	(338,652)	(270,531)	(324,566)
Decrease (increase) in trade notes and accounts receivable-other	(7,539)	92,869	(7,225)	89,006
Increase in inventories	(320,224)	(258,563)	(306,904)	(247,808)
Increase in advances and other current assets	(132,486)	(131,272)	(126,975)	(125,812)
Decrease in deferred tax assets	21,000	21,930	20,127	21,018
Decrease in derivative assets	18,861	25,597	18,076	24,532
Increase in trade notes and accounts payable	310,556	768,034	297,638	736,088
Decrease in accounts payable-other	(354,303)	(798,378)	(339,566)	(765,170)
Decrease in income tax payable	(95,575)	(41,384)	(91,600)	(39,663)
Increase in accrued expenses	509,529	348,165	488,335	333,683
Increase (decrease) in deferred tax liabilities	(198,543)	63,765	(190,285)	61,113
Decrease in derivative liabilities	(53,165)	(148)	(50,954)	(142)
Decrease in withholding and other current liabilities	(158,166)	(38,263)	(151,587)	(36,671)
Decrease in accrued warranties	(184,791)	(159,542)	(177,105)	(152,906)
Payment of severance benefits	(177,588)	(131,247)	(170,201)	(125,788)
Decrease in individual severance insurance deposits	20,894	44,520	20,025	42,668
Other	5,974	2,219	5,726	2,128
	<u>1,558,455</u>	<u>1,251,500</u>	<u>1,493,632</u>	<u>1,199,444</u>

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HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from withdrawal of short-term financial instruments	₩ 1,906,360	₩ 1,157,639	\$ 1,827,065	\$ 1,109,487
Proceeds from disposal of short-term investment securities	31,945	136,801	30,616	131,111
Proceeds from disposal of long-term investment securities	132	26,785	127	25,671
Proceeds from disposal of property, plant and equipment	6,062	2,379	5,810	2,280
Proceeds from disposal of investment securities accounted for using the equity method	96,248	-	92,245	-
Reduction in other current assets	2,880	3,680	2,760	3,527
Reduction in other assets	47,446	3,054	45,472	2,927
	<u>2,091,073</u>	<u>1,330,338</u>	<u>2,004,095</u>	<u>1,275,003</u>
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(2,761,600)	(2,017,623)	(2,646,732)	(1,933,700)
Acquisition of short-term investment securities	(146)	(30,394)	(140)	(29,130)
Acquisition of long-term investment securities	(104,484)	(15,005)	(100,138)	(14,381)
Acquisition of investment securities accounted for using the equity method	(217,646)	(258,174)	(208,593)	(247,435)
Acquisition of property, plant and equipment	(267,526)	(427,621)	(256,398)	(409,834)
Expenditures for development costs	(227,540)	(202,969)	(218,076)	(194,527)
Additions to other assets	(17,134)	(3,990)	(16,421)	(3,824)
	<u>(3,596,076)</u>	<u>(2,955,776)</u>	<u>(3,446,498)</u>	<u>(2,832,831)</u>
	<u>(1,505,003)</u>	<u>(1,625,438)</u>	<u>(1,442,403)</u>	<u>(1,557,828)</u>
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	648,997	1,851,258	622,002	1,774,255
Issuance of debentures	-	299,107	-	286,666
	<u>648,997</u>	<u>2,150,365</u>	<u>622,002</u>	<u>2,060,921</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	(417,182)	(1,873,982)	(399,829)	(1,796,034)
Repayment of current maturities of long-term debt	(851)	(1,010)	(816)	(968)
Payment of cash dividends	(276,003)	(275,371)	(264,523)	(263,917)
	<u>(694,036)</u>	<u>(2,150,363)</u>	<u>(665,168)</u>	<u>(2,060,919)</u>
	<u>(45,039)</u>	<u>2</u>	<u>(43,166)</u>	<u>2</u>
Net increase (decrease) in cash and cash equivalents	8,413	(373,936)	8,063	(358,382)
Cash and cash equivalents, beginning of period	<u>1,446,065</u>	<u>1,382,678</u>	<u>1,385,916</u>	<u>1,325,166</u>
Cash and cash equivalents, end of period	<u>₩ 1,454,478</u>	<u>₩ 1,008,742</u>	<u>\$ 1,393,979</u>	<u>\$ 966,784</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, 2008 AND 2007

### 1. THE COMPANY:

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

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

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

As of June 30, 2008, the major shareholders of the Company are Hyundai MOBIS (14.98%), Hyundai Steel (5.85%) and Chung, Mong Koo (5.18%).

### 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, changes in shareholders' equity or cash flows, is not presented in the accompanying financial statements.

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. dollar amounts is included solely for the convenience of readers outside of the Republic of Korea and has been made at the rate of ₩1,043.40 to US\$1.00 at June 30, 2008, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. dollars at that or any other rate.

The Company prepared its non-consolidated financial statements as of June 30, 2008 in accordance with the Korea Financial Accounting Standards and the Statements of Korea Accounting Standards ("SKAS") No. 1 through No.23, except for No.14.

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements as of June 30, 2008 are identical to those as of December 31, 2007, except for the revision of SKAS No.15 - "Investments in Associates" and the written opinion for applying Accounting Standards No. 06-2 - "Recognition of deferred tax related to investments in subsidiaries, associates and interests in joint ventures", which were effective from January 1, 2008.

The accompanying notes mainly include transactions and accounting events related to significant changes on its financial position and results of operations which are subsequent to December 31, 2007.

Revision of SKAS No.15 - “Investments in Associates”

In accordance with the revised SKAS No. 15 - “Investments in Associates,” the parent company share of net income and net assets of investments in associates in the non-consolidated financial statements have to be identical with the parent’s proportional share in the consolidated financial statements when applying equity method to subsidiaries, except if the carrying amount of an investment in an associate falls below zero as a result of reflecting the associate’s losses when the equity method is applied and the investor discontinues recognizing further changes in its share of equity interest in the associate and the investment is accounted for at nil value. The accompanying 2007 financial statements, which are prepared for comparative purposes, were restated to conform to the revised SKAS No.15 - “Investments in Associates” for its first year of application.

Effects on major accounts due to revised standards mentioned above are as follows:

Accounts	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
	(In millions)		(In thousands)	
Capital surplus	₩ 381,188	₩ 312,145	\$ 365,333	\$ 299,161
Accumulated other comprehensive income	(419,125)	(350,082)	(401,692)	(335,520)
Retained earnings	37,937	37,937	36,359	36,359

Revision of the Opinion for Applying Accounting Standards No. 06-2 - “Recognition of Deferred tax related to Investments in Subsidiaries, Associates and interests in Joint Ventures”

According to the revised written opinion, the investor must recognize the tax effects of differences between the carrying amount of investments which is separated from unrealized profits eliminated from the investments and its tax base in the investor’s financial statements, and the deferred tax for the difference arising from unrealized profits must be recognized. For the first year of application, the accompanying financial statements presented for comparative purposes do not have to be restated and the effect of the retroactive application is accounted in the current period’s beginning balance. As a result, the Company did not restate accompanying 2007 financial statements for comparative purposes, and the effect of retroactive application of ₩12,078 million (US\$ 11,576 thousand) was accounted for in the beginning balance of retained earnings.

Reclassifications of Accounts

The royalty income, which had been classified as non-operating income until prior year, is reclassified as sales in current year. For comparative purposes, the Company restated the income statement for the three months and six months ended June 30, 2007. Such reclassification has no effect on the net assets and net income in 2008 and 2007, respectively.

3. RESTRICTED FINANCIAL INSTRUMENTS:

Deposits with withdrawal restrictions as of June 30, 2008 and December 31, 2007 consist of the following:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
	(In millions)		(In thousands)	
Short-term financial instruments:				
Ordinary deposit	₩ 44	₩ 142	\$ 42	\$ 136
Term deposit	22,822	32,485	21,873	31,134
	<u>22,866</u>	<u>32,627</u>	<u>21,915</u>	<u>31,270</u>
Long-term financial instruments (Note 10)				
Guarantee deposits for checking accounts	37	37	35	35
	<u>₩ 22,903</u>	<u>₩ 32,664</u>	<u>\$ 21,950</u>	<u>\$ 31,305</u>

4. INVENTORIES:

Inventories as of June 30, 2008 and December 31, 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
	(In millions)		(In thousands)	
Finished goods and merchandise	₩ 693,123	₩ 409,342	\$ 664,293	\$ 392,316
Semi finished goods and work in process	474,709	547,010	454,964	524,257
Raw materials and supplies	434,525	406,568	416,451	389,657
Materials in transit	108,380	86,054	103,871	82,474
	<u>₩ 1,710,737</u>	<u>₩ 1,448,974</u>	<u>\$ 1,639,579</u>	<u>\$ 1,388,704</u>

5. SHORT-TERM INVESTMENT SECURITIES:

(1) Short -term investment securities as of June 30, 2008 and December 31, 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
	(In millions)		(In thousands)	
Available-for-sale securities	₩ 30,655	₩ 62,432	\$ 29,380	\$ 59,835
Held-to-maturity securities	48,500	48,500	46,483	46,483
	<u>₩ 79,155</u>	<u>₩ 110,932</u>	<u>\$ 75,863</u>	<u>\$ 106,318</u>

(2) Available-for-sale securities of short-term investment securities as of June 30, 2008 and December 31, 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
	(In millions)		(In thousands)	
Beneficiary certificates	₩ 29,855	₩ 61,599	\$ 28,613	\$ 59,037
Equity securities	176	209	169	200
Government bonds	624	624	598	598
	<u>₩ 30,655</u>	<u>₩ 62,432</u>	<u>\$ 29,380</u>	<u>\$ 59,835</u>

6. LONG-TERM INVESTMENT SECURITIES:

Long -term investment securities as of June 30, 2008 and December 31, 2007, all of which are classified into available-for-sale securities, consist of the following:

Name of company	Ownership percentage (%)	Korean Won		Translation into U.S. Dollars (Note 2)		
		Acquisition cost	Book value	Book value	Book value	
		(In millions)	(In thousands)	(In thousands)	(In thousands)	
Hyundai Heavy Industries Co., Ltd.	2.88	₩ 56,924	₩ 709,560	₩ 969,075	\$ 680,046	\$ 928,767
Hyundai Oil Refinery Co., Ltd.	4.35	53,314	123,907	123,907	118,753	118,753
Hyundai Merchant Marine Co., Ltd.	0.45	9,161	27,201	29,799	26,070	28,560
Doosan Capital Co., Ltd.	9.99	10,000	26,146	26,146	25,058	25,058
Hyundai Development Co. -Engineering & Construction	0.60	9,025	23,850	41,175	22,858	39,462
Hyundai H&S Co., Ltd.	4.08	15,005	17,169	21,462	16,455	20,569
KT Freetel Co., Ltd.	0.17	10,800	9,364	10,131	8,975	9,710
ENOVA System	1.09	2,204	816	841	782	806
Treasury Stock Fund (*1)			9,473	11,840	9,079	11,348
Hyundai Asan Corporation	4.61	22,500	7,053	7,053	6,760	6,760
Hyundai Venture Investment Corp.	14.97	4,490	4,490	4,490	4,303	4,303
Industry Otomotif Komersial	15.00	4,439	4,439	4,439	4,254	4,254
Kihyup Technology Banking Corp.	10.34	3,000	3,000	3,000	2,875	2,875
Kyungnam Credit Information Service Co., Ltd.	13.66	2,500	2,500	2,500	2,396	2,396
NESSCAP Co., Ltd.	12.05	1,997	1,997	1,997	1,914	1,914
Hyundai Research Institute	14.90	1,359	1,271	1,271	1,218	1,218
THESIGN Co., Ltd.	11.59	1,200	1,200	1,200	1,150	1,150
Heesung PM Tech Corporation	19.90	1,194	1,194	1,194	1,144	1,144
Veloxsoft Inc.	7.14	1,000	1,000	1,000	958	958
Backsan Its Co., Ltd.	19.90	814	814	814	780	780
Micro Infinity	9.38	607	607	607	582	582
N.G.V(*2)	53.66	571	571	571	547	547
Clean Air Technology Co., Ltd.	16.13	500	500	500	479	479
Bs Humantech	13.90	320	320	320	307	307
The hankyoreh Plus Inc.	5.43	4,800	284	284	272	272
Carnes Company, Ltd. (*2)	49.99	250	250	250	240	240
Jinil MVC Co., Ltd.	18.00	180	180	180	173	173
ROTIS Inc.	0.19	1,000	8	8	8	8
Hyundai Unicorns Co.	14.90	5,795	-	137	-	131
Other	-	1,369	1,208	1,526	1,158	1,463
			<u>₩ 980,372</u>	<u>₩ 1,267,717</u>	<u>\$ 939,594</u>	<u>\$ 1,214,987</u>

(\*1) The acquisition cost of Treasury Stock Fund is ₩12,213 million (US\$11,705 thousand) as of June 30, 2008 and December 31, 2007, and the lower of the fair value of treasury stock and investments in those fund amounting to ₩4,931 million (US\$4,726 thousand) and ₩5,040 million (US\$4,830 thousand) as of June 30, 2008 and December 31, 2007, respectively, are recorded as treasury stock in capital adjustments.

(\*2) 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\$6,709 thousand), are not material.

As of June 30, 2008 and December 31, 2007, the difference between the book value and the acquisition cost of equity securities consists of impairment loss on long-term investment securities of ₩26,999 million (US\$25,876 thousand) and ₩26,701 million (US\$25,590 thousand), respectively, reflected before 2007.

7. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Investment securities accounted for using the equity method as of June 30, 2008 and December 31, 2007 consist of the following:

Affiliated company	Ownership percentage (%)	Korean Won				Translation into U.S. Dollars (Note 2)	
		Acquisition cost	Net equity value		December 31, 2007 Book value	June 30, 2008 Book value	December 31, 2007 Book value
			June 30, 2008	Book value			
		(In millions)	(In thousands)				
Hyundai Motor America	100.00	₩1,314,697	₩1,690,703	₩1,566,042	₩1,194,353	\$ 1,500,903	\$ 1,144,674
Hyundai Motor Manufacturing Czech, Ltd.	100.00	579,412	797,795	795,492	529,844	762,404	507,805
Beijing-Hyundai Motor Company	50.00	397,758	674,597	663,170	516,196	635,586	494,725
Hyundai Motor India	100.00	244,017	742,953	693,253	695,313	664,417	666,392
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (*1)	70.00	91,315	(43,614)	-	-	-	-
Hyundai Translead	100.00	80,623	113,524	122,518	128,489	117,422	123,145
Hyundai Motor Europe Technical Center GmbH	100.00	53,496	70,371	70,371	58,389	67,444	55,960
China Millennium Corporations	59.60	53,466	24,118	60,442	55,572	57,928	53,260
Hyundai Motor Japan Co. (*1)	100.00	42,292	(64,951)	-	-	-	-
Hyundai Motor (UK) Ltd. (*1)	100.00	36,681	(16,813)	-	-	-	-
Hyundai Motor Poland Sp.zo.o.	100.00	24,139	46,093	51,264	40,153	49,132	38,483
Beijing Mobis Transmission Co., Ltd.	24.08	22,790	35,764	35,764	28,917	34,276	27,714
Hyundai Motor Europe GmbH	100.00	17,529	34,345	34,345	28,945	32,916	27,741
Hyundai Motor Group China Ltd.	50.00	15,371	39,047	4,320	24,512	4,140	23,492
Hyundai Motor Company Australia	100.00	12,382	64,058	36,406	35,301	34,892	33,833
WIA Automotive Engine (ShanDong) Company	22.00	10,298	17,140	17,140	10,849	16,427	10,398
Hyundai America Technical Center Inc.	100.00	9,635	26,612	26,612	20,258	25,505	19,415
Hyundai Motor Deutschland GmbH	30.00	6,761	19,733	19,254	17,908	18,453	17,163
Hyundai Motor Norway AS	100.00	5,636	9,605	5,677	6,872	5,441	6,586
Hyundai Motor Hungary	100.00	5,415	2,192	2,283	2,283	2,188	2,188
Beijing Jinxian Motor Safeguard Service Co., Ltd.	91.75	4,907	5,729	5,729	4,380	5,491	4,198
Hyundai Motor Commonwealth of Independent States (*1)	80.00	3,959	22,408	-	18,333	-	17,570
HMJ R&D Center Inc.	100.00	1,510	2,288	2,372	1,939	2,273	1,858
Kia Motors Corporation	38.67	923,957	1,877,740	1,976,153	1,939,961	1,893,955	1,859,269
Hyundai Capital Service Inc.	56.47	500,325	935,529	597,469	519,357	572,617	497,754
Hyundai Card Co., Ltd.	31.59	435,571	382,283	382,289	359,507	366,388	344,553
Hyundai-Rotem Company	57.64	254,308	288,378	333,005	341,327	319,154	327,130
Hyundai HYSCO	26.13	200,768	274,294	291,643	252,919	279,512	242,399
Korea Aerospace Industries, Ltd.	20.54	159,800	91,850	91,665	89,321	87,852	85,606
Hyundai Powertech Co., Ltd.	37.58	135,000	160,392	153,357	150,792	146,978	144,520
HMC Investment Securities Co., Ltd.	19.20	75,115	35,434	73,144	-	70,102	-
Hyundai Autonet Co., Ltd. (*2)	16.77	118,554	79,596	122,204	124,250	117,121	119,082
Dymos Inc.	47.27	68,872	127,839	125,875	122,136	120,639	117,056
Hyundai Commercial Inc.	50.00	50,000	38,987	37,903	35,109	36,326	33,649
World Industries Ace Corporation	39.46	34,357	198,466	176,132	171,714	168,806	164,572
The Korea Economic Daily	20.55	29,973	24,471	27,317	26,811	26,181	25,696
Eukor Car Carriers Inc. (*2)	12.00	29,347	57,662	49,463	62,518	47,406	59,918
Partecs Company, Ltd.	56.00	22,400	22,753	22,753	21,779	21,807	20,873
KEFICO	50.00	20,911	119,507	118,170	118,014	113,255	113,105
Autoever Systems Corporation	29.90	5,947	19,627	19,627	17,237	18,811	16,520
Haevichi Country Club Co., Ltd.	30.00	4,500	(8,635)	-	-	-	-
M & Soft	31.84	3,925	9,254	9,340	7,357	8,952	7,051
Iljin Bearing Co., Ltd.	20.00	826	16,829	16,829	16,109	16,128	15,439
Daesung Automotive Co., Ltd.	20.00	400	10,991	10,991	10,714	10,533	10,268
		<u>₩6,108,945</u>	<u>₩9,076,944</u>	<u>₩8,847,783</u>	<u>₩7,805,738</u>	<u>\$ 8,479,761</u>	<u>\$ 7,481,060</u>

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

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

(\*3) Haevichi Country Club Co., Ltd. merged with one of the affiliated company, Chasan Co., Ltd. in 2008. Consequently, the Company holds the equity of Haevichi Country Club Co., Ltd. in exchange for the equity of Chasan Co., Ltd.

(2) The changes in investment securities accounted for using the equity method for the six months ended June 30, 2008 are as follows:

Affiliated company	Korean Won					Translation into
	Beginning of period	Acquisition / Disposition	Gain (loss) on valuation	Other changes (*)	End of period	U.S. Dollars
						(Note 2)
			(In millions)			End of period (In thousands)
Hyundai Motor America	₩ 1,194,353	₩ 59,496	₩ 30,454	₩ 281,739	₩ 1,566,042	\$ 1,500,903
Hyundai Motor Manufacturing Czech, Ltd.	529,844	82,545	(20,042)	203,145	795,492	762,404
Beijing-Hyundai Motor Company	516,196	58,363	40,042	48,569	663,170	635,586
Hyundai Motor India	695,313	-	(17,791)	15,731	693,253	664,417
Hyundai Translead	128,489	-	(5,493)	(478)	122,518	117,422
Hyundai Motor Europe Technical Center GmbH	58,389	-	684	11,298	70,371	67,444
China Millennium Corporations	55,572	-	1,320	3,550	60,442	57,928
Hyundai Motor Poland Sp.zo.o.	40,153	-	2,338	8,773	51,264	49,132
Beijing Mobis Transmission Co., Ltd.	28,917	-	1,407	5,440	35,764	34,276
Hyundai Motor Europe GmbH	28,945	-	(156)	5,556	34,345	32,916
Hyundai Motor Group China Ltd.	24,512	-	(38,175)	17,983	4,320	4,140
Hyundai Motor Company Australia	35,301	-	(29,433)	30,538	36,406	34,892
WIA Automotive Engine (ShanDong) Company	10,849	-	3,947	2,344	17,140	16,427
Hyundai America Technical Center Inc.	20,258	-	3,856	2,498	26,612	25,505
Hyundai Motor Deutschland GmbH	17,908	-	(7,011)	8,357	19,254	18,453
Hyundai Motor Norway AS	6,872	-	(2,741)	1,546	5,677	5,441
Hyundai Motor Hungary	2,283	-	-	-	2,283	2,188
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,380	-	500	849	5,729	5,491
Hyundai Motor Commonwealth of Independent States	18,333	-	(21,463)	3,130	-	-
HMJ R&D Center Inc.	1,939	-	3	430	2,372	2,273
Kia Motors Corporation	1,939,961	-	41,639	(5,447)	1,976,153	1,893,955
Hyundai Capital Service Inc.	519,357	-	43,796	34,316	597,469	572,617
Hyundai Card Co., Ltd.	359,507	-	40,354	(17,572)	382,289	366,388
Hyundai-Rotem Company	341,327	-	1,566	(9,888)	333,005	319,154
Hyundai HYSCO	252,919	-	11,110	27,614	291,643	279,512
Korea Aerospace Industries, Ltd.	89,321	-	2,344	-	91,665	87,852
Hyundai Powertech Co., Ltd.	150,792	-	2,223	342	153,357	146,978
HMC Investment Securities Co., Ltd.	-	17,242	(1,243)	57,145	73,144	70,102
Hyundai Autonet Co., Ltd.	124,250	-	(704)	(1,342)	122,204	117,121
Dymos Inc.	122,136	-	4,052	(313)	125,875	120,639
Hyundai Commercial Inc.	35,109	-	2,413	381	37,903	36,326
World Industries Ace Corporation	171,714	-	987	3,431	176,132	168,806
The Korea Economic Daily	26,811	-	577	(71)	27,317	26,181
Eukor Car Carriers Inc.	62,518	-	(10,695)	(2,360)	49,463	47,406
Partecs Company, Ltd.	21,779	-	974	-	22,753	21,807
KEFICO	118,014	-	7,706	(7,550)	118,170	113,255
Autoever Systems Corporation	17,237	-	2,316	74	19,627	18,811
M & Soft	7,357	-	2,117	(134)	9,340	8,952
Iljin Bearing Co., Ltd.	16,109	-	945	(225)	16,829	16,128
Daesung Automotive Co., Ltd.	10,714	-	425	(148)	10,991	10,533
	<u>₩ 7,805,738</u>	<u>₩ 217,646</u>	<u>₩ 95,148</u>	<u>₩ 729,251</u>	<u>₩ 8,847,783</u>	<u>\$ 8,479,761</u>

(\*) Other changes consist of the decrease by ₩131,132 million (US\$125,678 thousand) due to receipt of the dividends, increase of capital surplus by ₩1,693 million (US\$1,623 thousand), decrease of retained earnings by ₩25,925 million (US\$24,847 thousand), increase of accumulated other comprehensive income by ₩826,742 million (US\$792,354 thousand) and increase by ₩57,873 million (US\$55,466 thousand) due to transfer from long-term investment securities to investment securities accounted for using the equity method.

Investment securities accounted for using the equity method as of June 30, 2008 and December 31, 2007 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, 2008 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	₩10,824,792	₩9,134,088	₩4,203,944	₩ 57,852	\$10,374,537	\$ 8,754,158	\$ 4,029,082	\$ 55,446
Hyundai Motor Manufacturing Czech, Ltd.	1,010,378	212,583	31	(18,836)	968,352	203,741	30	(18,053)
Beijing-Hyundai Motor Company	2,704,329	1,355,136	2,137,213	91,811	2,591,843	1,298,769	2,048,316	87,992
Hyundai Motor India	2,235,715	1,492,762	1,697,847	3,519	2,142,721	1,430,671	1,627,225	3,373
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	576,154	638,460	598,935	(48,634)	552,189	611,903	574,022	(46,611)
Hyundai Translead	264,992	151,467	101,198	(3,330)	253,970	145,167	96,989	(3,191)
Hyundai Motor Europe Technical Center GmbH	154,751	84,381	42,131	684	148,314	80,871	40,379	656
China Millennium Corporations	105,442	64,976	10,454	4,061	101,056	62,273	10,019	3,892
Hyundai Motor Japan Co.	13,574	78,525	4,255	(3,682)	13,009	75,259	4,078	(3,529)
Hyundai Motor (UK) Ltd.	332,512	349,325	303,631	(5,657)	318,681	334,795	291,002	(5,422)
Hyundai Motor Poland Sp.zo.o.	522,916	476,823	802,519	11,093	501,165	456,990	769,138	10,632
Beijing Mobis Transmission Co., Ltd.	212,593	64,069	98,052	5,841	203,750	61,404	93,974	5,598
Hyundai Motor Europe GmbH	712,186	677,841	852,890	287	682,563	649,646	817,414	275
Hyundai Motor Group China Ltd.	278,522	200,427	502,735	20,520	266,937	192,090	481,824	19,666
Hyundai Motor Company Australia	262,251	198,193	455,291	2,512	251,343	189,949	436,353	2,408
WIA Automotive Engine (ShanDong) Company	135,676	57,767	73,717	17,940	130,033	55,364	70,651	17,194
Hyundai America Technical Center Inc.	42,238	15,627	43,328	1,078	40,481	14,977	41,526	1,033
Hyundai Motor Deutschland GmbH	206,792	141,016	433,922	(18,114)	198,191	135,150	415,873	(17,361)
Hyundai Motor Norway AS	37,777	28,172	49,545	15	36,206	27,000	47,484	14
Hyundai Motor Hungary	3,866	1,674	-	-	3,705	1,604	-	-
Beijing Jinxian Motor Safeguard Service Co., Ltd.	15,759	9,515	36,081	437	15,104	9,119	34,580	419
Hyundai Motor Commonwealth of Independent States	445,149	417,138	885,856	167	426,633	399,787	849,009	160
HMJ R&D Center Inc.	6,446	4,158	6,239	61	6,178	3,985	5,979	58
Kia Motors Corporation	13,250,898	8,224,590	7,913,779	61,121	12,699,730	7,882,490	7,584,607	58,579
Hyundai Capital Service Inc.	15,020,209	13,363,669	1,629,744	203,370	14,395,447	12,807,810	1,561,955	194,911
Hyundai Card Co., Ltd.	5,107,428	3,897,126	731,203	106,555	4,894,986	3,735,026	700,789	102,123
Hyundai-Rotem Company	1,969,293	1,468,948	1,021,600	11,214	1,887,381	1,407,847	979,107	10,748
Hyundai HYSCO	2,888,658	1,838,825	2,193,199	45,198	2,768,505	1,762,339	2,101,973	43,318
Korea Aerospace Industries, Ltd.	1,021,030	607,800	373,700	10,500	978,560	582,519	358,156	10,063
Hyundai Powertech Co., Ltd.	1,265,176	838,331	508,024	4,343	1,212,551	803,461	486,893	4,162
HMC Investment Securities Co., Ltd.	1,412,514	1,228,001	67,930	(6,864)	1,353,761	1,176,923	65,104	(6,578)
Hyundai Autonet Co., Ltd.	761,830	287,177	520,501	4,726	730,142	275,232	498,851	4,529
Dymos Inc.	751,440	480,989	515,823	6,399	720,184	460,982	494,367	6,133
Hyundai Commercial Inc.	1,024,325	946,352	53,061	6,992	981,718	906,989	50,854	6,701
World Industries Ace Corporation	1,982,729	1,479,806	1,568,100	17,510	1,900,258	1,418,254	1,502,875	16,782
The Korea Economic Daily	196,199	77,137	61,556	2,678	188,038	73,929	58,996	2,567
Eukor Car Carriers Inc.	1,921,589	1,441,069	993,145	(75,575)	1,841,661	1,381,128	951,835	(72,431)
Partecs Company, Ltd.	95,921	55,291	16,747	1,610	91,931	52,991	16,050	1,543
KEFICO	417,383	178,368	307,898	11,921	400,022	170,949	295,091	11,425
Autoever Systems Corporation	168,473	102,830	203,302	7,551	161,465	98,553	194,846	7,237
Haevichi Country Club Co., Ltd.	232,703	261,488	1,184	(4,493)	223,024	250,611	1,135	(4,306)
M & Soft	36,246	7,177	25,016	6,645	34,738	6,878	23,975	6,369
Iljin Bearing Co., Ltd.	132,957	48,814	89,865	3,873	127,427	46,784	86,127	3,712
Daesung Automotive Co., Ltd.	81,584	26,629	31,067	2,123	78,191	25,521	29,775	2,035

- (4) Significant unrealized profits (losses) that occurred in transactions with investees as of June 30, 2008 are as follows:

Transaction type	Korean Won				Translation into
	Beginning of period	Increase	Decrease	End of period	U.S. Dollars (Note 2)
	(In millions)				(In thousands)
Inventories	₩ 138,361	₩ 324,986	₩ (138,361)	₩ 324,986	\$ 311,468
Property	286,135	112,284	(48,993)	349,426	334,892
Accrued warranties	(51,063)	(49,473)	51,063	(49,473)	(47,415)
	<u>₩ 373,433</u>	<u>₩ 387,797</u>	<u>₩ (136,291)</u>	<u>₩ 624,939</u>	<u>\$ 598,945</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 ₩5,705 million (US\$5,468 thousand) and ₩6,279 million (US\$6,018 thousand) for the six months ended June 30, 2008 and 2007, respectively.
- (6) The unamortized (or unreversed) balance of goodwill and negative goodwill as of June 30, 2008 is ₩277,122 million (US\$265,595 thousand) and ₩39,298 million (US\$37,663 thousand), respectively. In addition, the unamortized (or unreversed) balance of goodwill and negative goodwill as of December 31, 2007 is ₩248,533 million (US\$238,195 thousand) and ₩40,532 million (US\$38,846 thousand), respectively.
- (7) The market price of listed equity securities as of June 30, 2008 is as follows:

Affiliated company	Korean Won			Translation into
	Price per share	Number of shares	Market value	U.S. Dollars (Note 2)
	(In millions, except price per share)			(In thousands)
Kia Motors Corporation	₩ 11,050	134,285,491	₩ 1,483,855	\$ 1,422,134
Hyundai HYSCO	12,800	20,954,188	268,214	257,058
HMC Investment Securities Co., Ltd.	23,000	2,229,340	51,275	49,142
Hyundai Autonet Co., Ltd.	4,700	38,870,000	182,689	175,090

- (8) The cumulative losses not recognized by the Company due to the suspension of the valuation of equity securities using the equity method as of June 30, 2008 and December 31, 2007 are ₩214,460 million (US\$205,540 thousand) and ₩107,119 million (US\$102,663 thousand), respectively.

#### 8. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipments as of June 30, 2008 and December 31, 2007 consist of the following:

Description	Korean Won		Translation into	
	June 30, 2008	December 31, 2007	U.S. Dollars (Note 2)	U.S. Dollars (Note 2)
	(In millions)		(In thousands)	
Buildings and structures	₩ 3,914,845	₩ 3,867,824	\$ 3,752,008	\$ 3,706,943
Machinery and equipment	6,243,187	5,997,620	5,983,503	5,748,150
Vehicles	83,414	82,109	79,944	78,694
Dies, molds and tools	3,012,320	2,853,670	2,887,023	2,734,972
Other equipment	<u>739,730</u>	<u>713,637</u>	<u>708,962</u>	<u>683,953</u>
	13,993,496	13,514,860	13,411,440	12,952,712
Less: accumulated depreciation	<u>6,728,836</u>	<u>6,338,929</u>	<u>6,448,952</u>	<u>6,075,262</u>
	7,264,660	7,175,931	6,962,488	6,877,450
Land	1,959,887	1,960,537	1,878,366	1,878,989
Construction in progress	<u>367,424</u>	<u>584,597</u>	<u>352,141</u>	<u>560,280</u>
	<u>₩ 9,591,971</u>	<u>₩ 9,721,065</u>	<u>\$ 9,192,995</u>	<u>\$ 9,316,719</u>



The changes in property, plant and equipment for the six months ended June 30, 2008 are as follows:

Description	Korean Won						Translation into U. S. Dollars (Note 2)	
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other changes(*)	End of period	End of period
	(In millions)						(In thousands)	
Land	₩ 1,960,537	₩ -	₩ 21	₩ (671)	₩ -	₩ -	₩ 1,959,887	\$ 1,878,366
Buildings and structures	2,953,834	-	47,434	(332)	(60,501)	-	2,940,435	2,818,128
Machinery and equipment	3,244,015	-	277,430	(8,151)	(222,560)	-	3,290,734	3,153,857
Vehicles	34,866	-	5,746	(1,505)	(4,684)	-	34,423	32,991
Dies, molds and tools	708,094	-	167,808	(510)	(112,585)	-	762,807	731,078
Other equipment	235,122	-	41,327	(1,302)	(38,886)	-	236,261	226,434
Construction in progress	584,597	267,526	(539,766)	(88)	-	55,155	367,424	352,141
Total	₩ 9,721,065	₩ 267,526	₩ -	₩ (12,559)	₩ (439,216)	₩ 55,155	₩ 9,591,971	\$ 9,192,995

(\*) Other changes consist of decrease in transfer of ₩3,305 million (US\$3,168 thousand) from construction in progress to industrial property rights and increase in transfer of ₩58,460 million (US\$56,028 thousand) from inventories to construction in progress.

As of June 30, 2008, a substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩14,402,604 million (US\$13,803,531 thousand) (see Note 13).

#### 9. INTANGIBLES:

Intangibles as of June 30, 2008 and December 31, 2007 consist of the following:

Description	Korean Won				Translation into U.S. Dollars (Note 2)		
	June 30, 2008		December 31, 2007		June 30, 2008	December 31, 2007	
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Book value	Book value	
	(In millions)				(In thousands)		
Industrial property rights	₩ 58,354	₩ 42,151	₩ -	₩ 16,203	₩ 16,639	\$ 15,529	\$ 15,947
Development costs	3,069,894	1,693,573	20,793	1,355,528	1,355,962	1,299,145	1,299,561
Other	37,704	29,676	-	8,028	8,523	7,694	8,168
	₩3,165,952	₩ 1,765,400	₩ 20,793	₩1,379,759	₩ 1,381,124	\$ 1,322,368	\$ 1,323,676

The changes in intangibles for the six months ended June 30, 2008 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	₩ 16,639	₩ 1,355,962	₩ 8,523	₩ 1,381,124	\$ 1,323,676
Addition: Expenditures	3,305	227,540	-	230,845	221,243
Deduction: Amortization	(3,741)	(227,974)	(495)	(232,210)	(222,551)
End of period	₩ 16,203	₩ 1,355,528	₩ 8,028	₩ 1,379,759	\$ 1,322,368

Research and development expenditure for the three months and six months ended June 30, 2008 and 2007 are as follows:

Description	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Six months		Six-month	
	2008	2007	2008	2007	2008	2007
	(In millions)				(In thousands)	
Development costs	₩ 108,787	₩ 103,950	₩ 227,540	₩ 202,969	\$ 218,076	\$ 194,527
Ordinary development (manufacturing cost)	20,635	32,251	40,410	59,645	38,729	57,164
Research costs (SG&A)	103,355	91,290	192,691	174,443	184,676	167,187
	<u>₩ 232,777</u>	<u>₩ 227,491</u>	<u>₩ 460,641</u>	<u>₩ 437,057</u>	<u>\$ 441,481</u>	<u>\$ 418,878</u>

#### 10. OTHER ASSETS:

Other assets as of June 30, 2008 and December 31, 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
	(In millions)		(In thousands)	
Long-term financial instruments (Note 3)	₩ 37	₩ 37	\$ 35	\$ 35
Long-term notes and accounts receivable, less unamortized present value discount of ₩4,085 million as of June 30, 2008 and ₩2,686 million as of December 31, 2007	20,696	8,559	19,835	8,203
Long-term other accounts receivable, less unamortized present value discount of ₩15 million as of December 31, 2007	79,724	79,709	76,408	76,394
Long-term loans	2,927	5,881	2,805	5,636
Lease and rental deposits	198,745	190,277	190,479	182,362
Long-term deposits	113,427	104,913	108,710	100,550
	<u>₩ 415,556</u>	<u>₩ 389,376</u>	<u>\$ 398,272</u>	<u>\$ 373,180</u>

#### 11. SHORT-TERM BORROWINGS:

Short-term borrowings as of June 30, 2008 and December 31, 2007 amount to ₩689,485 million (US\$660,806 thousand) and ₩431,209 million (US\$413,273 thousand), respectively, and consist primarily of overdrafts and banker's usance with annual interest rates ranging from Libor + 0.50 percent to 0.85 percent.

12. LONG-TERM DEBT AND DEBENTURES:

Long-term debt as of June 30, 2008 and December 31, 2007 consist of the following:

Description	Annual interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
		June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
		(In millions)		(In thousands)	
Debentures	3.75 ~ 5.52	₩ 1,397,975	₩ 1,397,545	\$ 1,339,827	\$ 1,339,414
Local currency loans:					
General loans	3.00 ~ 5.50	₩ 15,951	₩ 16,802	\$ 15,287	\$ 16,103
		1,413,926	1,414,347	1,355,114	1,355,517
Less: current maturities		200,978	201,461	192,618	193,081
		₩ 1,212,948	₩ 1,212,886	\$ 1,162,496	\$ 1,162,436

Debentures as of June 30, 2008 and December 31, 2007 consist of the following:

Description	Maturity	Interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
			June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
			(In thousands)		(In thousands)	
Non-guaranteed debentures	Nov 10, 2008 ~ Apr 12, 2012	3.75 ~ 5.52	₩ 1,400,000	₩ 1,400,000	\$ 1,341,767	\$ 1,341,767
Less: discount on debentures			2,025	2,455	1,940	2,353
			₩ 1,397,975	₩ 1,397,545	\$ 1,339,827	\$ 1,339,414

The maturity of long-term debt and debentures as of June 30, 2008 is as follows:

Description	Korean Won			Translation into U.S. Dollars (Note 2)
	Debentures	Local currency loans	Total	Total
		(In millions)		(In thousands)
July 1, 2009 ~ June 30, 2010	₩ 300,000	₩ 743	₩ 300,743	\$ 288,234
July 1, 2010 ~ June 30, 2011	300,000	1,282	301,282	288,750
July 1, 2011 ~ June 30, 2012	600,000	1,363	601,363	576,349
Thereafter	-	11,585	11,585	11,103
	1,200,000	14,973	1,214,973	1,164,436
Less: discount on debentures	2,025	-	2,025	1,940
	₩ 1,197,975	₩ 14,973	₩ 1,212,948	\$ 1,162,496

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, 2008.

Description	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Hyundai Capital Service, Inc.	₩ 353,555	\$ 338,849
Hyundai Merchant Marine Co., Ltd.	195,112	186,996
Hyundai-Rotem Company	286,388	274,476
Hyundai Motor America	313,020	300,000
Hyundai Motor Manufacturing Alabama LLC	704,295	675,000
Hyundai Auto Canada	17,345	16,624
Hyundai Motor Finance Company	756,465	725,000
Hyundai Motor India	260,850	250,000
Hyundai Motor Europe GmbH	39,529	37,885
Hyundai Motor Europe Technical Center GmbH	82,353	78,928
Hyundai Motor Manufacturing Czech, s.r.o.	527,059	505,136
Hyundai Motor UK Limited.	41,590	39,860
Hyundai Motor Japan Co.	29,454	28,229
HMJ R&D Center Inc.	5,400	5,175
Hyundai Motor Poland Sp.zo.o.	8,235	7,892
Hyundai Translead	82,429	79,000
Smart Alabama LLC	125,208	120,000
Hyundai America Technical Center Inc.	20,868	20,000
Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,087	2,000
Beijing Hines Millennium Real Estate Development Co., Ltd.	15,651	15,000
Equus Cayman Finance Ltd.	417,360	400,000
UTS	250,416	240,000
	₩ 4,534,669	\$ 4,346,050

- (2) As of June 30, 2008, 213,466 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 Financial Cooperative in long-term investment securities and investment securities accounted for using the equity method, 2 blank promissory notes, 1 check amounting to ₩2,624 million (US\$2,515 thousand) and property, plant and equipment (See Note 8) are pledged as collateral for short-term borrowings, long-term debt and other payables.
- (3) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩29,654 million (US\$28,421 thousand) to the banks concerned as of June 30, 2008. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.
- (4) The Company signed lease financial agreements with Hyundai Commercial Inc. and Hyundai Capital Service Inc. to promote sales of buses. According to the agreements, the Company has a joint responsibility to the guarantee limit of the lease user's liability stipulated in the agreement. As of June 30, 2008, the amount of guarantee is ₩78,318 million (US\$75,060 thousand). In addition, the Company is obliged to pay the lease fee and dispose of leased assets within certain period in case the lease users are bankrupt or long overdue.
- (5) As of June 30, 2008, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,493,794 million (US\$1,431,660 thousand), including accounts receivable from export sales.
- (6) The Company accrues estimated product liabilities expenses and carries the products and completed operations liability insurance in order to cover the potential loss, which may occur due to the lawsuits related to its operation such as product liabilities. The Company expects that the resolution of pending cases against the Company as of June 30, 2008 will not have any material effect on its financial position.

- (7) The Company made an agreement with its European sales subsidiaries and agents for them to be responsible for projected costs for dismantling and recycling vehicles sold in corresponding countries to comply with European Parliament directive regarding End-of-Life vehicles (ELV).
- (8) In 2006, the Company sold 10,658,367 shares of Hyundai Rotem to MSPE Metro Investment AB and entered into a shareholders' agreement. MSPE Metro Investment AB is entitled to put option to sell those shares back to the Company in certain events (as defined) in accordance with the agreement.

14. ACCRUED WARRANTIES:

The changes in accrued warranties in current and long-term liabilities for the six months ended June 30, 2008 and 2007 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Beginning of period	<del>₩</del> 3,055,419	<del>₩</del> 3,084,908	\$ 2,928,330	\$ 2,956,592
Accrual	458,159	168,602	439,102	161,589
Use	(184,791)	(159,542)	(177,105)	(152,906)
End of period	<u><del>₩</del> 3,328,787</u>	<u><del>₩</del> 3,093,968</u>	<u>\$ 3,190,327</u>	<u>\$ 2,965,275</u>

15. CAPITAL ADJUSTMENTS:

Capital adjustments as of June 30, 2008 and December 31, 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
	(In millions)		(In thousands)	
Treasury stock	<del>₩</del> (723,416)	<del>₩</del> (723,524)	\$ (693,326)	\$ (693,429)
Stock option cost	4,612	4,669	4,420	4,475
	<u><del>₩</del> (718,804)</u>	<u><del>₩</del> (718,855)</u>	<u>\$ (688,906)</u>	<u>\$ (688,954)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 11,071,741 common shares and 2,950,960 preferred shares with a carrying value of ~~₩~~723,416 million (US\$ 693,326 thousand) as of June 30, 2008, 11,071,741 common shares and 2,950,960 preferred shares with a carrying value of ~~₩~~723,524 million (US\$ 693,429 thousand) as of December 31, 2007, 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, 2008 are exercised, 402,671 shares will be issued as new shares or treasury stock or will be compensated by cash, according to the decision of the Board of Directors.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME:

Accumulated other comprehensive income as of June 30, 2008 and December 31, 2007 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
	(In millions)		(In thousands)	
Gain on valuation of available- for-sale securities, net	₩ 560,751	₩ 770,114	\$ 537,427	\$ 738,081
Gain (loss) on valuation of investment securities accounted for using the equity method, net	156,853	(551,420)	150,329	(528,484)
Loss on valuation of derivatives, net	(179,638)	(20,682)	(172,167)	(19,821)
	<u>₩ 537,966</u>	<u>₩ 198,012</u>	<u>\$ 515,589</u>	<u>\$ 189,776</u>

17. STATEMENTS OF COMPREHENSIVE INCOME:

Statements of comprehensive income for the three months and six months ended June 30, 2008 and 2007 consist of the following:

Description	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2008	2007	2008	2007	2008	2007
	(In millions)				(In thousands)	
Net income	₩ 546,931	₩ 611,537	₩ 939,583	₩ 918,923	\$ 900,501	\$ 880,701
Cumulative effect of implementing a new accounting policy	-	-	12,078	-	11,576	-
Gain (loss) on valuation of available- for-sale securities, net of deferred tax effect of ₩79,413 million and ₩139,557 million for the six months ended June 30, 2008 and 2007, respectively	(36,192)	271,001	(209,362)	367,922	(200,654)	352,618
Gain on valuation of investment securities accounted for using the equity method, net of deferred tax effect of ₩118,470 million and ₩10,939 million for the six months ended June 30, 2008 and 2007, respectively	328,968	23,714	708,272	94,546	678,812	90,613
Gain (loss) on valuation of derivatives, net of deferred tax effect of ₩60,294 million and ₩5,518 million for the six months ended June 30, 2008 and 2007, respectively	(52,656)	3,806	(158,956)	2,023	(152,344)	1,939
Comprehensive income	<u>₩ 787,051</u>	<u>₩ 910,058</u>	<u>₩ 1,291,615</u>	<u>₩ 1,383,414</u>	<u>\$ 1,237,891</u>	<u>\$ 1,325,871</u>

18. RETAINED EARNINGS:

Retained earnings as of June 30, 2008 and December 31, 2007 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	June 30,	December 31,	June 30,	December 31,
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Appropriated:				
Legal reserve	₩ 278,570	₩ 250,970	\$ 266,983	\$ 240,531
Reserve for business rationalization	545,800	545,800	523,098	523,098
Reserve for improvement of financial structure	98,947	98,947	94,831	94,831
Reserve for overseas market development	48,800	48,800	46,770	46,770
Reserve for technology development	6,113,100	8,868,100	5,858,827	8,499,233
Reserve for research and manpower development	4,080,000	-	3,910,293	-
	11,165,217	9,812,617	10,700,802	9,404,463
Before appropriations	976,089	1,671,817	935,489	1,602,278
	<u>₩ 12,141,306</u>	<u>₩ 11,484,434</u>	<u>\$ 11,636,291</u>	<u>\$ 11,006,741</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, technological development and research and manpower development are voluntary reserves, which are available for the payment of dividends.

Appropriations of retained earnings for the year ended December 31, 2007 were approved at the shareholders' meeting on March 14, 2008 and the appropriations including the cash dividends of ₩275,996 million (US\$264,516 thousand) are reflected in retained earnings on that date.

19. EARNINGS PER COMMON SHARE:

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

Basic earnings per common share for the three months and six months ended June 30, 2008 and 2007 is computed as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2008	2007	2008	2007	2008	2007
	(In millions, except per share amounts)				(In thousands, except per share amounts)	
Net income	₩ 546,931	₩ 611,537	₩ 939,583	₩ 918,923	\$ 900,501	\$ 880,701
Expected dividends on preferred stock	(126,562)	(141,687)	(217,692)	(213,380)	(208,637)	(204,505)
Net income available to common share	420,369	469,850	721,891	705,543	691,864	676,196
Weighted average number of common shares outstanding (*)	208,802,067	208,191,318	208,802,067	208,185,086	208,802,067	208,185,086
Basic earnings per common share	<u>₩ 2,013</u>	<u>₩ 2,257</u>	<u>₩ 3,457</u>	<u>₩ 3,389</u>	<u>\$ 3.31</u>	<u>\$ 3.25</u>

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

Diluted earnings per common share for the three months and six months ended June 30, 2008 and 2007 is computed as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Three months	
	2008	2007	2008	2007	2008	2007
	(In millions, except per share amounts)				(In thousands, except per share amounts)	
Net income available to common share	₩ 420,369	₩ 469,850	₩ 721,891	₩ 705,543	\$ 691,864	\$ 676,196
Expenses related to diluted securities	-	-	-	-	-	-
Net income available to diluted common share	420,369	469,850	721,891	705,543	691,864	676,196
Weighted average number of common shares and diluted securities outstanding	<u>209,073,101</u>	<u>208,680,688</u>	<u>209,048,720</u>	<u>208,675,767</u>	<u>209,048,720</u>	<u>208,675,767</u>
Diluted earnings per common share	<u>₩ 2,011</u>	<u>₩ 2,252</u>	<u>₩ 3,453</u>	<u>₩ 3,381</u>	<u>\$ 3.31</u>	<u>\$ 3.24</u>

## 20. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

Income tax expense for the six months ended June 30, 2008 and 2007 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Income tax currently payable	₩ 409,105	₩ 214,918	\$ 392,088	\$ 205,979
Changes in deferred taxes due to:				
Temporary differences	(177,013)	197,335	(169,650)	189,127
Carry forward of unused tax credits	-	33,530	-	32,135
Items directly charged to equity	1,901	(145,169)	1,822	(139,131)
Income tax expense	<u>₩ 233,993</u>	<u>₩ 300,614</u>	<u>\$ 224,260</u>	<u>\$ 288,110</u>

For the six months ended June 30, 2008 and 2007, the differences between income before tax in financial accounting and income tax expense pursuant to Corporate Income Tax Law of Korea are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Income before income tax	₩ 1,173,576	₩ 1,219,537	\$ 1,124,761	\$ 1,168,811
Income tax expenses calculated at current applicable tax rates of 27.5%	322,720	335,359	309,297	321,410
Adjustments:				
Non-taxable income	(15,162)	(11,711)	(14,531)	(11,224)
Disallowed expenses	4,907	9,481	4,703	9,087
Tax credits	(79,453)	(70,200)	(76,148)	(67,280)
Tax effects of temporary differences	7,880	46,922	7,552	44,970
Other	(6,899)	(9,237)	(6,613)	(8,853)
Income tax expense	<u>₩ 233,993</u>	<u>₩ 300,614</u>	<u>\$ 224,260</u>	<u>\$ 288,110</u>



The components of deferred tax assets (liabilities) as of June 30, 2008 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Current	Non current	Current	Non current
	(In millions)		(In thousands)	
Investment securities accounted for using the equity method	₩ -	₩ (677,519)	\$ -	\$ (649,338)
Accrued warranties	279,425	635,991	267,802	609,537
Long-term investment securities	-	(204,992)	-	(196,465)
Reserve for research and manpower development	(20,625)	(68,750)	(19,767)	(65,890)
Depreciation	(12,595)	(92,190)	(12,071)	(88,355)
Development cost	(16)	77	(15)	74
Derivative assets	15,593	124,011	14,944	118,853
Accrued income	(26,512)	-	(25,409)	-
Gain on foreign exchange translation	5,495	-	5,266	-
Other	20	31,412	20	30,104
	<u>₩ 240,785</u>	<u>₩ (251,960)</u>	<u>\$ 230,770</u>	<u>\$ (241,480)</u>

The components of items charged to equity for the six months ended June 30, 2008 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 charged or credited to:				
Accumulated comprehensive income	₩ (96,248)	₩ (26,468)	\$ (92,245)	\$ (25,367)
Deferred tax charged or credited to:				
Retained earnings	₩ 25,933	₩ 7,132	\$ 24,854	\$ 6,835
Accumulated comprehensive income	₩ 77,226	₩ 21,237	\$ 74,014	\$ 20,354
	<u>₩ 103,159</u>	<u>₩ 28,369</u>	<u>\$ 98,868</u>	<u>\$ 27,189</u>

The deferred tax assets related to the deductible temporary differences arising from investments in subsidiaries and associates of ₩251,497 million (US\$241,036 thousand) and other of ₩39,943 million (US\$38,282 thousand) for the six months ended June 30, 2008 were not recognized since it is not probable that the temporary difference will be reversed in the foreseeable future. Also, the deferred tax liabilities related to the gain on revaluation of land of ₩449,450 million (US\$430,755 thousand) for the six months ended June 30, 2008 were not recognized since the land may not be disposed of in the foreseeable future.

The Company believes average taxable income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. The tax rate used in calculating deferred tax assets or liabilities arising from temporary differences is 27.5% including resident tax.

21. RELATED PARTY TRANSACTIONS:

(1) The consolidated subsidiaries as of June 30, 2008 are as follows:

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

(2) Significant transactions with subsidiaries and affiliates for the six months ended June 30, 2008 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
<b>Subsidiaries:</b>				
Kia Motors Corporation	₩ 386,238	₩ 102,082	\$ 370,173	\$ 97,836
Hyundai Capital Service Inc.	427,807	8,857	410,012	8,489
World Industries Ace Corporation	87,894	168,637	84,238	161,623
Hyundai Powertech Co., Ltd.	12,994	96,978	12,454	92,944
METIA Co., Ltd.	1,342	22,580	1,286	21,641
Hyundai HYSKO	1,149	115,258	1,101	110,464
Hyundai-Rotem Company	1,142	4,968	1,094	4,761
Hyundai Autonet Co., Ltd.	513	47,319	492	45,351
KEFICO	283	206,612	271	198,018
Dymos Inc.	275	234,901	264	225,130
Hyundai Card Co., Ltd.	255	23,391	244	22,418
Autoever Systems Corporation	88	70,689	84	67,749
Haevichi Resort Co., Ltd.	54	3,673	52	3,520
Partecs Company Ltd.	51	9,115	49	8,736
N.G.V	24	5,872	23	5,628
Carnes Company Ltd.	1	2,988	1	2,864
Hyundai Motor America	1,543,163	-	1,478,975	-
Hyundai Motor Europe GmbH	912,527	-	874,571	-
Hyundai Motor Poland Sp. Zo.O	806,052	-	772,524	-
Hyundai Motor India	436,381	218	418,230	209
Hyundai Auto Canada	423,199	-	405,596	-
Hyundai Motor Company Australia	289,551	-	277,507	-
HAOSVT	282,586	-	270,832	-
Hyundai Motor Group (China) Ltd.	282,570	-	270,817	-
Hyundai Motor Manufacturing Alabama, LLC	159,897	490	153,246	470
Hyundai Motor Norway AS	22,597	-	21,657	-
Hyundai Motor Manufacturing Czech, Ltd.	15,988	-	15,323	-
Hyundai Motor Japan Co.	1,541	-	1,477	-
Hyundai Motor Europe Technical Center GmbH	37	22,354	35	21,424
Hyundai America Technical Center Inc.	-	28,296	-	27,119
Others	460	794	442	760
<b>Affiliates:</b>				
Hyundai MOBIS Co., Ltd.	247,436	1,846,686	237,144	1,769,873
Hyundai Steel Company	1,604	865	1,537	829
Beijing-Hyundai Motor Company	186,933	8,046	179,158	7,711
EUKOR Car Carriers, Inc.	353	329,662	338	315,950
HMJ R&D Center Inc.	3	4,114	3	3,943
Iljin Bearing Co., Ltd.	-	15,855	-	15,196
Others	37	1,436	35	1,376
<b>Others (*1):</b>				
Glovis Co., Ltd.	24,669	244,137	23,643	233,982
Asset Management Co., Ltd.	982	73,069	941	70,030
Innocean Worldwide, Inc.	14	14,215	13	13,624
IHL Corp.	10	42,467	10	40,701
BNG Steel Co., Ltd.	4	44,541	4	42,688
Wistco Co., Ltd.	1	44,714	1	42,854
Samwoo Co., Ltd. (*2)	1	22,889	1	21,937
Others	1	4,256	1	4,078
	<u>₩ 6,558,707</u>	<u>₩ 3,873,024</u>	<u>\$ 6,285,899</u>	<u>\$ 3,711,926</u>

- (\*1) One of the affiliated companies of the Company according to the Monopoly Regulation and Fair Trade Act  
 (\*2) For newly joined affiliated company in the current year, the transaction amounts shown above only cover the term while being affiliated in accordance with SKAS No.20.

- (3) Significant transactions with subsidiaries and affiliates for the three months ended June 30, 2008 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
<b>Subsidiaries:</b>				
Kia Motors Corporation	₩ 194,830	₩ 60,947	\$ 186,726	\$ 58,412
Hyundai Capital Service Inc.	214,574	-	-	-
World Industries Ace Corporation	44,662	102,458	205,649	98,196
Hyundai Powertech Co., Ltd.	6,908	47,417	42,804	45,445
Hyundai HYSCO	515	62,493	6,621	59,894
METIA Co., Ltd.	882	13,035	494	12,493
Hyundai Autonet Co., Ltd.	69	30,470	845	29,203
Hyundai-Rotem Company	761	3,156	66	3,025
KEFICO	22	102,704	729	98,432
Dymos Inc.	114	114,830	21	110,054
Hyundai Card Co., Ltd.	116	304	109	291
Autoever Systems Corporation.	47	43,802	111	41,980
Haevichi Resort Co., Ltd.	27	1,909	45	1,830
N.G.V	21	3,675	26	3,522
Partecs Company Ltd.	51	6,016	20	5,766
Carnes Company Ltd.	-	2,488	49	2,385
Hyundai Motor America	870,131	-	-	-
Hyundai Motor Europe GmbH	472,237	-	833,938	-
Hyundai Motor Poland Sp. Zo.O	469,789	-	452,594	-
Hyundai Motor India	234,521	218	450,248	209
Hyundai Auto Canada	222,652	-	224,766	-
Hyundai Motor Company Australia	135,035	-	213,391	-
HAOSVT	146,127	-	129,418	-
Hyundai Motor Group (China) Ltd.	161,026	-	140,049	-
Hyundai Motor Manufacturing Alabama, LLC	68,072	490	154,328	470
Hyundai Motor Manufacturing Czech, Ltd.	1,560	-	65,241	-
Hyundai Motor Japan Co.	779	-	1,495	-
Hyundai Motor Norway AS	12,875	-	747	-
Hyundai America Technical Center Inc.	-	15,320	12,339	14,683
Hyundai Motor Europe Technical Center GmbH	37	12,474	35	11,955
Others	457	427	437	409
<b>Affiliates:</b>				
Hyundai MOBIS Co., Ltd.	147,788	975,507	141,641	934,931
Hyundai Steel Company	768	500	736	479
Beijing-Hyundai Motor Company	106,466	8,046	102,038	7,711
EUKOR Car Carriers, Inc.	203	179,012	195	171,566
Iljin Bearing Co., Ltd.	-	8,210	-	7,869
HMJ R&D Center Inc.	3	2,134	3	2,045
Others	36	1,268	35	1,215
<b>Others (*1):</b>				
Glovis Co., Ltd.	13,443	136,580	12,884	130,899
Asset Management Co., Ltd.	487	41,749	467	40,012
Innocean Worldwide, Inc.	8	8,333	8	7,986

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
IHL Corp.	6	22,323	6	21,394
BNG Steel Co., Ltd.	3	25,696	3	24,627
Wistco Co., Ltd.	-	24,535	-	23,514
Samwoo Co., Ltd. (*2)	1	22,889	1	21,937
Others	-	2,260	-	2,166
	<u>₩ 3,528,109</u>	<u>₩ 2,083,675</u>	<u>\$ 3,381,358</u>	<u>\$ 1,997,005</u>

(\*1) One of the affiliated companies of the Company according to the Monopoly Regulation and Fair Trade Act

(\*2) For newly joined affiliated company in the current year, the transaction amounts shown above only cover the term while being affiliated in accordance with SKAS No.20.

(4) Significant outstanding balances as of June 30, 2008 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
<b>Subsidiaries:</b>				
Kia Motors Corporation	₩ 177,305	₩ 102,385	\$ 169,930	\$ 98,126
Hyundai Capital Service Inc.	97,974	3,316	93,899	3,178
World Industries Ace Corporation	35,382	74,136	33,910	71,052
Hyundai Powertech Co., Ltd.	7,712	81,452	7,391	78,064
METIA Co., Ltd.	155	9,124	149	8,744
Hyundai HYSCO	2,072	57,311	1,986	54,927
Hyundai-Rotem Company	12	21,694	12	20,792
Hyundai Autonet Co., Ltd.	239	25,750	229	24,679
KEFICO	1,004	72,009	962	69,014
Dymos Inc.	5,074	119,919	4,863	114,931
Hyundai Card Co., Ltd.	33,800	33,791	32,394	32,385
Autoever Systems Corporation	43	38,951	41	37,331
Partecs Company Ltd.	2	4,475	2	4,289
N.G.V	2	5,415	2	5,190
Hyundai Motor America	210,871	8,292	202,100	7,947
Hyundai Motor Europe GmbH	59,776	-	57,290	-
Hyundai Motor Poland Sp. Zo.O	144,777	11	138,755	11
Hyundai Motor India	73,235	28	70,189	27
Hyundai Auto Canada	27,518	2,058	26,373	1,972
Hyundai Motor Company Australia	41,827	619	40,087	593
HAOSVT	22,304	292	21,376	280
Hyundai Motor Group (China) Ltd.	33,554	-	32,158	-
Hyundai Motor Manufacturing Alabama, LLC	42,353	103	40,591	99
Hyundai Motor Norway AS	4,336	18	4,156	17
Hyundai Motor Manufacturing Czech, Ltd.	14,216	-	13,625	-
Hyundai Motor Europe Technical Center GmbH	13	4,853	12	4,651
Hyundai America Technical Center Inc.	20	5,504	19	5,275
Others	72	1,557	68	1,492
<b>Affiliates:</b>				
Hyundai MOBIS Co., Ltd.	152,695	882,699	146,344	845,983
Hyundai Steel Company	261	22,163	250	21,241
Beijing-Hyundai Motor Company	44,247	2,129	42,407	2,040
EUKOR Car Carriers, Inc.	30	53,972	29	51,727
HMJ R&D Center Inc.	-	779	-	747
Iljin Bearing Co., Ltd.	11	3,407	11	3,265
Others	-	996	-	956

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Others (*1):				
Glovis Co., Ltd.	₩ 3,378	₩ 68,195	\$ 3,237	\$ 65,358
Asset Management Co., Ltd.	224	51,823	215	49,667
Innocean Worldwide, Inc.	1	32,500	1	31,148
IHL Corp.	84	16,808	81	16,109
BNG Steel Co., Ltd.	3	19,845	3	19,020
Wistco Co., Ltd.	452	24,460	433	23,443
Samwoo Co., Ltd.	4	4,823	4	4,622
Others	6	1,902	5	1,824
	<u>₩ 1,237,044</u>	<u>₩ 1,859,564</u>	<u>\$ 1,185,589</u>	<u>\$ 1,782,216</u>

(\*1) One of the affiliated companies of the Company according to the Monopoly Regulation and Fair Trade Act

(5) Compensations for registered directors and unregistered directors of the Company for the six months ended June 30, 2008 are as follows:

Description	Korean Won	Translation into U.S. Dollars (Note 2)
	(In millions)	(In thousands)
Short-term salaries	₩ 26,224	\$ 25,133
Severance benefits	12,306	11,794
	<u>₩ 38,530</u>	<u>\$ 36,927</u>

Accrued severance benefits and stock option costs for the directors as of June 30, 2008 amount to ₩96,318 million (US\$92,312 thousand) and ₩2,154 million (US\$2,064 thousand), respectively.

## 22. DERIVATIVE INSTRUMENTS:

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, 2008 and December 31, 2007, the Company deferred the net loss of ₩247,776 million (US\$237,470 thousand) and ₩28,527 million (US\$27,340 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as accumulated other comprehensive income (loss). The longest period in which the forecasted transactions are expected to occur is within 41 months from June 30, 2008. Of the net loss on valuation recorded as accumulated other comprehensive income (loss) as of June 30, 2008 amounting to ₩114,760 million (US\$109,987 thousand) is expected to be realized and charged to current operations within one year from June 30, 2008.

For the six months ended June 30, 2008 and 2007, the Company recognized the net loss of ₩149,929 million (US\$143,693 thousand) and the net gain of ₩42,293 million (US\$40,534 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:

Contract parties	Derivatives	Period	Number of Kia shares	Initial price
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	"	1,862,076	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, 2008 and December 31, 2007, all premiums to be paid by the Company are recorded as accounts payable - other of ₩12,019 million (US\$11,519 thousand) and ₩21,615 million (US\$20,716 thousand), respectively. Also, as of June 30, 2008 and December 31, 2007 all premiums to be received by the Company are recorded as other current assets of ₩1,980 million (US\$1,898 thousand) and ₩3,561 million (US\$3,413 thousand), respectively.

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums to be paid of ₩57,168 million (US\$54,790 thousand) and ₩114,249 million (US\$109,497 thousand) in current and non-current derivative assets as of June 30, 2008 and December 31, 2007, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums to be received of ₩486,877 million (US\$466,626 thousand) and ₩161,850 million (US\$155,118 thousand) is recorded in current and non-current derivative liabilities as of June 30, 2008 and December 31, 2007, respectively.

### 23. REGIONAL SALES INFORMATION:

Sales by region for the three months and six months ended June 30, 2008 and 2007 are as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2008	2007	2008	2007	2008	2007
	(In millions)				(In thousands)	
Domestic sales	<u>₩ 3,510,774</u>	<u>₩ 3,407,212</u>	<u>₩ 6,968,859</u>	<u>₩ 6,375,946</u>	<u>\$ 6,678,991</u>	<u>\$ 6,110,740</u>
Export sales - Vehicle products						
North America	1,094,166	931,074	1,965,946	1,885,176	1,884,173	1,806,763
Europe	1,362,359	1,338,166	2,520,984	2,247,166	2,416,124	2,153,696
South America	580,608	361,813	1,135,874	670,037	1,088,628	642,167
Asia & Pacific	434,411	333,593	841,146	567,471	806,159	543,867
Middle Asia & Africa	<u>904,138</u>	<u>710,553</u>	<u>1,649,811</u>	<u>1,264,368</u>	<u>1,581,187</u>	<u>1,211,776</u>
	<u>4,375,682</u>	<u>3,675,199</u>	<u>8,113,761</u>	<u>6,634,218</u>	<u>7,776,271</u>	<u>6,358,269</u>
Export sales - Other	<u>1,220,305</u>	<u>994,515</u>	<u>2,221,951</u>	<u>1,788,104</u>	<u>2,129,529</u>	<u>1,713,729</u>
Export sales	<u>5,595,987</u>	<u>4,669,714</u>	<u>10,335,712</u>	<u>8,422,322</u>	<u>9,905,800</u>	<u>8,071,998</u>
Total sales	<u>₩ 9,106,761</u>	<u>₩ 8,076,926</u>	<u>₩ 17,304,571</u>	<u>₩ 14,798,268</u>	<u>\$ 16,584,791</u>	<u>\$ 14,182,738</u>

24. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months and six months ended June 30, 2008 and 2007 are as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Six months		Six months	
	2008	2007	2008	2007	2008	2007
	(In millions)				(In thousands)	
Salary-related costs	₩ 297,911	₩ 277,637	₩ 602,184	₩ 536,348	\$ 577,136	\$ 514,039
Export costs	269,969	201,580	476,834	360,348	457,000	345,359
Sales promotion and advertisements	179,410	101,662	292,412	171,740	280,249	164,597
Sales commissions	120,837	114,780	242,880	217,859	232,777	208,797
Sales warranties	257,298	85,666	498,654	192,315	477,913	184,316
Taxes and dues	7,305	7,229	16,549	9,550	15,861	9,153
Communications	4,728	4,675	9,494	9,459	9,099	9,066
Utilities	4,005	3,897	11,174	10,189	10,709	9,765
Freight and warehousing	21,144	21,832	42,630	40,598	40,857	38,909
Rent	3,829	3,755	7,619	7,461	7,302	7,150
Travel	18,729	16,928	37,800	33,032	36,228	31,658
Service charges	51,097	38,635	94,903	80,945	90,956	77,578
Maintenance	4,480	3,092	7,647	5,729	7,329	5,491
Supplies	3,254	3,770	6,823	7,197	6,539	6,898
Research	103,355	91,290	192,691	174,443	184,676	167,187
Depreciation	17,901	18,672	35,872	37,034	34,380	35,494
Amortization	2,118	2,264	4,237	4,579	4,061	4,389
Provision for other liabilities	16,384	3,051	20,006	5,772	19,174	5,532
Other	2,538	3,030	5,020	5,814	4,811	5,571
	<u>₩ 1,386,292</u>	<u>₩ 1,003,445</u>	<u>₩ 2,605,429</u>	<u>₩ 1,910,412</u>	<u>\$ 2,497,057</u>	<u>\$ 1,830,949</u>