



Hyundai Motor Company Annual Report 2006



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# ▪ Open Road

Breathe in the big sky of the open road. This is a limitless horizon and an expansive vision. Through the blue you can reflect on your achievements and you can see yourself in the future and a realization of all your present dreams.

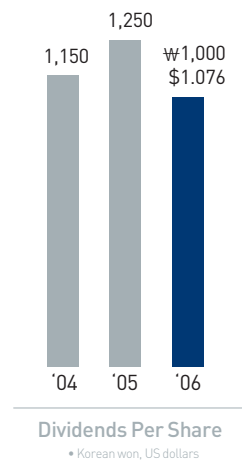
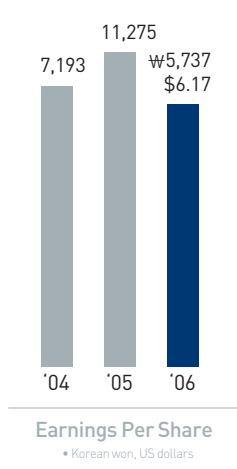
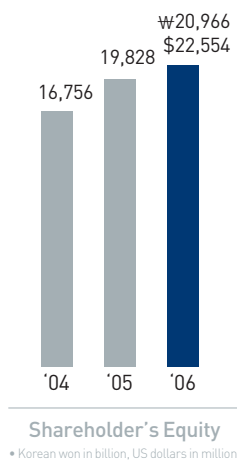
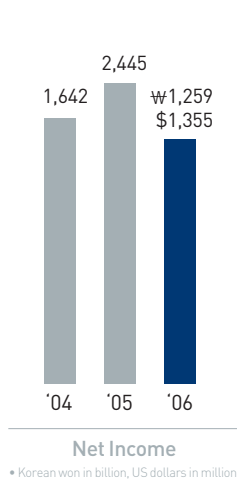
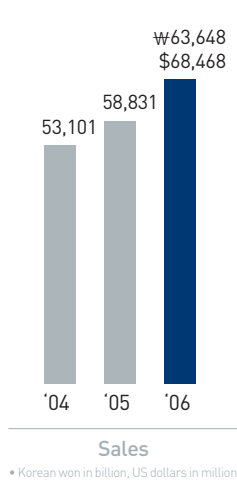
This is the life journey. Where you began, where you are and where you are going to. With the clear view of the open road you can see clearly the road ahead and all the perils of the future become triumphs as you move forever forward.




## Financial Highlights

For the years ended December 31, 2006, 2005, and 2004

			Korean won in billions	US dollars in millions
	2006	2005	2004	2006
<b>Sales</b>	₩63,648	₩58,831	₩53,101	\$68,468
<b>Net Income</b>	1,259	2,445	1,642	1,355
<b>Total Assets</b>	70,709	66,079	58,023	76,064
<b>Shareholder's Equity</b>	20,966	19,828	16,756	22,554
<b>Earnings Per Share</b> (Korean won, US dollars)	5,737	11,275	7,193	6.17
<b>Dividends Per Share</b> (Korean won, US dollars)	1,000	1,250	1,150	1.076





We're so glad you joined us. We are passionate about the time we share with you. You understand how to make every moment count. We recognize the changes in you because you are forever changing. These days you look great – refined and confident. But you've changed somehow. You look wiser, refreshed and invigorated. It's obvious you're ready for the road ahead.

As always there will be many others traveling with us and even more will join us along the way. All our familiar friends will be here as well as some new ones you may not have met yet. Rest easy. We each have our individual goals and destinations but we know how to work together and arrive as one.

Check the plans. Got everything covered and we're ready for the open road. We know our route as we've planned every step of the journey and if the road should change we will navigate each new direction with confidence.

It's going to be great. The sky above is clear, the air is sweet and we leave no tracks in our wake. The future's bright ... can't wait to get there.





## Moving into the Vanguard of the Global Auto Industry

On the back of our continuous efforts to strengthen our global management structure and enhance quality and inspired by our 'Innovation for Humanity' vision, Hyundai Motor Company has made great strides in growing the value of our brand, and has consolidated its place as a truly global automobile maker by being selected for the second consecutive year as one of the top 100 global brands by an authoritative brand consultancy.

Looking at the future face of competition in the global automotive marketplace, it is forecast that automakers from the developing world will accelerate the pace of their technology development while established industry leaders will continue to raise the stakes. With that in mind, Hyundai Motor Company is devoting itself to making the leap forward by transforming all obstacles into opportunities and sources of energy, and concentrating and reinforcing all our strengths to emerge in the vanguard of the industry.

By designating 2007 as the year of our first step towards global leadership, we will internally pursue substantial management and externally gain global competitiveness, thereby preparing the foundations to grow into a truly multinational enterprise. Moving beyond our pursuit of quantitative expansion, we will shift emphasis to 'customer-first management' and 'sustaining global management' there by strengthening our foundations and paving the way for our advance.

Reflecting our customer-first management philosophy, we have made the requisite investments to expand production lines in the USA, China, India and Europe. As a result, we will be closer to our customers and will be better positioned to build our brand.

In addition to fulfilling our corporate social responsibilities by bolstering partnerships and expanding our social contribution activities on a global basis to build a 'world that works together,' we pledge to become a company that develops and delivers environmentally beneficial technologies which will open the door to a sustainable and affluent future and which are a source of happiness for all mankind.



**Mong-Koo Chung**  
Chairman & CEO



**Greetings to our respectful shareholders,**

I would first like to thank you for your continued support and interest. Furthermore, it is my great honor to present to you this report regarding the achievements made by all our employees and staff last year.

We thank you for honoring us by participating in the 39<sup>th</sup> HMC Annual Shareholders Meeting, despite your busy schedule. It is my great pleasure to present this report to you, our shareholders, who always follow our progress with affection and interest.

Overall the year 2006 was internally and externally burdensome for us due to sluggish domestic sales and the fall of exchange rates. However, on the back of the faith and support of our shareholders and with the unity of our workforce both quantitative and qualitative factors showed improvement throughout the year.

In terms of quantity, Hyundai Motor Company recorded domestic sales of 580,000 vehicles, 1,031,000 units in exports while 886,000 units were sold from overseas manufacturing plants with sales totaling 2,497,000 units, an equivalent of 37 trillion Korean Won. Comparing with corresponding figures for 2005, the number of sold cars increased by 7 percent yielding a 6 percent increase in total revenues, suggesting that the company had steadily grown regardless of the harsh environment facing management. No less than the quantitative, HMC was able to harvest qualitative achievements that were actually more notable.

One of the first achievements that deserves mention is the company's gathering momentum to globalize its operations. The Alabama Plant, settling itself for steady production, vaulted into the top ten ranks for initial quality among the 60-plus automotive plants in North America, in only its first year of operation. In China, a market whose importance increases year by year, the ground-breaking for a second plant has begun, further evidence of HMC's China success story. In particular, the simultaneous construction of our new R&D Center will make possible the localization of new model development in efforts to satisfy local consumer preferences and market demands.

In addition, fueled by company-wide diligence, quality management has finally gained notable achievements. In the J.D. Power & Associates' index for initial quality, HMC ranked third, surpassing famous auto makers such as Toyota and Honda, and took first place among non-luxury brands. According to an overall evaluation survey conducted among American buyers by Strategic Vision, the Azera (Grandeur) and Tucson both won first place in full-size sedan and compact SUV categories respectively, a further recognition of HMC's superiority in these classes.

Together with improvements in quality, our brand value has substantially risen. Among Business Week's 100 global brands, HMC ranked 75<sup>th</sup>, recording 4.1 billion dollars for its brand value; a leap of 9 places from 2005's rank of 84<sup>th</sup>. This rate of increase is the highest among world automobile brands and within the pool of all industries, the Hyundai Motor brand ranks fifth for its rate of brand value increase. A truly outstanding performance.

It is most certain to say that HMC's steady achievements in management, advancements in globalization for sustainability and excellence in quality and brand value owes much to the support and encouragement of our shareholders. We would like to once again profoundly express our gratitude for your support.

Dear shareholders, we cannot assure you that the management environment for HMC will be advantageous in 2007. With the continuous decrease in exchange rates, in addition to the weakening of the Yen, our rival Japanese companies are gaining price competitiveness in world markets. In this regard, the chase by developing automakers based in China, India and other countries is gaining tremendous speed in their wake. As dominance shifts from the American Big Three to the Japanese Big Three, we find that this year is going to be a year of uncertainty in the automotive industry.

However, in recognizing how opportunity and risk always accompany each other like two sides of a coin, HMC will, with certainty, grab its chance to spring up once again in such opaque management environments. Designating 2007 as the milestone for HMC's rise to become a global leader, goals are set for 630,000 cars in domestic sales, 1,085,000 in exports, 1,020,000 in overseas plants totaling up to 2,735,000 cars worldwide, an equivalent of 42 trillion Korean Won.

In order to achieve such goals for this year, HMC will be promoting and focusing on 'customer-first management' and 'global management stabilization.'

With firm stepping stones of excellent products created from years of quality management, and by carrying out management on all working areas from R&D, production and sales, all the way to maintenance/repair, HMC is determined to enhance its profits through evaluations made by customers around the world on our manufactured products. Also, by managing and operating global production lines effectively and soundly, we will prepare to safeguard our revenue foundations which should effectively cope with increasing global risk factors and be invulnerable to external environments.

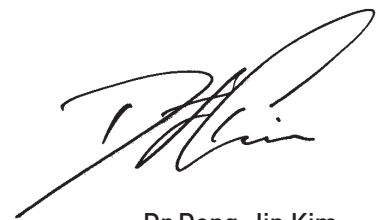
In particular, with efforts to heighten marketing power and brand value, we will be presenting both high value-added vehicles and strategically targeted designs in domestic and global markets. We will also transparently pursue activities to improve/reduce costs and gain cost competitiveness while, at the same time, maintaining our high quality.

Aside from the construction of the Czech Republic plant to establish a center of production in the heart of Europe, we are also planning to start test production upon the completion of the second plants in India and China this October and next year, respectively.

Dear respectful shareholders, for many years HMC has overcome numerous critical and decisive moments with the encouragement of our shareholders emboldened with the diligence and commitment of our employees, working day and night. On each occasion we have sought always to realize our potential and make great strides forward to the next challenge. Though management environments may be disadvantageous for us this year, we are sure to achieve our objectives once again for 2007, with your sincere acknowledgement and faith.

By pursuing 'customer-first management' and 'global management stabilization' for the year 2007, everyone working and assisting at HMC will do all their best to provide pivotal foundations for maximizing profit and future sustainability so that we may meet the expectations of our stakeholders.

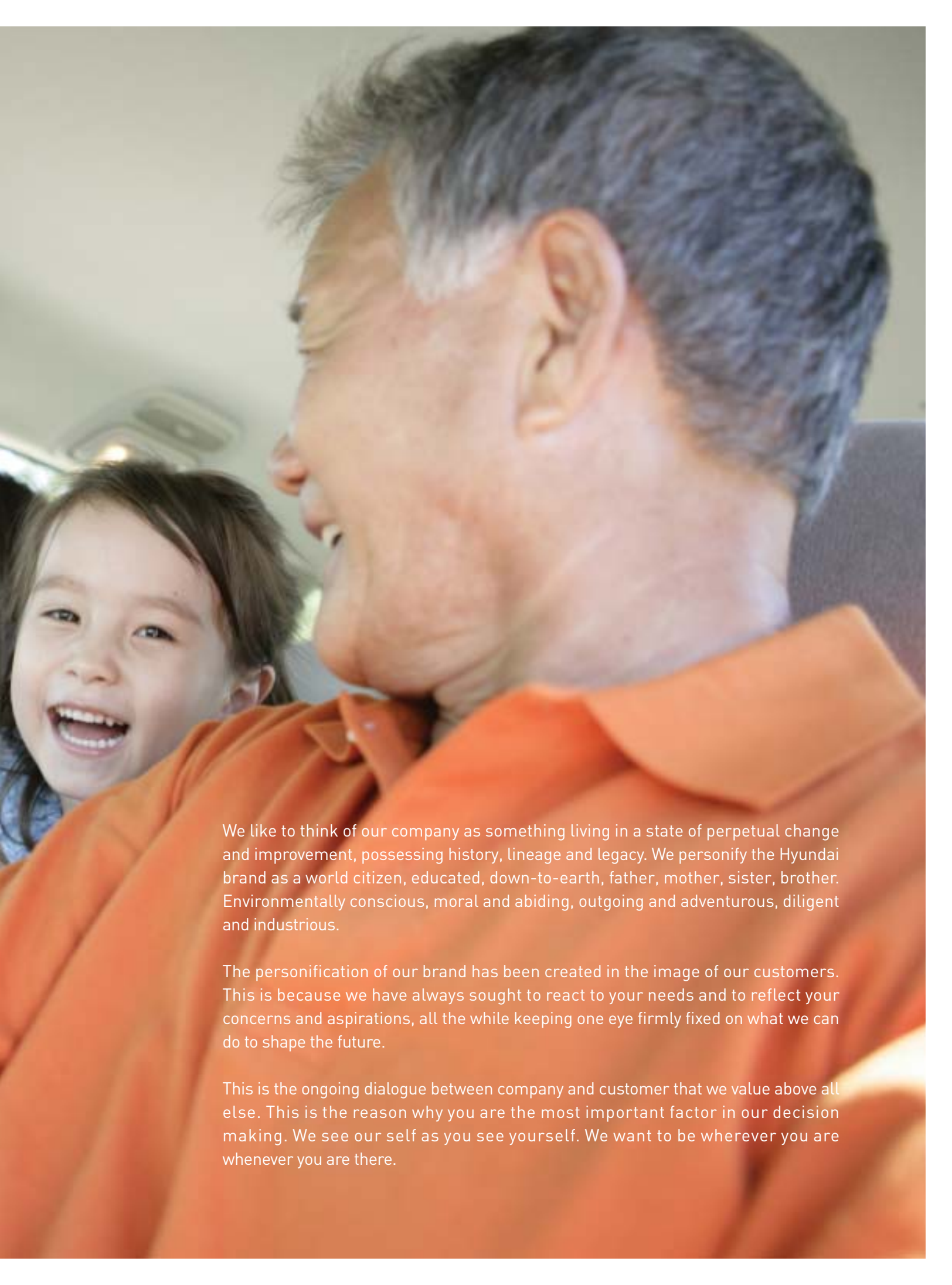
We sincerely hope that true happiness and health stays with you and your families throughout this year of 2007.  
Thank you.



**Dr Dong-Jin Kim**  
Vice Chairman & CEO

# All Things for All Time





We like to think of our company as something living in a state of perpetual change and improvement, possessing history, lineage and legacy. We personify the Hyundai brand as a world citizen, educated, down-to-earth, father, mother, sister, brother. Environmentally conscious, moral and abiding, outgoing and adventurous, diligent and industrious.

The personification of our brand has been created in the image of our customers. This is because we have always sought to react to your needs and to reflect your concerns and aspirations, all the while keeping one eye firmly fixed on what we can do to shape the future.

This is the ongoing dialogue between company and customer that we value above all else. This is the reason why you are the most important factor in our decision making. We see our self as you see yourself. We want to be wherever you are whenever you are there.

The **Azera(Grandeur)** is a unique symbol of luxury and is much loved by local customers. It currently has 8,000 units on back order in the domestic Korean market. In the American auto market the Azera(Grandeur) has been recognized as a symbol of quality and distinction in customer satisfaction surveys, particularly in areas such as efficiency, safety, and price. J.D. Power & Associates' 2006 Automotive Performance, Execution and Layout Study reported that the Azera(Grandeur) has captured the imagination of American customers with superior comfort, efficiency and style. In addition, AutoPacific awarded the Azera(Grandeur) "Best in Class Vehicle Satisfaction, Luxury/Large Car"; early proof of the high standards Hyundai has aimed at with the Azera(Grandeur).



100 <sup>th</sup>	Automotive Ranking	Brand
7	1	Toyota
10	2	M.Benz
15	3	BMW
19	4	Honda
30	5	Ford
56	6	VW
74	7	Audi
<b>75</b>	<b>8</b>	<b>HMC</b>
80	9	Porsche
90	10	Nissan
92	11	Lexus

2006 Best Global Brands Survey  
by BusinessWeek/Interbrand





Tom's in. He has a coffee and maybe a muffin. Sits down to read the business news. Robert's in the next office screaming at his administration staff. What's up with him? Must have been the ride to work. Traffic was hell this morning. Or was it?

Tom barely noticed. Since he's bought his new Azera(Grandeur) the ride to work has been like driving on a cloud. These days when he arrives at work he's more refreshed than ever and ready for the challenges of the day.

Is it the ten-way adjustable seating? The independent climate control? Or the Electro-Chromatic Mirror which automatically senses and reduces glare from the headlights of tailgaters?

It couldn't be the 8x Infinity Speaker sound system. Tom likes to drive to work without his favorite music playing. The quiet helps him think about the day ahead.

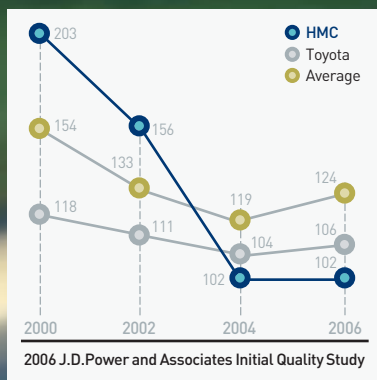
Besides, the Azera(Grandeur) makes a very different kind of music - a symphony of peace and quiet. It's a bubble floating in the angry din of horns, flashing headlights, growling exhausts and raging drivers.





morning time...

**Sonata** has been the best selling car in Korea for eight years and has firmly established broad customer loyalty. It has been continuously refined through five generations since it burst onto the market in 1985. The Sonata represents the Hyundai Motor Company which has energy for growth potential as great as the history of the Sonata. Each year the Sonata is recognized globally for its quality and has remained in the upper echelons of world authoritative appraisal agencies for quality and performance. In 2006, after receiving the U.S MotorWeek Best Family Sedan award and a host of other accolades, the Sonata carries the honor of the global Hyundai brand with its promise of outstanding quality and reliability.





Weather's closing in. Dark clouds up above. Haven't seen rain like this in years. It's cold too. A frosty wind is lashing at your windows.

It's time to pick up the kids from school. What should you do? There is always heavy traffic around the school at pick up time and the rain can make the driving perilous.

Never fear. The Sonata will get you there. The Electronic Stability Control, which coordinates the ABS and Traction Control Systems, is tested and designed for worse than this. Mother nature hasn't created a storm tough enough for the Sonata.

Should the unexpected happen six airbags throughout the vehicle will protect the most important things in your life from any harm. This is the kind of protection only a mother can understand.

The kids will be finished soon. You don't want them outside in the grip of winter. Better get over there now with a warm car to shield them.





noon...

The **Tucson**, which scored 103 points and achieved highest ranking among rival vehicles, ranked top in the J.D. Power & Associates' 2006 Initial Quality Survey and Strategic Vision 2006 Best Small SUV Ownership Experience (5-Star Safety Rating), and it has been recording rising international and domestic sales on the back of these prestigious global accolades. The Tucson boasts luxury class comfort and a roomy interior while never compromising a sporty exterior. These design features have ensured the Tucson strong appeal amongst younger generations who appreciate vehicle style as an extension of their own.

	Brand	Points
1	<b>HMC-Tucson</b>	<b>103</b>
2	Honda-CR-V	105
3	Nissan-Xterra	109
4	Toyota-RAV4	122

2006 J.D. Power and Associates IQS  
(Compact Multi Activity Vehicle)





Friday night – let's go! In the bar downtown the band is warming up and setting the stage for an evening to remember. All your girlfriends are waiting for you and your favorite singer is stepping out to warm up the crowd.

You're on your way to the big gig in your brand new Tucson. You've got the sunroof open and the windows down. The six speaker stereo is pumping as you watch the evening sun slowly fall behind the city skyscrapers. Everything is gone now - clients, bosses, bills. There is only tonight, tomorrow and the road ahead.

Your Tucson owns its place on the road. It negotiates sporty cornering in city streets with flat out freedom on the open road.

The traffic's busy but you don't mind. You have time on your side and the trip computer in your Tucson always seems to read 400 kilometers left in the tank. Up ahead you see the first stars of night, the magenta sunset and all around you the city of lights. This is your moment – the world is your oyster.





evening time...

The **Santa Fe** has become a truly global SUV and has contributed hugely to the advancement of the Hyundai brand. AutoPacific awarded the 2006 Santa Fe its Best in Class Vehicle Satisfaction Award for Mid-Size Sport Utility Vehicle and The Car Book bestowed on the Santa Fe its' 2006 Best Bet distinction. Manufactured in our US manufacturing plant in Alabama, the Santa Fe meets the demands of customers who prefer refinement and class, without compromising muscle and performance.

36 <sup>th</sup>	Brand	Points
<b>7</b>	<b>HMC</b>	<b>31</b>
8	Infiniti	15
12	Audi	-4
19	BMW	-16
23	DC	-24
27	VW	-31

2007 Annual Car Reliability Survey  
by Consumer Report



Get in training. This is how Andre prepares for the office. He can cope with the pressures of deadlines and sales figures as long as he's got his weekend getaways.

Last weekend was surfing with the boys from the gym. This weekend its mountain bike riding with the guys from work. After they conquer the mountain they'll relax and go fishing in the mountain stream.

Andre likes to try many different outdoor activities. It helps him cope with the different situations in life. It makes him feel like his beloved Hyundai Santa Fe - ready for anything!


In his Santa Fe he has the confidence to traverse the steepest terrain or take on the highway. It has the power and performance he needs to feel comfortable in the mountains, by the beach, in the snow or in the desert and he likes the challenge of testing himself and his Santa Fe in a variety of conditions.

Andre always says he thinks every car has a soul. Just like people they work best when they are in their element. This is why he likes to push the envelope, testing himself and his car to newer and ever more exciting challenges.





weekend...



BusinessWeek reported that Hyundai's Veracruz and the soon-to-be-released Genesis (BH), signal Hyundai's intention of taking the motoring world by storm. The **Veracruz** brings luxury, performance and an entirely new dimension to the Hyundai brand.

The Veracruz which has leap-frogged other SUV's combines the dignity and efficiency of a full-sized sedan, the styling you would expect of a leading global brand and the engineering class of a luxury SUV, powered by a V6 3.0 E-VGT engine, fully developed by Hyundai technical staff in the home land of Korea. The Veracruz symbolizes Hyundai's long-term strategy in the American market of producing successful luxury class vehicles which can boast the highest levels of performance. HMC has plans to further promote the Veracruz by creating a new LUV market and to become a global leader in the SUV class.





The Richards family thought long and hard about their vacation destination. Their first thought was to fly to another part of the country or even further afield.

However the decision was made to travel locally. They decided it was too much to think about checking into airports and hotels. So they booked a week in a cabin with an ocean view, a short walk from a tiny fishing village.

It's quite a distance, maybe four hours or more, but the time will fly in their Veracruz and the journey will give them all something no plane flight can - a chance to reflect quietly on the year that has gone. As they relax in the Veracruz luxury interior, the noise of their busy lives will disappear. No obstacle in the road can stir the Veracruz and the Richards will rest easy, safe in the knowledge its superior handling and safety features will protect them from home to holiday.

This sort of time is invaluable. This is how we re-generate, how we recharge for our working lives. As they drive on the Richards will soon pass that crucial half way point where the journey back is longer than the road ahead. It's the point of no return from where only change and re-growth are possible.

This is life in balance.





vacation...

Sustaining Global Management

# Bringing People Together



Do you dream of far away places? Do you imagine travel without end. Does life feel like a journey for you?

We see our name in every country. We understand how we take travelers across mountains, plains and deserts and more importantly how the travelers have directed us to take them forward.

We've nurtured a respect for all the people we've met on our journey and we continue to learn about all of you. This learning is the reason we continue to travel with you. It maintains our respect for all people and cultures.

We hope as we learn together you'll come along with us on future journeys to new and ever more exciting places. Who knows who we'll meet on our next voyage?



# North & South America



## • MARKET CONDITIONS & PERFORMANCE

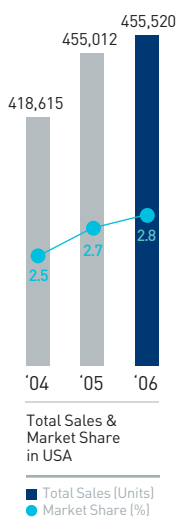
Continuing solid gains in the American market was the goal for Hyundai in 2006. It was a year during which we built on strong gains on both continents and moved to embed the Hyundai brand in customer consciousness throughout this enormous and diverse market place.

The launching of the Veracruz in North America was our clearest statement of intention, aiming to produce vehicles which reflect the needs and desires of America customers across market demographics and lifestyle aspirations.

American customers love the freedom of outdoor activities and family pursuits and have long held strong relationships with SUV class vehicles. HMC understands this, engaging with the market through our Santa Fe and Tucson vehicles. The release of the Veracruz further extends our respect for and reflection of the American markets.

The list of North American motoring awards handed to Hyundai vehicles in 2006 is impressive to say the least. Motoring magazines and organizations in the US and Canada were especially impressed with HMC's commitment to quality in the North American market headed by a long list of accolades for the 2006 Sonata and 2006 Azera.

2006 was also a year in which Hyundai Motor Manufacturing Alabama (HMMA) began to make good on the ambitious forecasts proffered during the construction of our US\$1.1 billion manufacturing plant, which began production on May 20 2005. The HMMA plant has been engineered to be one of the most technologically advanced automotive manufacturing plants in the world. Now that analysts have begun to realize this fact, people are starting to sit up and take notice.



Since 1999 Hyundai has been offering US customers - America's Best Warranty™, a multi-faceted customer assurance program which guarantees every new Hyundai vehicle for up to 100,000 miles (160,000km), far and away the best service plan on the North American continent. What's more, being a multi-faceted program allows Hyundai dealers to tailor each service contract to the customer, taking in variables such as road

“HMC understands the needs of North and South American customers.

In particular, those who love outdoor activities with the family and the freedom of long drives. The introduction of the all-new 2006 Hyundai Santa Fe has been a huge hit in American markets and the noticeable increase in brand image is palpable, as evidenced by strong sales of the deluxe Azera and the successful launch of the Veracruz. Export markets in South America recorded over 29 percent growth from 2005 while sales figures in North America rose steadily as the Hyundai Motor America Alabama plant began to flex its considerable muscle in the US and Canada.”

conditions, a real concern in a market of such varying climactic conditions, roads and driver usage.

2006 also saw HMC achieve a milestone in Latin America. In August HMC one million unit exported to Latin America. Ecuador was chosen as the destination for the millionth car as it was the country where Hyundai first began exports back in 1976.

In 2006 HMC exported more than 140,000 units to Latin America, including 16 models of passenger car, RV and small commercial trucks. HMC has achieved market shares between ten and twelve percent in Chile, Colombia, Ecuador and Peru and is aiming for 1.8 million cumulative exports to Central and South America by 2010.

• INVESTMENT & PRODUCTION

In 2006 HMMA achieved Certification for the International Automotive Taskforce’s (IATF) most rigid quality management standard, ISO/TS 16949, a set of Quality Management system requirements specific to the automotive industry. ISO/TS 16949 is the highest automotive operating standard in the world.

In expectation of these outstanding production performance benchmarks, HMC initiated the evaluation process for ISO/TS 16949 2002 certification, in the summer of 2004, shortly before the 2-million square foot plant opened for business. The two-year process began with a performance evaluation of current HMMA systems versus TS 16949 requirements. Once the evaluation was complete, HMMA team members and a consulting team from SAI Global refined the manufacturing systems, more than satisfying the TS requirements and ensuring total vehicle quality.

Some of the features of this world class manufacturing system include more than 250 welding robots and additional robots that check welding work using optical sensors which measure tolerances to ensure tight welds across all areas of assembly, a paint primer and electricity bath through which all vehicle bodies are taken eleven times for a flawless finish, and mandatory testing of every assembled vehicle to 2.3 miles on the odometer,



1. Alabama facility which represents HMC quality in the USA with its top-tier production system.  
 2. Chairman Mong-Koo Chung is visiting foreign facilities in the USA and stressing quality to employees.  
 3. Presenting a medal to Hyundai President Jae-Kook Choi, is Chairman of J.D. Power & Associates James Dave Power III, in Korea to recognize the Hyundai Tucson, winner of the J.D. Power & Associates IQS.



**California Proving Ground**

In March 2005, we cut the ribbon on our state-of-the-art proving ground in California which, at 4,300 acres in the Mojave Desert, is nothing short of spectacular. This site, together with our new manufacturing plant in Alabama, means that HMC is capable of undertaking every step of development, from design and testing to vehicle production.

**Hyundai-Kia America Technical Center Inc.**

This newly expanded facility in Detroit, Michigan plays a bigger role as we scale up our efforts to design and develop vehicles within the United States and it reflects the seriousness of our ongoing commitment to the United States market. This center serves as our core research and development facility in the United States and coordinates closely with our Design & Technical Center and the California Proving Ground.

checking all engine and electrical systems.

In addition, J.D. Power and Associates now ranks HMMA tenth out of 73 plants in North/South America in initial quality (2006), after less than one full year of production. HMMA's 2,800 strong team produce the Hyundai Sonata sedan and Santa Fe crossover SUV.

The successful opening of our Alabama Plant has created thousands of jobs in California, Alabama and Michigan. As part of our continuing investment in the American continents, future plans include the opening of a new engine plant, generating a further 500 new jobs, bringing the total to 3,600 in North America. This plant is scheduled to open by September 2008.

**• RESEARCH & DEVELOPMENT**

Our commitment to research and development on the American continents is vast. We have our Californian Design & Research Center in Irvine, CA, Hyundai & Kia Motors California Proving Ground in the Mohave Desert, and the Hyundai & Kia American Technical Center, located in Michigan.

These three centers collaborate on new designs and technologies to refine existing products and develop future vehicles for the American markets. Each possesses cutting edge facilities and technologies, including the world's most advanced visualization, graphics and clay modeling technologies at the Californian Design & Research Center and 4,300 acres of vast and diverse testing ground in our Mohave Desert site.

In addition to our US commitments in research and development, HMC also has a Regional Training Center in Chile which draws on talent from both North and South America.



# Africa & Mid-East



## • MARKET CONDITIONS & PERFORMANCE

In keeping with HMC's management philosophy of respect for all markets regardless of size or location, Africa and the Middle East have been closely watched for many years and 2006 saw strong gains in these regions backed up by an impressive list of accolades for many of our vehicles.

Exports to the Middle East and Africa have been rising steadily since 2003 when we reported a modest 77,076 units exported. In 2006 we exported 177,416 up from 2005's impressive 152,718 units. This reflects an continuing upward trend since 2003, having exported 139,296 in 2004.

In Seoul HMC held its 2006 Sales Expedition Seminar for Africa & Middle East Regions. Twenty-six marketing directors and general managers from twelve dealerships in ten nations across Africa and the Middle East attended the seminar which gave them an opportunity to share success stories, hear HMC strategies and test drive the new Veracruz, shortly planned for release throughout their regions. The main theme of the seminar was that Hyundai continue to establish sustained growth based on quality management. Delegates were urged to make aggressive inroads into the regional high-end markets of the Middle East and Africa.

In South Africa, J.D. Power and Associates 2006 South Africa Initial Quality Study<sup>SM</sup> found Hyundai as sixth overall in the nameplate category, ahead of Toyota. In addition, the Hyundai Atoz rated number one with South African customers in the lower compact car segment. The survey was carried out on 9,600 customers who had bought new cars between December 2005 and April 2006, and is widely recognized as a leading indicator of vehicle and brand quality and reliability.

The Atoz has led the Hyundai charge in the Middle East and African regions successfully taking the number one market in Egypt and Algeria where the top selling model is the Atoz. The Tucson/Santa Fe models are increasing in popularity throughout the Middle East and Africa on the back of impressive driving displays across the African continent. Six stock Tucsons completed a trans African journey, successfully traveling 6,200km across the continent.

The 22-day-long adventure demonstration which took place at the end of 2005, began in Cape Cross, Namibia's port city on the Atlantic coast and took the team through the spectacular deserts and mountains of Botswana, Zambia, South Africa and Swaziland before finally reaching Maputo on Mozambique's Indian Ocean coast, their final destination.

# Europe



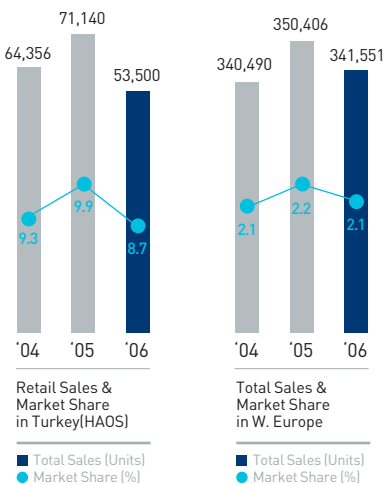
## • MARKET CONDITIONS & PERFORMANCE

The Association of European Car Manufacturers (ACEA) rated Hyundai as the number two import brand in Europe for the first quarter of 2006. This accolade translated into continued strong sales throughout Europe in 2006. The ACEA recognition was the first in a series of region wide accolades which indicated strong growth and performance in the European market.

In 2006 Hyundai reached number three in the European SUV market, a position we expect to maintain with the success of the new European style Santa-Fe SUV. In some European countries Hyundai has even reached number one in overall SUV sales. In addition we ranked in the top five by consumers in Belgium, France, Italy, Portugal and Spain in sales of all vehicle brands in all classes. This is a remarkable achievement considering our relative youth in the highly saturated and competitive European market.

Our commitment to quality and customer first management was recognized in Germany where German car magazine Autobild named Hyundai dealerships as the best in service inspection tests following studies and analysis by 'mystery shoppers'.

The HMC mantra throughout the European market has been our brand promise to this specific yet incredibly diverse market – "Quality, Self-Assured and Inspiring".



## • INVESTMENT & PRODUCTION

The future of investment and production in Europe is underpinned by an ambitious plan to construct a plant in the Czech Republic capable of producing 300,000 cars and 600,000 transmissions per year. Not only will this plant provide vehicles for Europe's already strong and emerging car markets but it will dramatically impact the Czech economy as HMC has committed to a EUR one billion investment in the country.

It is expected the impact of this investment will add 1.5 percent to the Czech Republic's GDP at stage one of the investment and 2.5 percent in stage two. The scale of this plan is enormous and will have far reaching impacts for the European market, the Czech Republic and the entrenching of the Hyundai in the European marketplace.

“Customers throughout Europe recognize the quality and style of HMC cars and HMC aims to ensure this continues through customer first quality and after service initiatives. In 2006 HMC rose their market share through a highly successful sponsorship of 2006 FIFA World Cup Germany™ and associated marketing activities. Sales in Western Europe were led by RV class vehicles which rose by just under 7 percent from 2005. In Eastern Europe HMC has long term plans to establish a manufacturing base in Russia to expand European operations. With Russia joining the WTO in 2007 this expansion is certain to yield strong results for the brand in this most diverse market.”

To prepare for this unprecedented growth, in October 2006 HMC opened the new Headquarters of Hyundai Motor Europe (HME). Still located in Germany, the 5-stories building is situated in Offenbach near Frankfurt. 50 million euros have been invested into the new headquarters which house our European sales, marketing and after sales divisions for Hyundai's 26 European markets.

Current European production is driven by Hyundai Assan Otomotive Sanayi Ve Ticaret A.S (HAOS) our joint venture in Turkey. Located two hours from Istanbul the HAOS plant is located in close proximity to other major automobile manufacturing plants, supplier related industries and trading infrastructure. The choice of Turkey for HMC investment was obvious as it offers a geographic hub linking Asia, Eastern and Western Europe, the Middle East and Africa.

The Istanbul plant covers more than 245 acres (one million square meters) and produces 60,000 Hyundai Accent, H-1 and H-100 vehicles per year. The plant has independent and improved logistics systems to minimize adverse environmental impacts, something not seen in other Complete Knock Down (CKD) plants.

#### • RESEARCH & DEVELOPMENT

In 2006 we moved HME Design & Technical Center to our former headquarters building and expanded our facilities. Still in Frankfurt, Germany we have expanded the technical center to include additional powertrain facilities and a new design studio.

2006 Investment into this facility has created resources that will lead Hyundai to the forefront of European car sales. The HME

Design & Technical Center has a working area of 8,745 square meters and contains dynamometer, chassis dynamometer, test rigs, and NVH and K&C test rooms.

Development of diesel competence is ensuring that Hyundai can match the European demand for environmentally friendly cars, using emission analyzing equipment. We intend to fit all our vehicles with environmentally friendly technology in response to European and world customer demands.

Some of the world's most advanced engineers are employed at HME Design & Technical Center and we have plans to employ over 300 more by 2007. Our Overseas Training Centers in Frankfurt and Moscow assist HMC in our future human resources aspiration in the European market.



**Hyundai Motor Europe Technical Center**

Located in Frankfurt, Germany, this is a state-of-the-art multifunctional compound designed to develop high quality vehicles catering to the tastes and preferences of our European customers.

# Asia Pacific



## • MARKET CONDITIONS & PERFORMANCE

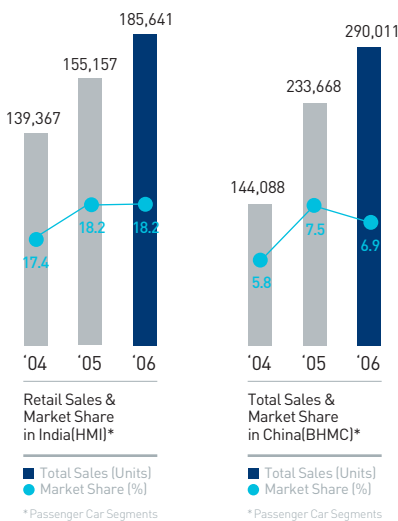
In 2006 Asia/Pacific was the shining light of all world regions for HMC. Outstanding growth in the Indian and Chinese markets coupled with an expansion of investment, production and partnership agreements throughout the region, drew special notice in 2006 and ensured the future of the Hyundai brand in the world's most populous region.

India led the way in 2006 achieving its target sales and improving on the already impressive gains it has made since Hyundai arrived in India in 1996. Hyundai Motor India (HMI) achieved a combined sale of 299,513 vehicles, adding up to an increase of 18.5 percent over 2005. This was achieved with a domestic increase of 19.1 percent and an export growth of 17.4 percent. In addition HMI reached significant milestones in its history, rolling out the fastest 300,000th export car and the fastest one millionth car overall. The successful launch of the Verna in 2005 looks set to galvanize these excellent figures into the future.

India seems well suited to the Hyundai brand as the most successful models the Santro and Sonata have captured the imagination of millions of Indian people. Throughout the country the Santro is seen as the car of people while the Sonata is viewed as the aspirational vehicle for the wealthy and emerging middle classes.

Beginning operations in China in 2002, Beijing Hyundai Motor Company (BHMC) continued its rapid rise in the Hyundai consciousness in 2006. Producing 300,000 units per year the Beijing plant is perfectly situated to capitalize on China's growing middle class.

An ever increasing desire of Chinese people to own and drive vehicles is influencing HMC investment in that country. It is difficult to predict just how huge this market can become within the next decade, however early signs are that the world needs to prepare for a rising juggernaut for business and investment opportunities. HMC is doing precisely that with our strategies in the Chinese market.



HMC Asian sales and production are led by the manufacturing centers in India and China. From these centers in 2006 the Hyundai brand continued its startling growth. In India people have adopted the HMC brand as a reflection of their own culture. This is evidenced by an amazing 19 percent growth from March 31st 2006 to April 1st 2007. The Santro has been called the car of the people, while the Sonata is a recognized symbol of affluence in India. In China, already huge increases in car sales, coupled with an ever increasing desire for vehicle ownership, expectations are for a further transformation over the next ten years which will see China become an enormous global auto market.

#### • INVESTMENT & PRODUCTION

HMC's investment in China is the envy of many of our competitors all of whom recognize the important role the world's most populous country will play in the future of motoring sales and manufacture. In 2006 BHMC broke ground on its second manufacturing plant in China which, when complete, will double the production of Hyundai vehicles in China to 600,000 units per year.

The completion of the second manufacturing plant in India remains on target for October 2007. During a visit to India by HMC CEO and Chairman Mong Koo Chung, the future importance of the Indian car market was made clear as the Chairman said he expects the current, already impressive market, to grow by 400 percent over the next decade.

When finished, like the second Chinese plant, the new Indian plant in Tamil Nadu will add 300,000 units a year to India's production capacity. HMI is aiming to have a 20 percent market share by 2010.

Further growth and investment was achieved in other areas of the Asia/Pacific region. In Australia Hyundai broke ground on a new Australia Headquarters and Training Center in Macquarie Park, just north-west of Sydney. The A\$ 70 million (US\$ 50 million) facility is scheduled to be completed in 2008 and will house 250 Hyundai Motor Company Australia (HMCA) employees as well as staff from Hyundai Steel and Hyundai Capital Glovis Australia.

In Malaysia Technical License Agreements were signed between HMC and Inokom Corporation Sdn. Bhd. (INOKOM). The two agreements allow INOKOM to manufacture in collaboration with

HMC, a super-mini category vehicle, codenamed 'TB' and to assemble and market Hyundai HD65 trucks in Malaysia.

These agreements give Hyundai a manufacturing presence in South East Asia where none have previously been. Along with highly developed economies of Singapore and Malaysia, South East Asia holds many new and emerging markets such as Indonesia and Vietnam.

#### • RESEARCH & DEVELOPMENT

Research and development in Asia/Pacific is operated from our Hyundai Japan Research & Development center in Chiba, Japan. Historically the vanguard of technological development our R&D center in Chiba works in close collaboration with our Korean centers to provide a nexus of vehicle research, development and planning, design and testing.

Located on the outskirts of Tokyo our Chiba center is a world-class facility which focuses on developing world first technologies in areas of environmental sustainability, safety, performance, styling and structural integrity.



In 2006 HMC broke ground on a new Australian national headquarter building in Ryde, New South Wales to reinforce the Hyundai brand in Australia.

# Domestic



• **MARKET CONDITIONS & PERFORMANCE**

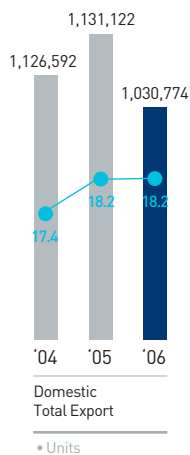
In a difficult worldwide climate HMC has weathered increased materials costs, a higher than usual price of oil and an unfavorably high Korean won to emerge better placed to navigate through these difficult times than at any previous juncture in our history.

The successful implementation of cost reduction through productivity enhancements at the domestic factory level, coupled with an enriched sales mix in Korea has allowed HMC to not only operate through these difficult times but to enhance brand value globally and increase sales domestically.

In fact 2006 was another record breaking year for HMC as worldwide sales reached 2,617,644 units, a 3.9 percent increase over 2005. This outstanding result was led by productivity gains in our Korean manufacturing plants. HMC's three factories shipped 1,523,486 units (including knock-down kits) to export markets in 2006. This represents a 2.7 percent year on year increase, an outstanding achievement during such difficult times. This figure is all the more impressive given the month-long labor union strike which affected domestic production.

This result is testament to the strengthening partnership HMC enjoys with labor unions as both parties have emerged the better from 2006, as evidenced by our growing production and export performance.

In domestic sales, overall figures for 2006 rose by 1.8 percent with passenger cars rising 7.4 percent to 326,339 units but MPV and SUV sales dipping by 8.9 percent. This fall was attributed to a conservative youth market in 2006, traditionally the main source of SUV and minivan sales.



HMC continues to lead the Korean auto industry in every segment. They have a 50% market share indicating their strong understanding of customer demands and needs in every vehicle segment. This knowledge and market dominance is best exemplified by the Hyundai Sonata which has been Korea's number one seller for the past 8 years.

2006 was another strong year for the brand, growing sales figures under increasingly difficult market conditions. Sales growth of 1.8% represents a huge achievement considering the myriad factors working against world auto makers in 2006.

• PRODUCTION

Domestic production is the heartland of HMC manufacturing with a triumvirate of construction plants driving Korea's domestic and export automobile markets. The Ulsan plant produces Accent, Getz, Santa Fe, Centennial, Tucson, Elantra, Coupe, H-1Truck, H-100 Truck models for local and international markets and has an annual production capacity of 1,620,000.

In Asan 300,000 units roll out each year. The plant produces exclusively Sonata and Azera (Granduer) models. Our plant in Jeonju produces medium and large size buses, trucks and commercial vehicles up to 125,000 units per year.

• RESEARCH & DEVELOPMENT

The melting pot of all HMC research and development is naturally situated in the home of our operations. The Hyundai & Kia Corporate R&D Division, located in Namyang, Korea is the Korean headquarters for all our research and development activities. In partnership with the Mabuk Environmental Technology Center, these centers operate to ensure HMC remains at the cutting edge of future motoring technologies.

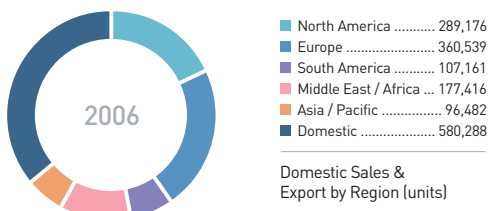
Our Namyang center is equipped with total pre-design and design facilities, from prototyping and full-scale aerodynamic testing to crash and safety testing. Final drive test are conducted along a 70km test track designed to test all vehicles on varying road conditions.

At Mabuk all technologies related to environmental preservation and protection in our industry are researched and delivered. All phases of vehicle manufacture, operation, end-of-life recycling and disposal are studied to ensure all Hyundai vehicles are fitted with the brightest and cleanest environmental technologies in the motoring industry.



Hyundai-Kia Corporate R&D Division

The Hyundai-Kia Corporate R&D Division in Namyang is the backbone of the company. Equipped with cutting-edge facilities, The Hyundai-Kia Corporate R&D Division encompasses the whole design process from pre-design studies, prototyping and full-scale aerodynamic testing to crash testing and final test driving. The center serves as the hub of our global R&D network and consolidates our research efforts around the world.





The Hyundai Veracruz Makes an impact at the 2006 Beijing Motor show where it was first demonstrated internationally and into the Chinese SUV market.



The HED-3(Arnejs) on show at the 2006 Paris Motor Show developed with European sensibilities and styling.

### • NEW MODEL LAUNCHES

2006 was a truly exciting time to be involved with Hyundai. Motor shows around the world were painted with Hyundai product as new vehicle launches took the motoring world by storm.

Undoubtedly, last year was headed by the launch of the Veracruz, a product more than two years in the making and costing approximately US\$222 million. The Veracruz boasts a number of important technological firsts for Hyundai. It contains our first ever V6 diesel engine, our first use of compact graphite iron cylinder block, first application of piezoelectric fuel injectors six-speed automatic gearbox as well as electronically controlled semi-active engine mounts. Developed at our Powertrain R&D Center in Namyang, Korea, the all new S-engine which drives the Veracruz sets new standards of performance and refinement. It has a maximum output of 240pd at 3800rpm and 46kg.m of peak torque in the 1700-3500rpm range. The S-engine's six cylinders displace 2, 959cc banked at 60 degrees to minimize vibrations.

With the Veracruz Hyundai has aimed higher than ever. Our newest flagship boasts the finest craftsmanship and materials, world class handling and performance, innovative and adjustable three-row seating, headlight aiming feature, power-operated tailgate, rear-distant warning system, heated side view mirrors and a host of other features designed to reflect Veracruz' multiple environment and performance applications.

The 2006 Geneva Motor Show hosted the unveiling of the all new Hyundai Santa Fe and Accent. The restyled Santa Fe has been

increased in size (175mm longer, 45mm wider and 65mm higher) with the wheelbase extended by 80mm. it now offers greater up-market comfort and a sedan-like driving performance and feel. The sporty and athletic looking Santa Fe is now versatile enough to be both family oriented and single minded in style and options. As for the all new 2007 Hyundai Accent the aim of the new Santa Fe was to take into account the higher expectations of global customers. In recognizing this Hyundai has lowered the NVH and increased the fuel economy, improving ride, road-holding and performance. In addition the all new Hyundai Accent boasts leading ergonomics and comfort for both driver and passengers.

Unveiled at the 2006 Paris Motor Show was the all-new European Diesel Grandeur which now features a 2.2 VGT common rail direct injection system and delivers 110kW (150PS) at 4000rpm and 340Nm torque at 2000rpm. In addition an inter-cooled turbo technology system with a European compliant particle filter means more power, less pollutants.

The highly anticipated launch of the Hyundai Sonata Diesel was saved for January 2007 in New Delhi, India. The Sonata Embera, a luxury sedan, adds Hyundai's Variable Geometry Turbocharger (VGT) to boost power in the 2-liter four cylinder engine. The Embera couples the VGT with Hyundai's Common Rail Direct Injection (CRDi).

As the theme for 2006 was the launch of 'big' ticket items, it was fitting that this year also saw the launch of our new Universe Coach. Designed to target new market opportunities in North America, Europe and Japan, the Universe will replace Hyundai's decade-old





All muscle. At the 2006 L.A. Motor Show Hyundai unveiled the HCD-10(Hellion) Concept Car, a compact three-door crossover with attitude.



The HED-4(Quarraq) New Advanced Technology Demonstration Vehicle (ATDV), co-developed with GE Plastics was displayed at the 2007 Geneva Motor show. It features the world's first Elastic Front™.

line of Aero coaches. Developed over a 36 month period the Universe has beefed up structural rigidity by more than 15 percent, redesigned side mirrors which reduce turbulence, increased cabin width and height for greater comfort, increased driver legroom and greater cargo space, now up to 6.5 cubic meters.

Hyundai also forewarned customers to get ready for yet another new model. The all-new Hyundai Genesis V8, will be the car maker's first rear-wheel drive auto and fuses future vehicle architecture onto a premium sports sedan. The 2007 New York Motor Show was chosen to unveil the new model which was met with rapturous applause. The vehicle is scheduled to go to market in 2008.

#### • CONCEPT CARS ON SHOW

Hyundai concept cars were again very warmly received by onlookers at major international motor shows throughout 2006. At the 2007 Geneva Motor Show in March Hyundai unveiled the HED-4(Quarraq) Advanced Technology Demonstration Vehicle (ATDV), co-developed with GE Plastics. The Quarraq features the revolutionary Elastic Front™ system designed for passenger and pedestrian protection in accidents. The world's first global pedestrian protection solution consists of three energy-absorbing structures integrated underneath the futuristic vehicle. The system makes use of several advanced materials that offer inherent absorbing or "elastic" properties. The sporty cross-over coupe also features eco-friendly technologies which reduce weight, fuel consumption and carbon emissions.

Also at the 2007 Geneva Motor Show, the i30 was unveiled for the first time. The i30 is a sporty compact segment car styled in Europe

by Europeans and is designed to meet the styling and motoring needs of the European market. The i30 also launched Hyundai's new "I" prefix. The "I" was chosen to symbolize intelligence and integrity.

The 2007 Seoul Motor Show played host to the HND-3(Veloster), a sporty coupe concept targeting the y-generation. Although an estate wagon the Veloster is a c-segment vehicle. Developed at Hyundai's Design and Technical Center in Namyang, outside Seoul, the Veloster is so named to combine "velocity" and "roadster".

Hyundai gave the world its first glimpse of the stunning C-segment volume model named HED-3(Arnejs) at the 2006 Paris Motor Show. The Arnejs is a concept preview of Hyundai's coming designer-look Euro-hatch variant of the new Elantra. The Hyundai Motor Europe design team in Russelsheim, Germany modeled the Arnejs on development plans for the new Elantra.

At the 2006 Los Angeles Motor Show Hyundai got tough with the debut of the HCD-10(Hellion) Concept Car. The Hyundai Design and Technical Center and Hyundai Motor America presented the Hellion during a press conference at the Los Angeles Motor Show. The Hellion takes its design architecture from three ultra-lightweight structural ribs which provide both the structural and visual strength of the vehicle. Under the hood the performance matches the muscular design without compromising Hyundai's commitment to eco-friendly vehicles. A 3.0 liter, V6 Common Rail Diesel Engine (CRDi) produces 236 horsepower and 332 lb ft torque.



'Goodwill ball', one of HMC's Germany World Cup sports marketing, was displayed at each football ground to represent worldwide people's enthusiasm and hope for World Cup victory.

- **SPORTS MARKETING**

The 2006 global sporting year was dominated by 2006 FIFA World Cup Germany™. The month-long event brought 32 participating nations together across Germany for the biggest sporting event in the world, an event which was viewed by an accumulated worldwide audience of more than 30 billion people.

Hyundai's partnership with FIFA began in 1999 with the sponsorship of 2002 FIFA World Cup Korea/Japan™. Since 2005 we have been one of the six elite official partners, the only motoring company to secure this honor. Set to continue through to 2014, our partnership with FIFA will ensure the Hyundai brand remains connected to the world game through the 2010 and 2014 world cups.

At 2006 FIFA World Cup Germany™ a number of programs and initiatives captured the imagination of football fans in Germany and around the world. These began in May 2006 with the handing over of an official World Cup fleet of 1,000 VIP vehicles and buses to the German Organizing Committee (GOC) President and football legend Franz Beckenbauer. Hyundai buses were allocated to every nation competing in the event with each bus painted in its' teams national colors. VIP vehicles included Hyundai Sonata, Azera/Granduer, Trajet, Santa Fe, Tucson and H-1.

The Goodwill Ball Road Show was an innovative program which generated huge interest amongst world cup participating nations. Giant "Hyundai footballs" toured the participating nations gathering messages of support and good luck for their teams' victory and fair play. Prior to the first match the balls landed in Germany and were presented to the participating teams during a gala launch.

In 2006 Hyundai began an involvement with Triple-A Baseball. On April 18 the 120 year old league announced Hyundai as its official sponsor. With an attendance figure of 14.1 million fans in 2005, Triple-A Baseball is the fifth most attended sport in the US.



16 teams attended 2006 World Mini Football Competition held by HMC in Germany and the South African team who emerged victorious.



The top class players of Korean 'Click Speed Festival' and Spain 'Getz CRDi cup' visited each other's countries to enjoy friendly competition.

To mark this new and exciting sponsorship five Hyundai vehicles (Sonata and Tucson models) were on display at Triple-A Baseball's 25 ballparks and featured interactive car displays and a chance to win a Hyundai Sonata through the "Hyundai Home Run Challenge".

Rally car racing is an international sport which combines elite motoring with sports adrenaline. Dating back more than 100 years, rallies are organized in stages and are based on straightforward speed over roads which are closed to other traffic. These roads can be asphalt mountain passes to ice and snow or desert sand, challenging car and crew to master myriad driving conditions.

In 2006 Hyundai was prominent on world rally stages, participating in the first ever X-Games Rally in August. Inside a Hyundai Tiburon were eight-time US champion driver Paul Choiniere and co-driver Jeffrey Becker, pitting their skills and their vehicle against the likes of World Rally Champion veteran Colin McRae and 2005 Rally America Champion Pat Richard.

To ensure a presence in rally racing on both sides of the Atlantic, Hyundai also sponsored the transcontinental classic Amsterdam-Beijing Rally through our Netherlands distributor Greenib Car, providing support vehicles for the more than 100 participating drivers. The Amsterdam-Beijing Rally is for classic cars only with each participating vehicle required to be at least 30 years old.

In New Zealand, the Hyundai National Surfing Championships were again a successful event for both tournament organizers and the Hyundai brand. In sponsoring the event for the second year, Hyundai continues to be committed to sports and lifestyle activities in every global region.

# Sharing Our Thoughts and Dreams





Sustaining a family as large as ours means being acutely aware of the many parts which make up the whole. We know our immediate family, our stakeholders, our customers and the broader public intimately. This intimacy is our obligation.

But caring for the family is about more than just people. We tend the gardens in which we work, caring for the ground we walk on. We care for those less fortunate than our immediate family and we care for future generations yet to enjoy the fruits of our labor.

In 2003 HMC outlined its' Environmental Philosophy & Policy for the future. This policy was designed to transform Hyundai into a model environmentally sustainable company which recognized global environmental issues as the main challenge facing the planet as well as the sustainability of the company. The focus was on implementing ways of responding effectively to the challenges of corporate sustainability within the environmental context.

The 2003 philosophy steered HMC into a new era of sustainability incorporating the environmental focus like never before. Thus began a new emphasis on research and development, culminating in 2005 with the opening of the Eco-Technology Research Institute on the southern edge of Seoul. This facility has systemized all HMC research efforts in environmental technology.

At the Eco-Technology Research Institute HMC has brought together its most brilliant minds, each with a mandate to ensure HMC remains at the cutting edge of environmental developments in the motor vehicle manufacturing industry.

As climate change, once thought of as a distant and future problem, is now widely accepted as the most significant and imminent environmental problem facing the planet, HMC has pooled its research and development resources into the development new environmentally and socially friendly automobiles which not only deliver our most basic transport needs, but also leave an ever diminishing footprint on world ecosystems.

In accordance with the Kyoto Protocol and as part of HMC's commitment to lowering greenhouse gas (GHG) emissions, we are working in a joint task force with the Korean Ministry of Commerce and the Korean Automobile Manufacturers Association (KAMA) to promote various GHG reduction activities.

These technological and operational initiatives are about more than just products. We have invested heavily in end of life disassembly and recycling technologies as well as newer and cleaner methods of production to bring these future vehicles to market sooner rather than later.

HMC corporate sustainability is also intimately connected to the people with whom we live and operate. In recognizing this, HMC actively promotes employee programs, community contributions, education scholarships and welfare funding which constitute enormous commitments in budget and yearly planning.

We give license to each international headquarters to organize their own social programs and initiatives. This allows Hyundai international offices to manage the distribution of personnel time and energy and corporate money to worthy causes in their markets and regions. This ensures each region is assisted in areas specific to their needs. Programs such as The Three Leaf Clover Program and Hyundai Hope on Wheels are examples of this distribution of resources.

All people face the same challenges in sustaining themselves, their families and their communities and to offer hope and prosperity to other people. They face the same environmental and societal concerns in which all of us are inextricably intertwined.

Ultimately, everything in this world is finite, including the world itself. Sustainability for company, community, country, and planet is about finding new ways of doing things and bringing other people with you, assisting with their visions, hopes and dreams. Its about allowing change to change you as well as the world around you.

Now is that moment of greatest change.

- **Environmental Technologies**

With no hazardous emissions, hydrogen has become the future fuel of choice for researchers and developers in motor vehicle technology. In 2000 Hyundai became the sixth member in the world to join the California Fuel Cell Partnership and the first to apply a 350 bar hydrogen system in June 2001. In addition, since 2004 Hyundai has been involved in the Hydrogen fuel cell car project sponsored by the US Ministry of Energy.

Hyundai Fuel Cell Electric Vehicles (FCEV) use hydrogen, methanol or natural gas as their main fuel source, reacting with oxygen to result in the outflow of electricity. The second generation Tucson FCEV was unveiled in 2004, it outperforms its predecessor in both environmental and performance aspects, now achieving 300km on a single charge and a maximum speed of 150km/h. FCEV is also currently in operation in the all-new 2007 Hyundai Santa FE FCEV.

The Hybrid Electric Vehicle (HEV) combines a conventional power-train system with an electric motor and battery system. Its offers improved energy efficiency and a reduction in emissions. Engine burdens are reduced by allowing the HV to operate at an optimum level of efficiency during acceleration, and energy efficiency is improved by storing electricity as kinetic energy inside the battery. HMC has sponsored demonstration projects and supplied public

agencies with Getz HEV vehicles in 2004 in order to build public awareness and promote this exciting technological advancement. In 2005 Accent HEV's were supplied to similar public organizations throughout Korea and in 2006 a further 230 vehicles were presented under the same initiative.

Low emission engines have been in development at HMC since 2000. In 2006 HMC developed low emission diesel engines which comply with the stringent Euro-4 emissions regulations. These engines include the A-VTG 2.5L, the D-VG 2.0L and 2.2L engines, the U-VTG 1.6L and the U-VTG engine. These engines are currently in use in Hyundai Matrix, Accent, Elantra, Getz, Sonata, Tucson and the all-new 2007 Santa Fe.

The future of clean fuel development is being driven even further by HMC which is now actively engaged in developing biofuels based on natural gas biomass, including crops, plants, etc. Biofuel, which removes CO<sub>2</sub> from the atmosphere as the biomass grows, is widely expected to serve as clean fuel that will reduce overall GHG emissions in the future.

At HMC's ELV Recycling Center, established in October 2005 with an investment of 4.1 billion KRW (US\$4.2 million), a total capacity of 4,200 vehicles per year are successfully disassembled and





recycled. More than 85 percent of all liquids and gases are collected and recycled with more than 80 percent of all internal and external parts also being fully recycled along a continuous flow system in eight phases. The plant includes state of the art disposal equipment and related technologies. In addition Hyundai continues to develop waste parts recycling technologies for use in the production of new vehicles in line with its plastic and rubber recycling initiatives. HMC recycles vehicle carpets, seating foam and waste bumpers and reuses parts in trunk trim and noise reducing padding parts. A further priority of Hyundai recycling initiatives has been to develop a recycling system for Platinum



Eco-Technology Research Institute focuses on environment technology related research

Group Metals (PGM). PGMs are used as the main catalyst to refine petroleum and purify emissions. A joint venture between HMC and our suppliers has been created to develop the world's first environmentally friendly PGM recycling company.

- **Environmental Awards & Accolades**

In 2006 Hyundai achieved a rare success which, while planned for and keenly sought after, exceeded even our wildest expectations. Global marketing information service firm J.D. Power and Associates, well known to motoring enthusiasts the world over for their high profile Initial Quality Surveys, published their first Automotive Environmental Index (AEI). The AEI is comprised of EPS information and survey results from US consumers relating to fuel economy, air pollution and green house gases.

In the inaugural survey Hyundai scored 590 points out of a possible 1,000 ranking sixth overall. That we outscored Toyota (576 points), long regarded as the vanguard of environmentally friendly vehicles, is an outstanding achievement and forms the perfect platform

from which to further elevate the Hyundai brand with respect to this most important consideration in vehicle production, research and development. In individual vehicle categories the Hyundai Accent and Elantra both made it into the top 30-vehicle list.

This success propelled these two models even further in 2006 and again in February 2007 receiving environmental honors from the American Council for Energy Efficient Economy (ACEEE). The Accent ranked sixth among all makes as one of the "Greenest Vehicles of 2006" achieving a "superior" class ranking in the compact segment. The Elantra also received a superior ranking in the mid-size car category, its' score topping all manual transmission vehicles in the class. In addition the Sonata was recognized by ACEEE as one of the year's "Greener Choices", topping the large-car segment.

ACEEE's environmental guide to cleaner, greener cars and trucks is available online at GreenerCars.com. The site provides necessary facts to consumers who wish to examine the eco-performance of any vehicle model and is widely regarded as a leading buyer's guide to environmentally friendly vehicles.

The 2007 awards saw the Accent and Elantra entrench their rankings in the top twelve in their class as "Greenest Vehicles for 2007". The Sonata also proved impressive, taking the "Greener Choice for 2007" accolade to continue the same recognition in 2006. The "Greenest Vehicles for 2007" were based on automaker's tests for fuel economy and emissions as reported to the U.S Environmental Protection Agency. Our Accent and Elantra models also featured in J.D. Power & Associates' Environmentally Friendly Vehicle ratings, both models featuring in the top 30.



Domestic Environmentally Friendly Vehicle Test-Drive Event

## Social Initiatives

### • Social Contributions

Given Hyundai's well established reputation for recognizing sustainability as a pre-requisite for success, it is hardly surprising that this philosophy should extend to our activities outside our core business, to much less visible stakeholders in our communities.

As a responsible corporate citizen we understand the need for engagement with those less privileged, often forgotten members of the communities in which we operate. This engagement has resulted in a variety of programs which in 2006 were expanded more than any other time in our history.

From 2006 the Social Contribution Council, consisting of 16 subsidiaries including HMC, has begun promoting public contribution programs in areas including the environment, social welfare, voluntary service, culture and the arts, international exchange, and the support of sporting events. HMC's key platform and philosophy for social activities comes from the Hyundai management philosophy: "The Pursuit of Happiness Through the Automobile". In line with this philosophy HMC has sought to spread the mantra of social responsibility to all international headquarters and subsidiaries.

Leading the way with an expansion of our existing social engagement activities was HMC Korea. In 2006 these programs were grown under the slogan "World Moved by us Together", focusing on activities in three key areas: traffic safety, culture, settlement.

This expansion in social contributions and engagement was carried internationally by Hyundai Motor India Limited (HMIL) which launched a public charitable trust, Hyundai Motor India Foundation (HMIF), in April 2006.

The objective of HMIF is to address the needs and expectations of the Indian people and to support fields of Health care, Educational and Vocational Training, Environment, Road Safety, the arts, Science and Technology and many more. Financial or in kind support for public charitable purposes for the benefit of the poor, needy, underprivileged, socially backward and the overall benefit of the Indian people is at the heart of this new initiative.

Funded directly by Hyundai Motor India (HMI), the first contribution by HMIF was a donation of 35 million rupees (approximately US\$900,000) for the renovation and preservation of the 150 year old Senate House in the University of Madras. Following on from that, HMIF donated a Hyundai Accent to the Care Foundation, a non-profit society engaged in providing health care to people from economically disadvantaged areas of Indian society and to those living in rural areas.

In 2006 HMI also announced the launch of its Student Traffic Volunteers Scholarship Scheme (STVS), in partnership with India's Institute of Road Traffic Education (IRTE) and in coordination with the Delhi Traffic Police. SVSS members have been dubbed the "Hyundai Traffic Squad" with their duty to create road safety



'World moved by us together - Easy Move campaign' event was held to introduce newly developed easy move cars and HMC announced continuous expansion of mobility improvement business for the disabled and senior citizens.



Every March, many employees actively join blood donation campaign.

awareness and to support the Delhi Traffic Police in improving traffic management systems and road safety in Delhi.

Indian programs also included a blood donation camp organized by HMI in Chennai. Over 150 employees of HMI, led by Managing Director Heung Soo Lheem donated blood at the camp with the final collection critical in helping Indian doctors save the lives of patients receiving treatment for accidents and burns, heart surgery, organ transplants and diseases such as leukemia, cancer and many more.

- **Hyundai Hope on Wheels**

Now in its ninth year of operation, Hyundai hope on Wheels continued to help children fight cancer across the United States. What began in 1998 through the efforts of Boston area Hyundai dealers has grown into a national tour to benefit pediatric cancer institutions throughout the US.

Hope on Wheels is a Hyundai Santa Fe which travels across the nation collecting handprints from children who are battling and beating pediatric cancer. At every stop local children add their colorful handprints to the hundreds of others on the car to celebrate

reaching milestones in their cancer treatment. Local Hyundai dealers in each city present donations to hospitals earmarked for pediatric cancer research.

In 2005 Hyundai partnered with CureSearch National Childhood Cancer Foundation to help continue to raise awareness and much needed funding for this important cause.

- **Hyundai Soccer for Hope**

HMC actively supports 'Soccer for Hope', a program building the hopes and aspirations in young children suffering life threatening diseases. Soccer for Hope is a not-for-profit organization which receives support from corporate sponsorship and participation fees for its high quality soccer camps, clinics and Soccer for Hope Inspirational Walks. Children learn about soccer while also being made aware of the challenges children with life threatening disease face every day.

In partnership with Soccer for Hope HMC is expanding research and treatment projects for children with incurable diseases and is heavily involved in shirt, soccer ball and other donations in support of African children through the Soccer for Hope partnership.



Hyundai Hope on Wheels



HMA Soccer for Hope



# Financial Statements

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### Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying consolidated balance sheets of Hyundai Motor Company (the "Company") and its subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain subsidiaries including Hyundai Motor America, which statements reflect total assets of ₩42,407,392 million (US\$45,618,967 thousand) and ₩22,393,490 million (US\$24,089,383 thousand) as of December 31, 2006 and 2005, respectively, and total revenues of ₩58,537,221 million (US\$62,970,332 thousand) and ₩33,279,134 million (US\$35,799,413 thousand) in 2006 and 2005, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Hyundai Motor Company and its subsidiaries as of December 31, 2006 and 2005, and the results of their operations and changes in its shareholders' equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea (See Note 2).

Our audits also comprehended the translation of Korean Won amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Korea.

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

March 30, 2007

### Notice to Readers

This report is effective as of March 30, 2007, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

ASSETS	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006	2005	2006	2005
<b>Current assets:</b>				
Cash and cash equivalents (Notes 8 and 18)	₩3,730,007	₩4,397,808	\$4,012,486	\$4,730,861
Short-term financial instruments (Note 18)	3,144,765	4,399,626	3,382,923	4,732,816
Short-term investment securities (Note 4)	475,429	859,774	511,434	924,886
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩201,154 million in 2006 and ₩219,056 million in 2005 (Notes 18 and 23)	4,981,565	4,327,963	5,358,826	4,655,726
Trade notes and accounts receivable - other (Notes 18 and 23)	422,800	730,771	454,819	786,113
Inventories (Notes 3, 8 and 18)	9,892,245	8,568,112	10,641,400	9,216,988
Deferred tax assets (Note 20)	716,700	549,520	770,977	591,136
Derivative assets (Note 26)	16,654	2,802	17,915	3,014
Advances and other current assets	1,200,280	1,177,799	1,291,179	1,266,996
<b>Total current assets</b>	<b>24,580,445</b>	<b>25,014,175</b>	<b>26,441,959</b>	<b>26,908,536</b>
<b>Non-current assets:</b>				
Long-term financial instruments	15,293	71,653	16,451	77,079
Long-term investment securities (Note 5)	2,002,651	2,346,863	2,154,315	2,524,594
Investment securities accounted for using the equity method (Notes 6 and 18)	1,578,401	1,620,167	1,697,936	1,742,865
Property, plant and equipment, net of accumulated depreciation of ₩8,348,614 million in 2006 and ₩9,891,942 million in 2005 (Notes 7, 8, 9 and 18)	23,491,593	21,448,039	25,270,647	23,072,331
Intangibles (Note 10)	2,612,350	2,330,122	2,810,187	2,506,586
Derivative assets (Note 26)	277,800	754,224	298,838	811,343
Deferred tax assets (Note 20)	440,525	553,021	473,887	594,902
Other assets (Note 11)	881,232	884,074	947,968	951,026
<b>Total non-current assets</b>	<b>31,299,845</b>	<b>30,008,163</b>	<b>33,670,229</b>	<b>32,280,726</b>
Other financial business assets (Notes 12 and 18)	14,829,195	11,056,431	15,952,232	11,893,751
<b>Total assets</b>	<b>₩70,709,485</b>	<b>₩66,078,769</b>	<b>\$76,064,420</b>	<b>\$71,083,013</b>

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
AS OF DECEMBER 31, 2006 AND 2005

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006	2005	2006	2005
<b>Current liabilities:</b>				
Short-term borrowings (Note 13)	₩11,639,322	₩11,855,332	\$12,520,785	\$12,753,154
Current maturities of long-term debt and debentures (Notes 7 and 14)	4,595,588	3,470,787	4,943,619	3,733,635
Trade notes and accounts payable (Note 23)	8,136,654	6,336,976	8,752,855	6,816,885
Trade notes and accounts payable-other	1,933,558	4,355,801	2,079,989	4,685,672
Accrued warranties (Note 15)	1,261,360	1,296,628	1,356,885	1,394,824
Income tax payable (Note 20)	391,564	141,868	421,218	152,612
Accrued expenses	1,666,514	1,309,111	1,792,722	1,408,252
Derivative liabilities (Note 26)	1,025	2,671	1,103	2,873
Deferred tax liabilities (Note 20)	3,744	6,451	4,028	6,940
Withholdings and other current liabilities	1,323,847	1,265,652	1,424,102	1,361,501
<b>Total current liabilities</b>	<b>30,953,176</b>	<b>30,041,277</b>	<b>33,297,306</b>	<b>32,316,348</b>
<b>Long-term liabilities:</b>				
Long-term debt and debentures, net of current maturities and discount on debentures issued (Notes 7 and 14)	12,782,922	10,576,104	13,750,992	11,377,048
Accrued severance benefits, net of National Pension payments for employees of ₩50,534 million in 2006 and ₩67,300 million in 2005, and individual severance insurance deposits of ₩1,851,478 million in 2006 and ₩1,893,603 in 2005 (Note 2)	1,118,365	1,054,688	1,203,060	1,134,561
Long-term account payable	655,892	600,827	705,564	646,329
Derivative liabilities (Note 26)	59,935	206,448	64,474	222,083
Long term accrued warranties (Note 15)	2,904,494	2,783,969	3,124,456	2,994,803
Provision for other liabilities	167,662	63,474	180,359	68,281
Deferred tax liabilities (Note 20)	255,825	173,677	275,199	186,830
Other long-term liabilities	750,779	464,144	807,636	499,294
<b>Total long-term liabilities</b>	<b>18,695,874</b>	<b>15,923,331</b>	<b>20,111,740</b>	<b>17,129,229</b>
Other financial business liabilities (Note 12)	94,462	286,329	101,616	308,013
<b>Total liabilities</b>	<b>₩49,743,512</b>	<b>₩46,250,937</b>	<b>\$53,510,662</b>	<b>\$49,753,590</b>

Commitments and contingencies (Note 25)

(Continued)



LIABILITIES AND SHAREHOLDERS' EQUITY	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006	2005	2006	2005
Shareholders' equity:				
Capital stock (Note 16)	₩1,484,942	₩1,482,905	\$1,597,399	\$1,595,208
Capital surplus	5,679,998	5,591,882	6,110,153	6,015,364
Retained earnings				
(Net income of ₩1,259,247 million in 2006 and ₩2,445,207 million in 2005)	9,809,765	8,937,256	10,552,673	9,614,088
Capital adjustments (Note 17)	(1,004,586)	(902,197)	(1,080,665)	(970,522)
Minority interests	4,995,854	4,717,986	5,374,198	5,075,285
Total shareholders' equity	20,965,973	19,827,832	22,553,758	21,329,423
<b>Total liabilities and shareholders' equity</b>	<b>₩70,709,485</b>	<b>₩66,078,769</b>	<b>\$76,064,420</b>	<b>\$71,083,013</b>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Korean Won (In millions, except per share amounts)		Translation into U.S. Dollars (Note 2) (In thousands, except per share amounts)	
	2006	2005	2006	2005
Sales (Notes 22, 23 and 24)				
Domestic sales	₩35,206,252	₩32,700,858	\$37,872,474	\$35,177,343
Export sales	28,441,773	26,129,774	30,595,711	28,108,621
	63,648,025	58,830,632	68,468,185	63,285,964
Cost of sales (Notes 23 and 24)	50,238,257	45,952,958	54,042,875	49,433,044
Gross profit	13,409,768	12,877,674	14,425,310	13,852,920
Selling and administrative expenses (Note 19)	11,613,078	10,583,368	12,492,554	11,384,863
Operating income	1,796,690	2,294,306	1,932,756	2,468,057
Other income (expenses), net:				
Interest expense, net	(253,155)	(104,457)	(272,327)	(112,368)
Gain on foreign exchange translation, net	213,561	122,422	229,734	131,693
Gain on foreign exchange, net	81,596	170,461	87,775	183,370
Gain on valuation of investment securities accounted for using the equity method, net	292,089	538,773	314,209	579,575
Gain on valuation of investment securities	250	182,059	269	195,847
Gain on disposal of investment accounted for using the equity method	38,606	73	41,530	79
Gain on disposal of short-term investment securities, net	17,624	123,461	18,959	132,811
Gain on disposal of long-term investment securities, net	195,922	34,569	210,759	37,187
Gain (loss) on valuation of derivatives, net	(467,578)	390,901	(502,988)	420,505
Loss on disposal of trade note and account receivables	(222,528)	(173,744)	(239,380)	(186,902)
Loss on disposal of property, plant and equipment, net	(48,537)	(261,612)	(52,213)	(281,424)
Rental and royalty income	297,589	346,598	320,126	372,846
Reversal of loss (loss) on impairment of investments	(72,114)	57,835	(77,575)	62,215
Impairment loss on property, plant and equipment	(56,379)	(25)	(60,649)	(27)
Impairment loss on intangibles	(25,026)	(7,859)	(26,921)	(8,454)
Other, net	238,527	(323,703)	256,591	(348,218)
	230,447	1,095,752	247,899	1,178,735

(continued)

	Korean Won (In millions, except per share amounts)		Translation into U.S. Dollars (Note 2) (In thousands, except per share amounts)	
	2006	2005	2006	2005
Ordinary income	₩2,027,137	₩3,390,058	\$2,180,655	\$3,646,792
Income tax expense (Note 20)	715,902	449,066	770,118	483,074
Income before minority interests	1,311,235	2,940,992	1,410,537	3,163,718
Minority interests	51,988	495,785	55,925	533,332
<b>Net income</b>	<b>₩1,259,247</b>	<b>₩2,445,207</b>	<b>\$1,354,612</b>	<b>\$2,630,386</b>
<b>Earnings per common share (Note 2)</b>	<b>₩5,737</b>	<b>₩11,275</b>	<b>\$6.17</b>	<b>\$12.13</b>
<b>Earnings per common share—assuming dilution (Note 2)</b>	<b>₩5,715</b>	<b>₩11,219</b>	<b>\$6.15</b>	<b>\$12.07</b>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

						Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total amount	Total amount
January 1, 2005	₩1,480,752	₩5,162,184	₩6,328,355	₩(216,453)	₩4,000,714	₩16,755,552	\$18,024,475
Stock option exercised	2,153	8,209	-	-	-	10,362	11,147
Disposal of subsidiaries' stock	-	225,459	-	-	286,361	511,820	550,581
Increase in subsidiaries' capital-stock	-	(417)	-	-	89,285	88,868	95,598
Effect of changes in consolidation scope	-	-	-	-	314,220	314,220	338,016
Payment of cash dividends (Note 21)	-	-	(326,833)	-	(78,051)	(404,884)	(435,546)
Net income	-	-	2,445,207	-	-	2,445,207	2,630,386
Effect of beginning balance adjustment in accrued warranties	-	-	505,626	-	-	505,626	543,918
Treasury stock	-	-	-	(645,351)	-	(645,351)	(694,224)
Discount on stock issuance	-	-	-	1,556	-	1,556	1,674
Gain on valuation of available-for-sale securities	-	-	-	(84,821)	-	(84,821)	(91,245)
Loss on valuation of investment equity securities	-	-	-	88,928	-	88,928	95,663
Stock options	-	-	-	(4,602)	-	(4,602)	(4,951)
Cumulative translation debits	-	-	-	(78,917)	-	(78,917)	(84,894)
Loss on transaction of derivatives	-	-	-	37,463	-	37,463	40,300
Minority interests	-	-	-	-	495,785	495,785	533,332
Others	-	196,447	(15,099)	-	(390,328)	(208,980)	(224,807)
<b>December 31, 2005</b>	<b>₩1,482,905</b>	<b>₩5,591,882</b>	<b>₩8,937,256</b>	<b>₩(902,197)</b>	<b>₩4,717,986</b>	<b>₩19,827,832</b>	<b>\$21,329,423</b>

(Continued)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

						Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total amount	Total amount
January 1, 2006	₩1,482,905	₩5,591,882	₩8,937,256	₩(902,197)	₩4,717,986	₩19,827,832	\$21,329,423
Stock option exercised	2,037	13,552	-	-	-	15,589	16,770
Disposal of subsidiaries' stock	-	8,559	-	-	50,775	59,334	63,827
Increase in subsidiaries' capital-stock	-	-	-	-	306,509	306,509	329,721
Effect of changes in consolidation scope	-	-	-	-	(3,100)	(3,100)	(3,335)
Payment of cash dividends (Note 21)	-	-	(342,310)	-	(70,007)	(412,317)	(443,542)
Net income	-	-	1,259,247	-	-	1,259,247	1,354,612
Effect of beginning balance adjustment in accrued warranties	-	-	-	-	-	-	-
Effect of changes in retained earnings of subsidiaries	-	-	(57,180)	-	-	(57,180)	(61,510)
Treasury stock	-	3,832	-	27,376	-	31,208	33,571
Discount on stock issuance	-	-	-	2,026	-	2,026	2,179
Loss on valuation of available-for-sale securities	-	-	-	(158,623)	-	(158,623)	(170,636)
Loss on valuation of investment equity securities	-	-	-	206,951	-	206,951	222,624
Stock options	-	-	-	(5,257)	-	(5,257)	(5,655)
Cumulative translation debits	-	-	-	(162,557)	-	(162,557)	(174,868)
Loss on transaction of derivatives	-	-	-	(12,305)	-	(12,305)	(13,237)
Minority interests	-	-	-	-	51,988	51,988	55,925
Others	-	62,173	12,752	-	(58,297)	16,628	17,889
<b>December 31, 2006</b>	<b>₩1,484,942</b>	<b>₩5,679,998</b>	<b>₩9,809,765</b>	<b>₩(1,004,586)</b>	<b>₩4,995,854</b>	<b>₩20,965,973</b>	<b>\$22,553,758</b>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006	2005	2006	2005
Cash flows from operating activities:				
Net income	₩1,259,247	₩2,445,207	\$1,354,612	\$2,630,386
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	2,317,028	2,085,629	2,492,500	2,243,577
Amortization of intangibles	661,183	413,240	711,255	444,535
Bad debt expenses	324,855	633,394	349,457	681,362
Gain on foreign exchange translation, net	(208,230)	(122,674)	(224,000)	(131,964)
Gain on valuation of investment securities accounted for using the equity method, net	(191,567)	(450,720)	(206,075)	(484,854)
Gain on disposal of investment securities accounted for using the equity method	(38,606)	(73)	(41,530)	(79)
Loss (gain) on valuation of derivatives, net	467,578	(390,901)	502,988	(420,505)
Loss on disposal of trade notes and accounts receivable	222,528	173,744	239,380	186,902
Loss on disposal of property, plant and equipment, net	48,537	261,612	52,213	281,424
Gain on disposal of short-term investment securities, net	(17,624)	(123,461)	(18,959)	(132,811)
Gain on disposal of long-term investment securities, net	(195,922)	(34,569)	(210,759)	(37,187)
Gain on valuation of investment securities	(250)	(182,059)	(269)	(195,847)
Provision for severance benefits	734,090	616,320	789,684	662,995
Amortization of discount on debentures	24,528	26,815	26,386	28,846
Impairment loss on intangibles	25,026	7,859	26,921	8,454
Provision for accrued warranties	583,778	634,214	627,988	682,244
Loss (reversal of loss) on impairment of investment securities	72,114	(57,835)	77,575	(62,215)
Impairment loss on property, plant and equipment	56,379	25	60,649	27
Minority interests, gain	51,988	495,785	55,925	533,332
Other	44,016	52,595	47,350	56,579

(Continued)

	Korean Won (in millions)		Translation into U.S. Dollars (Note 2) (in thousands)	
	2006	2005	2006	2005
Cash flows from operating activities:				
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable	₩(1,291,836)	₩(1,424,044)	\$(1,389,669)	\$(1,531,889)
Decrease (increase) in trade notes and accounts receivable - other	336,090	(37,293)	361,543	(40,117)
Increase in inventories	(1,336,088)	(1,217,301)	(1,437,272)	(1,309,489)
Increase in advances and other current assets	(6,922)	(280,761)	(7,447)	(302,024)
Increase in deferred tax assets	(60,406)	(68,456)	(64,981)	(73,640)
Increase (decrease) in trade notes and accounts payable	1,790,118	(37,992)	1,925,686	(40,869)
Increase (decrease) in accounts payable-other	(2,034,784)	1,961,992	(2,188,881)	2,110,577
Increase (decrease) in income tax payable	244,671	(377,042)	263,200	(405,596)
Increase in accrued expenses	371,649	291,014	399,795	313,053
Increase (decrease) in deferred tax liabilities	88,602	(56,777)	95,312	(61,077)
Increase in withholding and other current liabilities	53,974	491,193	58,062	528,392
Decrease in accrued warranties	(498,521)	(813,406)	(536,275)	(875,006)
Payment of severance benefits	(728,662)	(423,551)	(783,845)	(455,627)
Decrease (increase) in individual severance insurance deposits	41,951	(168,724)	45,128	(181,502)
Other	15,757	115,102	16,952	123,818
	3,226,269	4,438,101	3,470,599	4,774,205
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from withdrawal of short-term financial instruments	4,911,028	1,796,383	5,282,948	1,932,426
Proceeds from disposal of short-term investment securities	791,134	4,503,359	851,048	4,844,405
Proceeds from disposal of long-term investment securities	1,366,787	995,006	1,470,296	1,070,359
Proceeds from disposal of investment securities accounted for using the equity method	145,641	-	156,671	-
Proceeds from disposal of property, plant and equipment	238,122	211,995	256,155	228,050
Reduction in other current assets	20,004	130,255	21,519	140,119
Reduction in other assets	410,602	302,506	441,696	325,416
	7,883,318	7,939,504	8,480,333	8,540,775

(Continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006	2005	2006	2005
<b>Cash flows from investing activities:</b>				
Cash outflows from investing activities:				
Purchase of short-term financial instruments	₩(3,603,095)	₩(4,837,001)	\$(3,875,963)	\$(5,203,314)
Acquisition of short-term investment securities	(384,036)	(337,822)	(413,120)	(363,406)
Acquisition of long-term investment securities	(1,493,177)	(672,992)	(1,606,258)	(723,959)
Acquisition of investment securities using the equity method	(284,663)	(100,009)	(306,221)	(107,583)
Acquisition of property, plant and equipment	(3,869,386)	(3,892,069)	(4,162,420)	(4,186,821)
Expenditures for development costs	(824,966)	(858,864)	(887,442)	(923,907)
Additions to other current assets	(33,832)	(129,517)	(36,394)	(139,326)
Increase in other financial business assets	(3,984,502)	(4,185,242)	(4,286,254)	(4,502,197)
Decrease in other financial business liabilities	(191,867)	(8,743)	(206,397)	(9,405)
Additions to other assets	(552,012)	(231,735)	(593,816)	(249,284)
	(15,221,536)	(15,253,994)	(16,374,285)	(16,409,202)
	(7,338,218)	(7,314,490)	(7,893,952)	(7,868,427)
<b>Cash flows from financing activities:</b>				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	24,621,505	23,583,562	26,486,128	25,369,580
Proceeds from disposal of treasury stocks	-	53,617	-	57,677
Paid in capital increase	271,825	6,413	292,411	6,899
Increase in debenture	4,703,246	5,738,594	5,059,430	6,173,186
Proceeds from long-term borrowings	3,162,505	1,095,623	3,402,006	1,178,596
Others	544,003	853,372	585,201	917,999
	33,303,084	31,331,181	35,825,176	33,703,937
Cash outflows from financing activities:				
Repayment of short-term borrowings	(24,837,515)	(21,720,920)	(26,718,497)	(23,365,878)
Repayment of debenture	(201,303)	(446,570)	(216,548)	(480,389)
Payment of cash dividends	(381,613)	(404,080)	(410,513)	(434,682)
Purchase of treasury stock	-	(660,654)	-	(710,686)
Repayment of long-term debt	(4,358,241)	(4,100,478)	(4,688,297)	(4,411,013)
Others	(91,670)	(115,479)	(98,612)	(124,224)
	(29,870,342)	(27,448,181)	(32,132,467)	(29,526,872)
	3,432,742	3,883,000	3,692,709	4,177,065
Effect of exchange rate on cash and cash equivalents, beginning of year	(42,514)	(53,272)	(45,734)	(57,306)
Effect of change in consolidated subsidiaries	53,920	256,515	58,003	275,941
Net increase (decrease) in cash and cash equivalents	(667,801)	1,209,854	(718,375)	1,301,478
Cash and cash equivalents, beginning of year	4,397,808	3,187,954	4,730,861	3,429,383
<b>Cash and cash equivalents, end of year</b>	<b>₩3,730,007</b>	<b>₩4,397,808</b>	<b>\$4,012,486</b>	<b>\$4,730,861</b>

See accompanying notes to consolidated financial statements.



## 1. GENERAL INFORMATION

### The Company

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

The Company owns and operates three principal automobile production bases in Korea: the Ulsan factory, the Asan factory and the Jeonju factory. In addition, the Company has invested in 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 Depositary Receipts issued by the Company have been listed on the London Stock Exchange and Luxemburg Stock Exchange.

As of December 31, 2006, the major shareholders of the Company are Hyundai MOBIS (15.00%), Hyundai Steel (5.86%) and Chung, Mong Koo (5.19%).

### Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and its consolidated domestic and foreign subsidiaries over which the Company has substantial control and whose individual beginning balance of total assets or paid-in capital at the date of its establishment is more than ₩7,000 million (US\$7,530 thousand). The consolidated subsidiaries as of December 31, 2006 are as follows:

Shareholders' equity as of December 31, 2006						
Subsidiaries	Nature of Business	Korean Won(*1) (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)	Shares (*2)	Percentage ownership (*2)	Indirect ownership (*2)
DOMESTIC SUBSIDIARIES:						
Kia Motors Corporation (KIA)	Manufacturing	5,247,756	5,645,176	138,654,181	39.93%	HCS - 1.26%
Hyundai Capital Service Inc. (HCS)	Financing	1,178,068	1,267,285	56,083,743	56.48%	
Hyundai HYSKO	Manufacturing	993,058	1,068,264	32,108,868	40.04%	KIA - 13.91%
Hyundai Card Co., Ltd.	Credit card	830,694	893,604	68,994,329	45.39%	KIA - 12.12%
ROTEM	Manufacturing	470,297	505,913	36,852,432	57.64%	
Hyundai Autonet Co., Ltd. (Autonet)	"	454,339	488,747	59,522,178	25.68%	KIA - 8.91%
WIA Corporation (WIA)	"	442,492	476,003	17,120,611	78.79%	KIA - 39.33%
Hyundai Powertech	"	302,464	325,370	48,000,000	100.00%	KIA - 50.00%
Dymos Inc. (DYMOS)	"	245,783	264,397	29,335,805	97.76%	KIA - 45.37% & WIA - 5.12%
KEFICO Corporation	"	232,273	249,863	1,670,000	50.00%	
Autoever Systems Corp.	Information technology	46,206	49,705	499,000	49.90%	KIA - 20.00%
Partecs Co.	Manufacturing	39,761	42,772	6,960,000	87.00%	KIA - 31.00%
Mseat Co., Ltd.	"	38,160	41,050	998,140	99.81%	DYMOS - 99.81%
METIA Co., Ltd.	"	21,377	22,996	2,983,880	99.47%	WIA - 50.94% & DYMOS - 48.53%
Mando Map & Soft Co., Ltd.	Software consultancy and supply	11,848	12,745	2,127,815	51.64%	Autonet - 25.82%
Haevichi Resort	Hotel operation	10,399	11,187	2,015,000	65.00%	KIA - 40.00% & WIA - 25.00%

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Shareholders' equity as of December 31, 2006

Subsidiaries	Nature of Business	Korean Won(*1) (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)	Shares (*2)	Percentage ownership (*2)	Indirect ownership (*2)
Chasan Co., Ltd. (Chasan)	Golf course operation	(4,719)	(5,076)	1,350,000	45.00%	KIA - 15.00%
Automobile Industrial Ace Corporation	Manufacturing	(5,653)	(6,081)	3,116,662	100.00%	WIA - 100%
Haevichi Country Club Co., Ltd.	Golf course operation	(24,263)	(26,100)	1,000,000	100.00%	Chasan - 100%
FOREIGN SUBSIDIARIES:						
Hyundai Motor America (HMA)	Sales	1,300,277	1,398,749	1,150	100.00%	
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	531,382	571,624	-	100.00%	HMA - 100%
Hyundai Motor India (HMI)	Manufacturing	521,227	560,700	8,125,411	100.00%	
Hyundai Motor Finance Company (HMFC)	Financing service	459,374	494,163	750	100.00%	HMA - 100%
Beijing Mobis Transmission Co., Ltd. (BMT)	Manufacturing	109,684	117,991	-	68.04%	KIA - 24.48% & HMGC - 19.88%
Hyundai Translead (HT)	Sales	55,031	59,199	1,160,000	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R & D	51,469	55,367	-	100.00%	
Hyundai Motor Manufacturing Czech,s.r.o. (HMMC)	Manufacturing	48,589	52,269	-	100.00%	
Hyundai Motor Company Australia (HMCA)	Sales	42,114	45,303	14,309,000	100.00%	
Hyundai Motor Group (China) Ltd. (HMGC)	Investment	29,104	31,308	-	80.00%	KIA - 30.00%
Hyundai Motor Europe GmbH (HME)	Sales	25,030	26,926	-	100.00%	
China Millennium Corporations (CMEs)	Real estate development	23,268	25,030	-	89.90%	KIA - 30.30%
Beijing Hines Millennium Real Estate Development	"	23,268	25,030	-	99.00%	CMEs - 99.00%
Hyundai America Technical Center Inc. (HATCI)	R & D	17,837	19,188	1,000	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	Sales	14,677	15,789	172,862	100.00%	
World Marketing Group LLC (WMG)	Marketing	14,090	15,157	-	100.00%	HMA - 50.00% & KMA - 50.00%
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (HAOSVT)	Manufacturing	9,965	10,720	144,354,180,656	70.00%	
Hyundai Motor Norway (HMN)	Sales	6,744	7,255	-	100.00%	
Hyundai Information Service North America (HISNA)	Information technology	5,902	6,349	-	100.00%	HMA - 50.00% & KMA - 50.00%
Hyundai Jingxian Motor Safeguard Service Co. Ltd. (HJMSS)	Investment	4,407	4,741	-	91.75%	
Hyundai Auto Canada Captive Insurance Incorporation (HACCII)	Insurance	2,847	3,063	100	100.00%	HMA - 100%

Shareholders' equity as of December 31, 2006

Subsidiaries	Nature of Business	Korean Won(*1) (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)	Shares (*2)	Percentage ownership (*2)	Indirect ownership (*2)
Hyundai Motor Hungary (HMH)	Sales	2,410	2,593	-	100.00%	
Sevenwood Property Inc.	Real estate rent	955	1,027	4,088,071	100.00%	HMA - 100%
Hyundai Motor (UK) Ltd. (HMUK)	Sales	(3,924)	(4,221)	20,000,000	100.00%	
Stamped Metal America Research Technology Inc. (SMARTI)	Managing subsidiaries	(16,050)	(17,265)	18,542,284	72.45%	HMA - 72.45%
Stamped Metal America Research Technology LLC	Manufacturing	(16,050)	(17,265)	-	100.00%	SMARTI - 100%
Hyundai Motor Japan Co. (HMJ)	Sales	(42,355)	(45,563)	80,000	100.00%	
Kia Motors Slovakia S.r.o. (KMS)	Manufacturing	388,179	417,576	100	100.00%	KME - 100%
Dong Feng Yueda Kia Motor Co., Ltd.	Manufacturing	272,269	292,888	-	50.00%	KIA - 50.00%
Kia Motors Europe GmbH (KME)	Managing subsidiaries	103,326	111,151	-	100.00%	KIA - 100%
Kia Motors America Inc. (KMA)	Sales	32,066	34,494	1,000,000	100.00%	KIA - 100%
Kia Japan Co., Ltd. (KJC)	Sales	17,985	19,347	267,800	100.00%	KIA - 100%
Kia Motors Sales Slovensko s.r.o. (KMSS)	"	2,854	3,070	-	100.00%	KME - 100%
Kia Motors Czech s.r.o. (KMCZ)	"	2,696	2,900	106,870,000	100.00%	KME - 100%
Kia Motors Australia Pty. Ltd. (KMAU)	"	1,569	1,688	-	100.00%	KIA - 100%
Kia Motors New Zealand Ltd. (KMNZ)	"	(1,958)	(2,106)	-	100.00%	KMAU - 100%
Kia Motors Hungary Kft (KMH)	"	(4,258)	(4,580)	30,000,000	100.00%	KME - 100%
Kia Motors Sweden AB (KMSW)	"	(6,445)	(6,933)	4,400,000	100.00%	KME - 100%
Kia Motors Austria GmbH(KMAS)	"	(9,585)	(10,311)	2,107,512	100.00%	KME - 100%
Kia Motors Polska Sp.z.o.o.(KMP)	"	(9,930)	(10,682)	15,637	99.60%	KMD - 99.60%
Kia Motors Belgium (KMB)	"	(19,661)	(21,150)	1,000,000	100.00%	KME - 100%
Kia Motors Iberia (KMIB)	"	(55,714)	(59,933)	31,600,000	100.00%	KME - 100%
Kia Canada, Inc. (KCI)	"	(67,386)	(72,489)	6,298	100.00%	KIA - 82.50% & KMA - 17.50%
Kia Automobiles France (KMF)	"	(70,594)	(75,940)	5,000,000	100.00%	KME - 100%
Kia Motors Deutschland GmbH (KMD)	"	(98,714)	(106,190)	-	100.00%	KIA - 100%
Kia Motors (UK) Ltd. (KMUK)	"	(141,720)	(152,453)	17,000,000	100.00%	KME - 100%
Wia Automotive Engine (Shandong) Company	Manufacturing	32,749	35,229	-	70.00%	KIA - 18.00% & WIA - 30.00%
Wia Automotive Parts (WAP)	"	22,829	24,558	-	100.00%	WIA - 100%
Beijing Hyundai Hysco Steel Process Co., Ltd.	"	22,800	24,527	-	100.00%	HYSCO - 100%
Hyundai-Kia Machine Europe GmbH (HKME)	"	12,726	13,690	-	100.00%	WIA - 100%
Jiangsu Hysco Steel Process. Co. Ltd	"	9,494	10,213	-	90.00%	HYSCO - 90.00%
Hysco Slovakia, s.r.o.	"	8,682	9,340	-	100.00%	HYSCO - 100%
Hyundai de Mexico, S.A. de C.V. (HYMEX)	"	8,124	8,739	9,996	99.96%	HT - 99.96%
Hyundai-Hitech Electronics	"	8,097	8,710	-	100.00%	Autonet - 100%
Hyundai Hysco USA, Inc. (formerly Hyundai Pipe of America, Inc.)	"	7,137	7,677	250,000	100.00%	HYSCO - 100%
Hysco America Co. Inc	"	6,713	7,221	1,000	100.00%	HYSCO - 100%
Hyundai-Kia Machine America Corp. (HKMA)	"	4,420	4,755	1,000	100.00%	WIA - 100%

(\*1) Local currency in foreign subsidiaries is translated into Korean won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. at December 31, 2006.

(\*2) Shares and ownership are calculated by combining the shares and ownership, which the Company and its subsidiaries hold as of December 31, 2006. Indirect ownership represents subsidiaries' holding ownership.

In 2006, the Company added three domestic companies; Mando Map & Soft Co., Ltd., Chasan Co., Ltd. and Haevichi Country Club Co., Ltd., and eleven overseas companies: Hyundai Motor Manufacturing Czech,s.r.o. (HMMC), Wia Automotive Engine(Shandong) Company, Jiangsu Hysco Steel Process. Co. Ltd., Hysco Slovakia, s.r.o., Hyundai-Hitech Electronics, Hyundai Motor Norway (HMN), Hyundai Information Service North America (HISNA), Kia Motors Sales Slovensko s.r.o. (KMSS), Hyundai Motor Hungary (HMH), Kia Motors Australia Pty. Ltd (KMAU) and Kia Motors New Zealand Ltd. (KMNZ), to its consolidated subsidiaries due to the acquisition of ownership enabling the Company and its subsidiaries to exercise substantial control or the increase in individual assets at the end of the preceding year exceeding the required level of ₩7,000 million (US\$7,530 thousand) for consolidation with substantial control. In addition, as Bontec Co., Ltd. was merged to Hyundai Autonet Co., Ltd. in 2006 and Haevichi Leisure Co., Ltd. was under the liquidation procedure as of December 31, 2006, both companies were excluded from consolidated subsidiaries.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Basis of Consolidated Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company and its subsidiaries' financial position, results of operations 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 ₩929.60 to US\$1.00 at December 31, 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 consolidated financial statements as of December 31, 2006 in accordance with accounting principles generally accepted in the Republic of Korea. The significant accounting policies followed by the Company in the preparation of its consolidated financial statements as of December 31, 2006 are identical to those as of December 31, 2005, except for the adoption of the additional Statements of Korea Accounting Standards ("SKAS") No.18 - "Interests in Joint Ventures", No.19 - "Lease" and No.20 - "Related Party Disclosures", which were effective from January 1, 2006.

The Company early applied the written opinion for applying Accounting Standards No. 06-2 - "Recognition of deferred tax related to investments in subsidiaries, associates, and interests in joint ventures", issued on December 29, 2006, effective January 1, 2007 and early application is permitted, and restated the comparative financial statement as of December 31, 2005 to conform to the opinion No.06-2.

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

### Principles of Consolidation

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

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

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

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

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

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

### Revenue Recognition

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

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

### Allowance for Doubtful Accounts

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

### **Inventories**

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

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

#### *Classification of Securities*

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

#### *Valuation of Securities*

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

After initial recognition, held-to-maturity securities are valued at amortized cost. The difference between their acquisition costs and face values is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sales securities are also valued at fair value, with unrealized holding gains or losses recognized in 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**

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

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

If an investor's share of losses of an investee equals or exceeds its interest in 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:

	Useful lives (years)
Buildings and structures	2 – 60
Machinery and equipment	2 – 15
Vehicles	3 – 15
Dies, molds and tools	2 – 14
Other equipment	3 – 15

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

### Intangibles

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

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

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

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

#### **Valuation of Receivables and Payables at Present Value**

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

#### **Accounting for Lease Contracts**

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

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

#### **Accrued Severance Benefits**

Employees and directors of the Company and its domestic subsidiaries with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with each company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees were to resign amount to ₩3,020,377 million (US\$3,249,115 thousand) and ₩3,015,591 million (US\$3,243,966 thousand) as of December 31, 2006 and 2005, respectively.

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

Actual payments of severance benefits by the Company and its subsidiaries amounted to ₩728,662 million (US\$783,845 thousand) and ₩423,551 million (US\$455,627 thousand) in 2006 and 2005, respectively.

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



### Accrued Warranties and Product Liabilities

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

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

### 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.

### Accounting for Foreign Currency Transactions and Translation

The Company and its domestic subsidiaries maintain their accounts in Korean Won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction dates. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Base Rate announced by Seoul Money Brokerage Services, Ltd., which was ₩929.60 and ₩1,013.00 to US\$1.00 at December 31, 2006 and 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 carry forwards. Deferred tax assets and liabilities in the same current or non-current classification are offset if these relate to income tax levied by the same tax jurisdictions.

### Earnings per Common Share

Basic 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 the 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 in 2006 and 2005 are computed as follows:

	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006	2005	2006	2005
Ordinary and net income	₩1,259,247	₩2,445,207	\$1,354,612	\$2,630,386
Expected dividends on preferred stock	(67,194)	(82,757)	(72,283)	(89,024)
Ordinary and net income available to common share	1,192,053	2,362,450	1,282,329	2,541,362
Weighted average number of common shares outstanding (*)	207,776,640	209,529,206	207,776,640	209,529,206
<b>Ordinary and net income per common share</b>	<b>₩5,737</b>	<b>₩11,275</b>	<b>\$6.17</b>	<b>\$12.13</b>

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

Diluted ordinary income per common share and net income per common share in 2006 and 2005 are computed as follows:

		Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)
	2006	2005	2006	2005
Ordinary and net income				
available to common share	₩1,192,053	₩2,362,450	\$1,282,329	\$2,541,362
Stock option compensation expense	-	1	-	1
Ordinary and net income available to				
diluted common share	1,192,053	2,362,451	1,282,329	2,541,363
Weighted average number of common				
shares and diluted securities outstanding	208,567,489	210,582,591	208,567,489	210,582,591
<b>Diluted ordinary and net income per common share</b>	<b>₩5,715</b>	<b>₩11,219</b>	<b>\$6.15</b>	<b>\$12.07</b>

### 3. INVENTORIES:

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

		Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)
Accounts	2006	2005	2006	2005
Finished goods and merchandise	₩5,092,981	₩4,653,727	\$5,478,680	\$5,006,161
Semi finished goods and work in process	1,160,442	980,670	1,248,324	1,054,938
Raw materials and supplies	1,384,479	1,189,029	1,489,328	1,279,076
Materials in transit	1,312,404	1,121,303	1,411,794	1,206,221
Other	941,939	623,383	1,013,274	670,592
	<b>₩9,892,245</b>	<b>₩8,568,112</b>	<b>\$10,641,400</b>	<b>\$9,216,988</b>

### 4. SHORT-TERM INVESTMENT SECURITIES:

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

Description	Acquisition cost	Book value	Book value
Trading securities:			
Government bonds	₩2,015	₩2,015	\$2,168
Beneficiary certificates	140,406	140,483	151,122
Corporate bonds	1,000	1,000	1,076
Available-for-sale securities:			
Government bonds	586	586	630
Beneficiary certificates	306,340	315,556	339,454
Held-to-maturity securities:			
Government bonds	5,134	5,134	5,523
Corporate bonds	600	600	645
Asset backed securities	10,055	10,055	10,816
	<b>₩466,136</b>	<b>₩475,429</b>	<b>\$511,434</b>

(2) Short-term investment securities as of December 31, 2005 consist of the following:

Description	Acquisition cost	Korean Won	Translation into
		(In millions)	U.S. Dollars (Note 2) (In thousands)
		Book value	Book value
Trading securities:			
Beneficiary certificates	₩153,509	₩154,831	\$166,557
Available-for-sale securities:			
Government bonds	2,087	2,090	2,248
Corporate bonds	341,942	341,942	367,838
Asset backed securities	5,790	5,804	6,244
Beneficiary certificates	337,022	348,877	375,298
Held-to-maturity securities:			
Corporate bonds	6,249	6,230	6,701
	<b>₩846,599</b>	<b>₩859,774</b>	<b>\$924,886</b>

## 5. LONG-TERM INVESTMENT SECURITIES:

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

Description	Korean Won		Translation into	
	2006	2005	2006	2005
		(In millions)	U.S. Dollars (Note 2)	U.S. Dollars (Note 2)
			(In thousands)	(In thousands)
Available-for-sale securities:				
Equity securities stated at fair value	₩499,788	₩528,747	\$537,638	\$568,790
Equity securities stated at acquisition cost	191,211	249,204	205,692	268,076
Debt securities	1,298,468	1,507,167	1,396,803	1,621,307
	<b>1,989,467</b>	<b>2,285,118</b>	<b>2,140,133</b>	<b>2,458,173</b>
Held-to-maturity securities:				
Debt securities	13,184	61,745	14,182	66,421
	<b>₩2,002,651</b>	<b>₩2,346,863</b>	<b>\$2,154,315</b>	<b>\$2,524,594</b>

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

Companies	Acquisition cost	Korean Won	Translation into	Ownership percentage (*2)
		(In millions)	U.S. Dollars (Note 2) (In thousands)	
		Book value	Book value	(%)
Hyundai Finance Corporation	₩9,888	₩11,395	\$12,258	9.29
KOENTEC	1,550	2,604	2,801	6.20
Korea Information Service, Inc.	5,252	4,907	5,279	4.41
Hyundai Heavy Industries Co., Ltd.	56,924	275,940	296,837	2.88
Daewoo International Corporation	9,822	92,549	99,558	2.50
Jin Heung Mutual Savings Bank	2,166	2,188	2,354	2.28
Hyundai Information Technology Co., Ltd.	10,000	1,400	1,506	2.21

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

Companies	Acquisition cost	Korean Won	Translation into	Ownership percentage [*2]
		(In millions)	U.S. Dollars (Note 2)	
		Book value	Book value	(%)
Hyundai Development Company	₩12,786	₩36,210	\$38,952	0.85
LG Telecom, Ltd.	9,795	18,086	19,456	0.68
Hyundai Merchant Marine Co., Ltd.	9,568	15,319	16,479	0.49
Kanglim Co., Ltd.	347	50	54	0.38
Hyundai Corporation	13,626	1,743	1,875	0.37
KT Freetel	18,000	16,552	17,806	0.30
SeAH Besteel Co., Ltd.	854	1,422	1,530	0.17
Tong Yang Investment Bank	282	127	137	0.01
Treasury Stock Fund	26,647	17,948	19,307	-
SK Networks Co., Ltd. [*1]	363	1,346	1,447	-
Other	90	2	2	-
	<b>₩187,960</b>	<b>₩499,788</b>	<b>\$537,638</b>	

(\*1) Disposal of stocks is restricted.

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

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

Companies	Acquisition cost	Korean Won	Translation into	Ownership percentage [*2]
		(In millions)	U.S. Dollars (Note 2)	
		Book value	Book value	(%)
KOENTEC	₩1,550	₩4,604	\$4,953	6.20
Saehan Media [*1]	4,933	4,450	4,787	4.90
Korea Information Service, Inc.	5,252	4,119	4,431	4.41
Jin Heung Mutual Savings Bank	2,166	3,097	3,332	3.33
Daewoo Engineering & Construction Co., Ltd.	42,483	136,996	147,371	3.01
Hyundai Heavy Industries Co., Ltd.	56,924	168,411	181,165	2.88
Daewoo International Corporation	9,822	90,652	97,517	2.50
Hyundai Information Technology Co., Ltd.	10,000	2,790	3,001	2.21
LG Telecom, Ltd.	9,795	12,483	13,428	0.68
Hyundai Development Company	12,786	29,198	31,409	0.85
Hyundai Corporation	13,626	1,513	1,628	1.08
Doosan Industrial Development Co., Ltd.	2,186	5,723	6,156	0.58
Hyundai Merchant Marine Co., Ltd.	7,329	7,645	8,224	0.55
SsangYong Cement Industrial Co., Ltd.	6,394	5,405	5,814	0.50
Kanglim Co., Ltd.	347	55	59	0.38
KT Freetel	18,000	13,715	14,754	0.30
Hyundai Engineering & Construction Co., Ltd.	13,332	13,302	14,309	0.27
SeAH Besteel Co., Ltd.	854	1,269	1,365	0.17

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Companies	Acquisition cost	Book value	Translation into	Ownership percentage [*2]
			Korean Won (In millions)	
Wigoglobal Co., Ltd.	₩904	₩4	\$4	0.12
Tong Yang Investment Bank	282	115	124	0.01
Treasury Stock Fund	22,353	22,353	24,046	-
SK Networks Co., Ltd. [*1]	363	846	911	-
Other	98	2	2	-
	<b>₩241,779</b>	<b>₩528,747</b>	<b>\$568,790</b>	

[\*1] Disposal of stocks is restricted.

[\*2] Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.

The differences between the acquisition cost and the book value stated at fair value in short-term investment securities and long-term investment securities are recorded in capital adjustments (See Note 17).

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

Companies	Acquisition cost	Book value	Translation into	Ownership percentage [*3]
			Korean Won (In millions)	
Wia Trade Corporation [*1]	₩590	₩590	\$635	100.00
HMCIS[*1]	3,959	3,959	4,259	80.00
NGVTEK.com [*1]	821	821	883	53.66
Carnes Co., Ltd. [*1]	250	250	269	49.99
Seoul Metro 9th line [*2]	41,779	41,779	44,944	49.02
Muan Environment System Corporation [*2]	1,394	1,394	1,500	29.90
The Sign Corporation [*1]	2,025	2,025	2,178	22.02
Heesung PM Tech Corporation	1,194	1,194	1,284	19.90
Clean Air Technology Inc.	500	500	538	16.13
Industri Otomotif Komersial	4,439	4,439	4,775	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,830	14.97
Hyundai Research Institute	1,359	1,271	1,367	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	147	14.90
Gyeongnam Credit Guarantee Foundation	2,500	2,500	2,689	13.66
Kihyup Finance, Inc.	3,700	3,700	3,980	12.75
NESSCAP Inc.	1,997	1,997	2,148	12.05
Yonhap Capital Co., Ltd.	10,500	10,500	11,295	10.49
Micro Infinity	607	607	653	9.76
Daejoo Heavy Industry Co. Ltd.	650	650	699	9.29
Veloxsoft Inc.	1,000	1,000	1,076	8.00
Korea Credit Bureau Co., Ltd.	3,000	3,000	3,227	6.26
Hankyoreh Plus Inc.	4,800	284	306	5.43

Companies	Acquisition cost	Book value	Translation into	Ownership percentage [*3]
			Korean Won (In millions)	
Korea Smart Card Co., Ltd.	₩1,628	₩22	\$24	5.31
ENOVA System	4,074	2,462	2,648	4.67
Hyundai Asan Corporation	22,500	5,405	5,814	4.61
Hyundai Oil Refinery Co., Ltd.	53,314	53,314	57,353	4.35
Space Imaging LLC	5,319	-	-	2.16
ROTIS Inc.	1,000	8	9	1.33
Koryo Co., Ltd.	6,625	728	783	1.02
Korea Investment Mutual Savings & Finance Co., Ltd.	3,000	3,000	3,227	0.41
International Convention Center Jeju Co., Ltd.	500	500	538	0.30
GM Daewoo Auto and Technology Co., Ltd.	2,187	-	-	0.02
Pilot beneficiary certificates	8,252	9,269	9,971	-
Equity investments	19,587	19,587	21,070	-
Other	10,589	9,829	10,573	-
	<b>₩235,924</b>	<b>₩191,211</b>	<b>\$205,692</b>	

(\*1) The equity securities of these affiliates were excluded from 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\$7,530 thousand), are not material.

(\*2) This investment security was excluded from using the equity method despite its ownership percentage exceeding twenty percentages, since there is no significant influence on the investee.

(\*3) Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.

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

Companies	Acquisition cost	Book value	Translation into	Ownership percentage [*3]
			Korean Won (In millions)	
Hyundai Motor Hungary [*1]	₩5,415	₩5,415	\$5,825	100.00
Hyundai Motor Norway AS [*1]	5,636	5,636	6,063	100.00
BONTEC America Inc. [*1]	313	44	47	100.00
Carnes Co., Ltd. [*1]	250	250	269	49.99
Seoul Metro 9th line [*2]	37,195	37,195	40,012	49.02
Mando Map & Soft Co., Ltd. [*1]	2,634	2,634	2,834	33.96
Heesung PM Tech Corporation	1,194	1,194	1,285	19.90
The Sign Corporation	1,800	1,800	1,936	17.39
Clean Air Technology Inc.	500	500	538	16.13
Industri Otomotif Komersial	4,439	4,439	4,775	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,830	14.97

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Companies	Acquisition cost	Book value	Book value	Ownership percentage [*3]
		Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)	[%]
Hyundai Research Institute	₩1,359	₩1,271	\$1,367	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	147	14.90
Gyeongnam Credit Guarantee Foundation	2,500	2,500	2,689	13.66
Kihyup Finance, Inc.	3,700	3,700	3,980	12.75
Micro Infinity	607	607	653	10.51
Yonhap Capital Co., Ltd.	10,500	10,500	11,295	10.49
Wisco Co., Ltd.	348	348	374	9.68
Hyundai Finance Corporation	9,888	9,888	10,637	9.29
Daejoo Heavy Industry Co. Ltd.	650	650	699	9.29
Hankyoreh Plus Inc.	4,800	284	306	7.41
Hyundai Oil Refinery Co., Ltd.	88,857	88,857	95,586	7.24
Korea Credit Bureau Co., Ltd.	3,000	3,000	3,227	6.26
Korea Smart Card Co., Ltd.	1,628	1,628	1,751	5.31
ENOVA System	4,075	2,461	2,648	4.67
Hyundai Asan Corporation	22,500	5,405	5,814	4.61
Space Imaging LLC	5,319	432	465	4.32
ROTIS Inc.	1,000	8	9	1.33
Koryo Co., Ltd.	6,625	728	783	1.02
Korea Investment Mutual Savings & Finance Co., Ltd.	3,000	3,000	3,227	0.41
International Convention Center Jeju Co., Ltd.	500	500	538	0.31
GM Daewoo Auto and Technology Co., Ltd.	2,187	-	-	0.02
Pilot beneficiary certificates	10,786	22,361	24,055	-
Equity investments	31,360	18,838	20,265	-
Other	22,851	8,504	9,147	-
	<b>₩307,701</b>	<b>₩249,204</b>	<b>\$268,076</b>	

[\*1] The equity securities of these affiliates were excluded from 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\$6,910 thousand), are not material.

[\*2] This investment security was excluded from using the equity method despite its ownership percentage exceeding twenty percentages, since there is no significant influence on the investee.

[\*3] Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.



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

Description	Acquisition cost	Korean Won	Translation into
		(In millions)	U.S. Dollars (Note 2)
		Book value	Book value
			(In thousands)
Government bonds	₩9,319	₩9,794	\$10,536
Corporate bonds	9,701	9,701	10,436
Asset backed securities	1,309,059	1,277,680	1,374,441
Other	1,445	1,293	1,390
	<b>₩1,329,524</b>	<b>₩1,298,468</b>	<b>\$1,396,803</b>

Debt securities, classified into available-for-sale securities, included in long-term investment securities as of December 31, 2005 consist of the following:

Description	Acquisition cost	Korean Won	Translation into
		(In millions)	U.S. Dollars (Note 2)
		Book value	Book value
			(In thousands)
Government bonds	₩24,797	₩28,548	\$30,710
Corporate bonds	9,951	10,167	10,937
Asset backed securities	1,469,359	1,468,359	1,579,560
Other	86	93	100
	<b>₩1,504,193</b>	<b>₩1,507,167</b>	<b>\$1,621,307</b>

(5) Debt securities included in held-to-maturity of long-term investment securities as of December 31, 2006 consist of the following:

Description	Acquisition cost	Korean Won	Translation into
		(In millions)	U.S. Dollars (Note 2)
		Book value	Book value
			(In thousands)
Government bonds	₩12,884	₩12,884	\$13,860
Corporate bonds	300	300	322
	<b>₩13,184</b>	<b>₩13,184</b>	<b>\$14,182</b>

Debt securities included in held-to-maturity of long-term investment securities as of December 31, 2005 consist of the following:

Description	Acquisition cost	Korean Won	Translation into
		(In millions)	U.S. Dollars (Note 2)
		Book value	Book value
			(In thousands)
Government bonds	₩12,545	₩12,545	\$13,495
Corporate bonds	49,200	49,200	52,926
	<b>₩61,745</b>	<b>₩61,745</b>	<b>\$66,421</b>

(6) Maturity of debt securities as of December 31, 2006 and 2005 consist of the following:

Maturity	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006 Book value	2005 Book value	2006 Book value	2005 Book value
1 year ~ 5 years	₩1,093,456	₩1,426,206	\$1,176,265	\$1,534,215
6 years ~ 10 years	218,196	142,206	234,720	152,975
Over 10 years	-	500	-	538
	<b>₩1,311,652</b>	<b>₩1,568,912</b>	<b>\$1,410,985</b>	<b>\$1,687,728</b>

#### 6. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

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

Affiliated company	Acquisition cost	Net equity value	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)		Ownership percentage (*2)
			Book value	Acquisition cost	Net equity value	Book value	
Hyundai Steel Company	₩245,153	₩752,156	₩429,513	\$263,720	\$809,119	\$462,040	21.39
Hyundai MOBIS	175,159	694,626	408,764	188,425	747,231	439,719	19.13
Eukor Car Carriers, Inc.	48,912	126,789	111,692	52,616	136,391	120,151	20.00
Korea Space & Aircraft Co., Ltd.	159,800	95,895	79,503	171,902	103,157	85,524	22.23
Asset Management Co., Ltd.	10,067	44,421	41,194	10,829	47,785	44,314	19.99
HK Mutual Savings Bank	38,087	28,176	29,549	40,971	30,310	31,787	19.31
Korea Economy Daily	29,973	22,133	26,052	32,243	23,809	28,025	20.55
Iljin Bearing Co., Ltd	826	14,853	14,853	889	15,978	15,978	20.00
Daesung Automotive Co., Ltd.	400	10,295	10,295	430	11,075	11,075	20.00
Donghui Auto Co., Ltd.	10,530	8,572	8,592	11,327	9,221	9,243	35.10
TRW Steering Co., Ltd.	8,952	6,329	6,327	9,630	6,808	6,806	29.00
Wisco Co., Ltd.	1,736	6,573	4,986	1,867	7,071	5,364	38.63
Kia Tigers Co., Ltd. (*1)	20,300	(189)	-	21,837	(203)	-	100.00
Beijing-Hyundai Motor Company	232,410	380,199	371,464	250,011	408,992	399,596	50.00
Hyundai Motor Deutschland GmbH	6,761	19,113	18,589	7,273	20,560	19,997	30.00
Beijing Lear Dymos Automotive Systems Co., Ltd.	2,662	3,719	3,891	2,864	4,001	4,186	40.00
Hyundai Electronics (Tianjin) Co., Ltd. (*1)	3,972	3,452	3,452	4,273	3,713	3,713	100.00
Hysco Steel India, Ltd. (*1)	2,517	2,517	2,517	2,708	2,708	2,708	100.00
Rotem USA Corporation (*1)	3,357	2,500	2,500	3,611	2,689	2,689	100.00
Yan Ji Kia Motors A/S (*1)	1,792	1,792	1,792	1,928	1,928	1,928	100.00
Hyundai Motor Japan R&D Center Inc. (*1)	1,510	1,749	1,749	1,624	1,881	1,881	100.00

Affiliated company	Acquisition cost	Net equity value	Book value	Korean Won (In millions)			Translation into U.S. Dollars (Note 2) (In thousands)		Ownership percentage (*2)
				Acquisition cost	Net equity value	Book value	Acquisition cost	Net equity value	
Autoever Systems India Pvt. Ltd. (*1)	₩50	₩572	₩572	\$54	\$615	\$615		100.00	
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC A.S. (*1)	478	355	355	514	382	382		50.50	
Rotem Equipments (Beijing) Co., Ltd. (*1)	190	153	153	204	165	165		100.00	
Autoever Systems China Co., Ltd. (*1)	80	42	42	86	45	45		90.00	
Eukor Car Carriers Singapore Pte. (*1)	5	5	5	5	5	5		20.00	
	<b>₩1,005,679</b>	<b>₩2,226,797</b>	<b>₩1,578,401</b>	<b>\$1,081,841</b>	<b>\$2,395,436</b>	<b>\$1,697,936</b>			

(\*1) These companies are excluded in the consolidation since individual beginning balance of total assets is less than ₩7,000 million (US\$7,530 thousand).

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

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

Affiliated company	Acquisition cost	Net equity value	Book value	Korean Won (In millions)			Translation into U.S. Dollars (Note 2) (In thousands)		Ownership percentage (*2)
				Acquisition cost	Net equity value	Book value	Acquisition cost	Net equity value	
Hyundai Steel Company	₩317,911	₩493,351	₩362,218	\$341,986	\$530,712	\$389,649		27.80	
Hyundai MOBIS	244,753	1,614,978	564,195	263,289	1,737,283	606,922		20.40	
Eukor Car Carriers, Inc.	48,912	115,074	99,032	52,616	123,789	106,532		20.00	
Korea Space & Aircraft Co., Ltd.	129,800	106,546	89,548	139,630	114,615	96,330		33.33	
Asset Management Co., Ltd.	10,067	30,746	26,440	10,829	33,074	28,442		19.99	
Korea Economy Daily	29,973	20,844	25,095	32,243	22,423	26,995		20.55	
Iljin Bearing Co., Ltd.	826	14,009	13,983	889	15,070	15,042		20.00	
Daesung Automotive Co., Ltd.	400	8,641	6,113	430	9,295	6,576		20.00	
Donghui Auto Co., Ltd.	10,530	8,197	8,237	11,327	8,818	8,861		35.10	
TRW Steering Co., Ltd.	8,952	6,644	7,273	9,630	7,147	7,824		29.00	
Kia Tigers Co., Ltd. (*1)	20,300	(116)	1,857	21,837	(125)	1,998		100.00	
NGVTEK.com (*1)	821	821	821	883	883	883		78.05	
Beijing-Hyundai Motor Company	201,179	369,710	373,911	216,415	397,709	402,228		50.00	
Hyundai Motor Deutschland GmbH	6,761	18,240	17,412	7,273	19,621	18,731		30.00	
Beijing Lear Dymos Automotive Systems Co., Ltd.	2,662	2,544	2,773	2,864	2,737	2,983		40.00	
Hyundai Electronics (Tianjin) Co., Ltd. (*1)	3,972	3,712	3,724	4,273	3,993	4,006		100.00	
Yan Ji Kia Motors A/S (*1)	1,792	837	1,792	1,928	900	1,928		100.00	

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Affiliated company	Acquisition cost	Net equity value	Book value	Acquisition cost	Net equity value	Book value	Ownership percentage (*2)
Hyundai Motor Japan							
R&D Center Inc. (*1)	₩1,510	₩1,885	₩1,886	\$1,624	\$2,028	\$2,029	100.00
Hyundai Information System							
North America, LLC (*1)	5,332	5,521	5,521	5,736	5,939	5,939	100.00
Hysco Slovakia S.R.O (*1)	5,196	4,385	4,385	5,590	4,717	4,717	100.00
Global Engine Alliance, LLC	1,484	1,642	1,484	1,596	1,766	1,596	33.33
Kia Motors Australia Pty Ltd. (*1)	825	215	825	887	231	887	100.00
Hyundai Electronics							
(Tianjin) Co., Ltd.	712	462	712	766	497	766	50.00
Hyundai Autonet Pontus							
America (*1)	450	405	450	484	436	484	100.00
Hyundai Hi-Tech Electronics							
(Tianjin) Co., Ltd. (*1)	4,149	3,350	186	4,463	3,604	200	100.00
Pontus Map Co., Ltd. (*1)	180	180	180	194	194	194	90.00
Global Engine Manufacturing, LLC	101	(5,143)	101	109	(5,532)	109	33.33
Eukor Car Carriers							
Singapore Pte. (*1)	13	13	13	14	14	14	20.00
PT. Kia Timor Motors	10,908	-	-	11,734	-	-	30.00
	<b>₩1,070,471</b>	<b>₩2,827,693</b>	<b>₩1,620,167</b>	<b>\$1,151,539</b>	<b>\$3,041,838</b>	<b>\$1,742,865</b>	

(\*1) These companies are excluded in the consolidation since individual beginning balance of total assets is less than ₩7,000 million (US\$7,530 thousand).

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

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

Affiliated company	Beginning of year	Acquisition (disposal)	Gain (loss) on valuation	Other changes (*)	End of year	End of year
Hyundai Steel Company	₩362,218	₩(108,353)	₩165,266	₩10,382	₩429,513	\$462,040
Hyundai MOBIS	564,195	(75,894)	81,841	(161,378)	408,764	439,719
Eukor Car Carriers, Inc.	99,032	-	9,059	3,601	111,692	120,151
Korea Space & Aircraft Co., Ltd.	89,548	30,000	(38,994)	(1,051)	79,503	85,524
Asset Management Co., Ltd.	26,440	-	15,458	(704)	41,194	44,314
HK Mutual Savings Bank	-	-	(8,458)	38,007	29,549	31,787
Korea Economy Daily	25,095	-	1,403	(446)	26,052	28,025
Iljin Bearing Co., Ltd.	13,983	-	869	1	14,853	15,978
Daesung Automotive Co., Ltd.	6,113	-	674	3,508	10,295	11,075
Donghui Auto Co., Ltd.	8,237	-	367	(12)	8,592	9,243
TRW Steering Co., Ltd.	7,273	-	(1,132)	186	6,327	6,806
Wisco Co., Ltd.	-	-	3,250	1,736	4,986	5,364

Affiliated company	Beginning of year	Acquisition (disposal)	Gain (loss) on valuation	Other changes (*)	Korean Won	Translation into
					(In millions)	U.S. Dollars (Note 2) (In thousands)
					End of year	End of year
Kia Tigers Co., Ltd.	₩1,857	₩ -	₩(1,907)	₩50	₩ -	\$ -
NGVTEK.com	821	-	-	(821)	-	-
Beijing-Hyundai Motor Company	373,911	31,231	60,573	(94,251)	371,464	399,596
Hyundai Motor Deutschland GmbH	17,412	-	3,477	(2,300)	18,589	19,997
Beijing Lear Dymos Auto-Motive Systems Co., Ltd.	2,773	-	1,260	(142)	3,891	4,186
Hyundai Electronics (Tianjin) Co., Ltd.	3,724	-	(80)	(192)	3,452	3,713
Hysco Steel India, Ltd.	-	2,517	-	-	2,517	2,708
Rotem USA Corporation	-	3,357	(775)	(82)	2,500	2,689
Yan Ji Kia Motors A/S	1,792	-	-	-	1,792	1,928
Hyundai Motor Japan R&D Center Inc	1,886	-	37	(174)	1,749	1,881
Autoever Systems India Pvt. Ltd.	-	520	45	7	572	615
Eurotem DEMIRYOLU						
ARACLARI SAN. VE TIC A.S.	-	478	(69)	(54)	355	382
Rotem Equipments (Beijing) Co., Ltd.	-	190	(37)	-	153	165
Autoever Systems China Co., Ltd.	-	80	(38)	-	42	45
Eukor Car Carriers Singapore Pte.	13	-	-	(8)	5	5
Hyundai Information System						
North America, LLC	5,521	-	-	(5,521)	-	-
Hysco Slovakia S.R.O	4,385	-	-	(4,385)	-	-
Global Engine Alliance, LLC	1,484	-	-	(1,484)	-	-
Kia Motors Australia Pty Ltd.	825	-	-	(825)	-	-
Hyundai Electronics (Tianjin) Co., Ltd.	712	-	-	(712)	-	-
Hyundai Autonet Pontus America	450	-	-	(450)	-	-
Hyundai Hi-Tech Electronics (Tianjin) Co., Ltd.	186	-	-	(186)	-	-
Pontus Map Co., Ltd.	180	-	-	(180)	-	-
Global Engine Manufacturing, LLC	101	-	-	(101)	-	-
	<b>₩1,620,167</b>	<b>₩(115,874)</b>	<b>₩292,089</b>	<b>₩(217,981)</b>	<b>₩1,578,401</b>	<b>\$1,697,936</b>

(\*) Other changes consist of the decrease of ₩100,522 million (US\$108,135 thousand) and ₩142,617 million (US\$153,418 thousand) due to receipt of dividends from investees and changes of investees' capital adjustment, respectively, and the increase of ₩25,158 million (US\$27,063 thousand) due to changes of consolidated subsidiaries.

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The changes in investment securities accounted for using the equity method in 2005 are as follows:

Affiliated company	Beginning of year	Acquisition (disposal)	Gain (loss) on valuation	Other changes (*)	Korean Won	Translation into
					(In millions)	U.S. Dollars (Note 2) (In thousands)
					End of year	End of year
Hyundai Steel Company	₩ -	₩ -	₩277,599	₩84,619	₩362,218	\$389,649
Hyundai MOBIS	546,923	-	102,143	(84,871)	564,195	606,922
Eukor Car Carriers, Inc.	80,810	-	21,979	(3,757)	99,032	106,532
Korea Space & Aircraft Co., Ltd.	81,827	-	329	7,392	89,548	96,330
Asset Management Co., Ltd.	-	9,044	16,417	979	26,440	28,442
Korea Economy Daily	14,247	10,000	113	735	25,095	26,995
Iljin Bearing Co., Ltd.	13,102	-	721	160	13,983	15,042
Daesung Automotive Co., Ltd.	6,094	-	465	(446)	6,113	6,576
Donghui Auto Co., Ltd.	7,695	-	542	-	8,237	8,861
TRW Steering Co., Ltd.	7,598	-	(325)	-	7,273	7,824
Kia Tigers Co., Ltd.	6,024	-	(4,167)	-	1,857	1,998
NGVTEK.com	250	-	-	571	821	883
Beijing-Hyundai Motor Company	292,896	67,488	88,899	(75,372)	373,911	402,228
Hyundai Motor Deutschland GmbH	12,588	-	7,113	(2,289)	17,412	18,731
Beijing Lear Dymos						
Automotive Systems Co., Ltd.	572	2,091	16	94	2,773	2,983
Hyundai Electronics (Tianjin) Co., Ltd.	-	-	-	3,724	3,724	4,006
Yan Ji Kia Motors A/S	1,792	-	-	-	1,792	1,928
Hyundai Motor Japan R&D Center Inc	2,244	-	34	(392)	1,886	2,029
Hyundai Information System						
North America, LLC	-	2,533	150	2,838	5,521	5,939
Hysco Slovakia S.R.O	-	5,196	(699)	(112)	4,385	4,717
Global Engine Alliance, LLC	-	-	-	1,484	1,484	1,596
Kia Motors Australia Pty Ltd.	825	-	-	-	825	887
Hyundai Electronics (Tianjin) Co., Ltd.	-	-	-	712	712	766
Hyundai Autonet Pontus America	-	209	-	241	450	484
Hyundai Hi-Tech Electronics						
(Tianjin) Co., Ltd.	-	3,448	-	(3,262)	186	200
Pontus Map Co., Ltd.	-	-	-	180	180	194
Global Engine Manufacturing, LLC	-	-	-	101	101	109
Eukor Car Carriers Singapore Pte.	13	-	-	-	13	14
PT. Kia Timor Motors	10,337	-	-	(10,337)	-	-
Hyundai Assan Otomotive						
Sanayi Ve Ticaret A.S.	24,765	-	27,444	(52,209)	-	-
Hyundai Motor Group China. Ltd.	1,508	-	-	(1,508)	-	-
WIA Automotive Parts	6,975	-	-	(6,975)	-	-
	<b>₩1,119,085</b>	<b>₩100,009</b>	<b>₩538,773</b>	<b>₩(137,700)</b>	<b>₩1,620,167</b>	<b>\$1,742,865</b>

(\*) Other changes consist of the increase by ₩25,905 million (US\$27,867 thousand) due to changes of investees' capital adjustment, and the decrease of ₩88,053 million (US\$94,721 thousand), ₩65,215 million (US\$70,154 thousand) and ₩10,337 million (US\$11,120 thousand) due to receipt of dividends from investees, changes of consolidated subsidiaries and impairment loss on investment securities accounted for using the equity method, respectively.

(3) Condensed financial information of the affiliates as of and for the year ended December 31, 2006 is as follows:

Affiliated company	Korean Won (In millions)				Translation into U.S. Dollars (Note 2) (In thousands)			
	Assets	Liabilities	Sales	Net income (loss)	Assets	Liabilities	Sales	Net income (loss)
Hyundai Steel Company	₩7,023,617	₩3,523,716	₩5,481,241	₩473,543	\$7,555,526	\$3,790,572	\$5,896,344	\$509,405
Hyundai MOBIS	6,211,000	2,671,925	8,168,036	686,750	6,681,368	2,874,274	8,786,614	738,759
Eukor Car Carriers, Inc.	1,483,918	840,556	1,543,111	67,991	1,596,297	904,213	1,659,973	73,140
Korea Space & Aircraft Co., Ltd.	1,252,020	820,591	704,620	(110,572)	1,346,837	882,736	757,982	(118,946)
Asset Management Co., Ltd.	448,852	221,923	976,976	73,166	482,844	238,730	1,050,964	78,707
HK Mutual Savings Bank	1,826,983	1,745,243	198,077	(40,830)	1,965,343	1,877,413	213,078	(43,922)
Korea Economy Daily	198,734	91,048	113,127	6,828	213,784	97,943	121,694	7,345
Iljin Bearing Co., Ltd.	126,942	52,678	197,428	4,349	136,556	56,667	212,380	4,678
Daesung Automotive Co., Ltd.	66,007	14,530	72,041	3,370	71,006	15,630	77,497	3,625
Donghui Auto Co., Ltd.	89,783	65,355	85,562	1,073	96,582	70,304	92,042	1,154
TRW Steering Co., Ltd.	72,527	50,704	132,054	(1,086)	78,020	54,544	142,055	(1,168)
Wisco Co., Ltd.	150,802	133,785	273,520	6,456	162,222	143,917	294,234	6,945
Kia Tigers Co., Ltd.	2,067	2,256	19,222	(73)	2,224	2,427	20,678	(79)
Beijing-Hyundai Motor Company	1,484,166	723,768	3,509,461	121,146	1,596,564	778,580	3,775,238	130,321
Hyundai Motor Deutschland GmbH	176,326	110,523	935,202	13,644	189,679	118,893	1,006,026	14,677
Beijing Lear Dymos Automotive Systems Co., Ltd.	23,476	14,178	43,246	4,287	25,254	15,252	46,521	4,612
Hyundai Electronics (Tianjin) Co., Ltd.	3,503	51	-	(68)	3,768	55	-	(73)
Hysco Steel India, Ltd.	2,517	-	-	-	2,708	-	-	-
Rotem USA Corporation	7,042	4,542	-	(775)	7,575	4,886	-	(834)
Hyundai Motor Japan R&D Center Inc.	5,657	3,860	12,260	88	6,085	4,152	13,188	95
Autoever Systems India Pvt. Ltd.	3,548	2,977	1,872	45	3,817	3,202	2,014	48
Eurotem DEMIRYOLU ARACLARI SAN. VE TIC.A.S.	720	18	-	(137)	775	19	-	(147)
Rotem Equipments (Beijing) Co., Ltd.	8,424	8,271	-	(37)	9,062	8,897	-	(40)
Autoever Systems China Co., Ltd.	63	16	-	(43)	68	17	-	(46)

(4) Significant unrealized profits (losses) that occurred in transactions with investees in 2006 and 2005 are ₩8,766 million (\$9,430 thousand) and ₩15,533 million (\$16,709 thousand), respectively.

(5) Unamortized (or unreversed) balances of goodwill and negative goodwill as of December 31, 2006 are ₩54,700 million (US\$58,843 thousand) and ₩341,671 million (US\$367,546 thousand), respectively. In addition, unamortized (or unreversed) balances of goodwill and negative goodwill as of December 31, 2005 are ₩89,614 million (US\$96,401 thousand) and ₩418,487 million (US\$450,180 thousand), respectively.

(6) The market price of listed equity securities as of December 31, 2006 is as follows:

Affiliated company	Price per share	Number of shares	Korean Won	Translation into
			(In millions)	U.S. Dollars (Note 2)
			Market value	(In thousands)
				Market value
Hyundai Steel Company	₩28,950	18,159,517	₩525,718	\$565,531
Hyundai MOBIS	85,900	16,415,620	1,410,102	1,516,891
HK Mutual Savings Bank	2,805	10,045,060	28,176	30,310

#### 7. LEASED ASSETS:

The Company and its subsidiaries have entered into lease agreements for certain machinery. The capital lease obligations are included in long-term debt in the accompanying balance sheets. Annual payments on these lease agreements as of December 31, 2006 are as follows (Won in millions):

	Finance leases			Operating leases
	Lease payments	Interest portion	Lease obligation	Lease payments
2008	₩2,969	₩165	₩2,804	₩21,735
2009	1,677	25	1,652	17,511
2010	-	-	-	15,840
Thereafter	-	-	-	56,411
	<b>₩4,646</b>	<b>₩190</b>	<b>₩4,456</b>	<b>₩111,497</b>

#### 8. INSURANCE:

As of December 31, 2006, certain property, plant and equipment, inventories, cash and cash equivalent and securities are insured for ₩15,495,233 million (US\$16,668,710 thousand) with Hyundai Fire & Marine Insurance Co. and others. In addition, the Company carries products and completed operations liability insurance with a maximum coverage of ₩229,752 million (US\$247,151 thousand) and general insurance for vehicles and workers' compensation and casualty insurance for employees.



**9. PROPERTY, PLANT AND EQUIPMENT:**

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

Description	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006	2005	2006	2005
Buildings and structures	₩7,531,889	₩7,078,546	\$8,102,290	\$7,614,615
Machinery and equipment	12,353,513	11,508,182	13,289,063	12,379,714
Vehicles	189,863	212,382	204,242	228,466
Tools, dies and molds	3,570,875	4,392,993	3,841,303	4,725,681
Other equipment	1,424,757	1,310,013	1,532,656	1,409,222
	25,070,897	24,502,116	26,969,554	26,357,698
Less: accumulated depreciation	8,348,614	9,891,942	8,980,867	10,641,073
	16,722,283	14,610,174	17,988,687	15,716,625
Land	4,262,913	4,165,180	4,585,750	4,480,615
Construction in progress	2,506,397	2,672,685	2,696,210	2,875,091
	<b>₩23,491,593</b>	<b>₩21,448,039</b>	<b>\$25,270,647</b>	<b>\$23,072,331</b>

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

	Korean Won (In millions)						Translation into U.S. Dollars (Note 2) (In thousands)	
	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other(*)	End of year	End of year
Land	₩4,165,180	₩67,260	₩58,234	₩(42,110)	₩(2,042)	₩16,391	₩4,262,913	\$4,585,750
Buildings and structures	5,725,824	106,537	895,640	(17,244)	(300,362)	(29,440)	6,380,955	6,864,194
Machinery and equipment	6,959,868	234,597	2,003,084	(104,670)	(1,247,461)	350,964	8,196,382	8,817,106
Vehicles	130,471	13,971	36,420	(22,882)	(41,636)	5,694	122,038	131,280
Tools, dies and molds	1,245,453	30,499	581,508	(4,995)	(502,780)	19,989	1,369,674	1,473,401
Other equipment	548,558	38,042	127,397	(72,248)	(222,747)	234,232	653,234	702,704
Construction in progress	2,672,685	3,378,480	(3,702,283)	(22,510)	-	180,025	2,506,397	2,696,212
	<b>₩21,448,039</b>	<b>₩3,869,386</b>	<b>₩ -</b>	<b>₩(286,659)</b>	<b>₩(2,317,028)</b>	<b>₩777,855</b>	<b>₩23,491,593</b>	<b>\$25,270,647</b>

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

The changes in property, plant and equipment in 2005 are as follows:

	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other(*)	Korean Won	Translation into
							(In millions)	U.S. Dollars (Note 2) (In thousands)
							End of year	End of year
Land	₩4,084,137	₩101,932	₩(8,989)	₩(25,117)	₩(1,864)	₩15,081	₩4,165,180	\$4,480,615
Buildings and structures	5,394,729	95,706	402,743	(77,281)	(247,781)	157,708	5,725,824	6,159,449
Machinery and equipment	6,414,214	333,148	1,353,217	(47,002)	(1,042,179)	(51,530)	6,959,868	7,486,949
Vehicles	117,640	31,323	22,919	(16,740)	(35,796)	11,127	130,473	140,352
Tools, dies and molds	1,173,557	54,570	394,470	(13,846)	(459,094)	95,794	1,245,451	1,339,773
Other equipment	666,730	182,944	3,367	(10,317)	(298,915)	4,749	548,558	590,101
Construction in progress	1,951,279	3,092,446	(2,167,727)	(21,692)	-	(181,621)	2,672,685	2,875,092
	<b>₩19,802,286</b>	<b>₩3,892,069</b>	<b>₩ -</b>	<b>₩(211,995)</b>	<b>₩(2,085,629)</b>	<b>₩51,308</b>	<b>₩21,448,039</b>	<b>\$23,072,331</b>

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

As of December 31, 2006 and 2005, the value of the land, which the Company and its subsidiaries own domestically, totals ₩4,822,186 million (US\$5,187,377 thousand) and ₩4,189,062 million (US\$4,506,306 thousand), respectively, in terms of land prices officially announced by the Korean government.

## 10. INTANGIBLES:

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

Description	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Government subsidy	Book value	Korean Won	Translation into
						(In millions)	U.S. Dollars (Note 2) (In thousands)
						2006	2005
Goodwill	₩625,133	₩(105,239)	₩ -	₩ -	₩519,894	₩476,343	\$559,266
Negative goodwill	(98,671)	10,690	-	-	(87,981)	(86,421)	(94,644)
Industrial property rights	73,847	(44,467)	-	-	29,380	24,912	31,605
Development costs	4,098,499	(2,006,898)	(33,089)	(12,066)	2,046,446	1,830,297	2,201,426
Other	187,134	(80,222)	(2,301)	-	104,611	84,991	112,534
	<b>₩4,885,942</b>	<b>₩(2,226,136)</b>	<b>₩(35,390)</b>	<b>₩(12,066)</b>	<b>₩2,612,350</b>	<b>₩2,330,122</b>	<b>\$2,810,187</b>
							<b>\$2,506,586</b>

The changes in intangibles in 2006 are as follows:

Description	Goodwill	Negative goodwill	Industrial property rights	Development costs	Other	Korean Won	Translation into
						(In millions)	U.S. Dollars (Note 2)
						Total	Total
						(In thousands)	(In thousands)
Beginning of the year	₩476,343	₩(86,421)	₩24,912	₩1,830,297	₩84,991	₩2,330,122	\$2,506,586
Addition:							
Expenditures	107,398	(8,015)	12,569	824,966	36,896	973,814	1,047,562
Deduction:							
Amortization	(64,520)	6,455	(9,830)	(567,537)	(19,296)	(654,728)	(704,312)
Impairment loss	-	-	-	(25,026)	-	(25,026)	(26,921)
Government subsidy	-	-	-	(12,066)	-	(12,066)	(12,980)
Other	673	-	1,729	(4,188)	2,020	234	252
<b>End of the year</b>	<b>₩519,894</b>	<b>₩(87,981)</b>	<b>₩29,380</b>	<b>₩2,046,446</b>	<b>₩104,611</b>	<b>₩2,612,350</b>	<b>\$2,810,187</b>

The changes in intangibles in 2005 are as follows:

Description	Goodwill	Negative goodwill	Industrial property rights	Development costs	Other	Korean Won	Translation into
						(In millions)	U.S. Dollars (Note 2)
						Total	Total
						(In thousands)	(In thousands)
Beginning of the year	₩459,982	₩(72,313)	₩20,779	₩1,326,312	₩77,735	₩1,812,495	\$1,949,758
Addition:							
Expenditures	33,828	(23,016)	3,407	858,864	42,812	915,895	985,257
Deduction:							
Amortization	(10,950)	8,709	(8,133)	(380,679)	(13,478)	(404,531)	(435,167)
Impairment loss	-	-	-	(7,772)	(87)	(7,859)	(8,454)
Government subsidy	-	-	-	(12,068)	-	(12,068)	(12,982)
Other	(6,517)	199	8,859	45,640	(21,991)	26,190	28,174
<b>End of the year</b>	<b>₩476,343</b>	<b>₩(86,421)</b>	<b>₩24,912</b>	<b>₩1,830,297</b>	<b>₩84,991</b>	<b>₩2,330,122</b>	<b>\$2,506,586</b>

Research and development expenditures in 2006 and 2005 are as follows:

	Korean Won		Translation into	
	(In millions)	(In millions)	U.S. Dollars (Note 2)	U.S. Dollars (Note 2)
	2006	2005	2006	2005
			(In thousands)	(In thousands)
Development cost (capitalized)		₩824,966	\$887,442	\$923,907
Ordinary development (manufacturing cost)		353,396	380,159	303,514
Research costs (SG&A)		636,611	684,823	667,622
		<b>₩1,814,973</b>	<b>\$1,952,424</b>	<b>\$1,895,043</b>

**11. OTHER ASSETS:**

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

Description	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006	2005	2006	2005
Long-term notes and accounts receivable, net of allowance for doubtful accounts of ₩19 million in 2006 and ₩90 million in 2005, and unamortized present value discount of ₩1,627 million in 2006 and ₩3,095 million in 2005	₩20,747	₩21,239	\$22,318	\$22,847
Long-term notes and accounts receivable - other, net of allowance for doubtful accounts of ₩24,989 million in 2006 and ₩3,349 million in 2005, and unamortized present value discount of ₩846 million in 2006 and ₩1,154 million in 2005	115,498	113,007	124,245	121,565
Long-term loans	41,610	56,023	44,761	60,266
Long-term deposits	607,189	430,838	653,172	463,466
Other	96,188	262,967	103,472	282,882
	<b>₩881,232</b>	<b>₩884,074</b>	<b>\$947,968</b>	<b>\$951,026</b>

**12. OTHER FINANCIAL BUSINESS ASSETS AND LIABILITIES:**

Other financial business assets as of December 31, 2006 and 2005 consist of the following:

	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006	2005	2006	2005
Finance receivables	₩9,866,707	₩7,277,317	\$10,613,927	\$7,828,439
Lease receivables	2,115,699	1,601,497	2,275,924	1,722,781
Card receivables	2,845,616	2,173,722	3,061,119	2,338,341
Other	1,173	3,895	1,262	4,190
	<b>₩14,829,195</b>	<b>₩11,056,431</b>	<b>\$15,952,232</b>	<b>\$11,893,751</b>

Other financial business liabilities of ₩94,462 million (US\$101,616 thousand) in 2006 and ₩286,329 million (US\$308,013 thousand) in 2005 consist of other operating accounts payable.

### 13. SHORT-TERM BORROWINGS:

Short-term borrowings as of December 31, 2006 and 2005 consist of the following:

Description	Annual interest rate (%)	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2006	2005	2006	2005
Trade financing	6.00 ~ 7.00	₩5,103,337	₩4,883,681	\$5,489,820	\$5,253,529
General loans	4.00 ~ 7.00	2,879,230	2,030,634	3,097,278	2,184,417
Discount of trade bills	4.61 ~ 5.29	2,674,219	3,632,053	2,876,742	3,907,114
Overdrafts	5.50 ~ 6.86	97,549	274,519	104,937	295,309
Banker's Usance	0.33 ~ 5.93	741,643	914,445	797,809	983,697
Other	4.63 ~ 4.65	143,344	120,000	154,199	129,088
		<b>₩11,639,322</b>	<b>₩11,855,332</b>	<b>\$12,520,785</b>	<b>\$12,753,154</b>

### 14. LONG-TERM DEBT AND DEBENTURES:

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

Description	Annual interest rate (%)	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2006	2005	2006	2005
Debentures	3.75 ~ 9.20	₩13,306,584	₩11,950,259	\$14,314,312	\$12,855,270
Won currency loans:					
Facility loans	1.00 ~ 7.38	205,705	202,796	221,283	218,154
General loans	5.49 ~ 6.89	109,537	358,431	117,832	385,576
Reorganization claims	(*)	46,044	136,721	49,531	147,075
Capital lease	7.77	6,711	55,214	7,219	59,395
Other	1.00 ~ 6.90	28,758	106,712	30,937	114,794
		<b>396,755</b>	<b>859,874</b>	<b>426,802</b>	<b>924,994</b>
Foreign currency loans:					
General loans	4.02 ~ 7.24	3,581,798	1,099,747	3,853,053	1,183,032
Reorganization claims	(*)	22,296	55,292	23,985	59,479
Facility loans	7.31 ~ 7.43	3,644	48,006	3,920	51,642
Capital lease	-	-	33,713	-	36,266
Other	3ML+1.20	67,433	-	72,539	-
		<b>3,675,171</b>	<b>1,236,758</b>	<b>3,953,497</b>	<b>1,330,419</b>
		<b>17,378,510</b>	<b>14,046,891</b>	<b>18,694,611</b>	<b>15,110,683</b>
Less: current maturities		4,595,588	3,470,787	4,943,619	3,733,635
		<b>₩12,782,922</b>	<b>₩10,576,104</b>	<b>\$13,750,992</b>	<b>\$11,377,048</b>

(\*) 3 year non-guaranteed bond circulating earning rate at the end of every quarter; 5.04% as of December 31, 2006

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

Description	Maturity	Annual interest rate (%)	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
			2006	2005	2006	2005
Domestic debentures:						
Guaranteed debentures	Apr. 9, 2007 ~ Aug. 7, 2011	3.95 ~ 6.17	₩563,000	₩315,000	\$605,637	\$338,855
Non-guaranteed Debentures	Oct. 29, 2006 ~ Nov. 8, 2011	3.75 ~ 9.20	11,860,962	10,377,934	12,759,210	11,163,870
Convertible bonds	Jan. 31, 2009	4.00	135,045	133,072	145,272	143,150
Bonds with warranty	Oct. 31, 2010	7.99	200,000	200,000	215,146	215,146
Overseas debentures	Jul. 15, 2007 ~ Mar. 25, 2015	5.30 ~ 7.60	555,694	949,915	597,778	1,021,854
			13,314,701	11,975,921	14,323,043	12,882,875
	Less; discount on debentures		8,117	25,662	8,731	27,605
			<b>₩13,306,584</b>	<b>₩11,950,259</b>	<b>\$14,314,312</b>	<b>\$12,855,270</b>

The maturity of long-term debt and debentures as of December 31, 2006 is as follows:

Description	Debentures	Local currency loans	Foreign currency loans	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
				Total	Total		
2008	₩3,554,165	₩183,685	₩1,762,319	₩5,500,169	\$5,916,705		
2009	3,260,998	50,724	621,686	3,933,408	4,231,291		
2010	1,722,617	34,268	459,541	2,216,426	2,384,279		
Thereafter	783,055	30,266	326,988	1,140,309	1,226,666		
	9,320,835	298,943	3,170,534	12,790,312	13,758,941		
Less discount on debentures	7,390	-	-	7,390	7,949		
	<b>₩9,313,445</b>	<b>₩298,943</b>	<b>₩3,170,534</b>	<b>₩12,782,922</b>	<b>\$13,750,992</b>		

#### 15. ACCRUED WARRANTIES:

The changes in accrued warranties in current and long-term liabilities in 2006 and 2005 are as follows:

Description	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006	2005	2006	2005
Beginning of year	₩4,080,597	₩4,989,797	\$4,389,627	\$5,367,682
Accrual	583,778	634,214	627,988	682,244
Use	(498,521)	(813,406)	(536,274)	(875,006)
Other changes (*)	-	(730,008)	-	(785,293)
<b>End of year</b>	<b>₩4,165,854</b>	<b>₩4,080,597</b>	<b>\$4,481,341</b>	<b>\$4,389,627</b>

(\*) Other changes are the adjustments of the beginning balance of accrued warranties accounted for in the beginning retained earnings due to application of SKAS No.17.

#### 16. CAPITAL STOCK:

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

	Authorized	Issued	Par value	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common stock	450,000,000 shares	219,466,255 shares	₩5,000	₩1,153,931	\$1,241,320
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	356,079
				<b>₩1,484,942</b>	<b>\$1,597,399</b>

Capital stock as of December 31, 2005 consists of the following:

	Authorized	Issued	Par value	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common stock	450,000,000 shares	219,058,702 shares	₩5,000	₩1,151,894	\$1,239,129
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	356,079
				<b>₩1,482,905</b>	<b>\$1,595,208</b>

In 2006, a part of the stock options granted to the directors were exercised at an exercise price of ₩26,800 (US\$28.83) and new common stock of 407,553 shares were issued. This issue of new common stock resulted in the increase in capital stock by ₩2,037 million (US\$2,191 thousand) and paid-in capital in excess of par value by ₩13,552 million (US\$14,578 thousand).

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

The preferred shares are non-cumulative, participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as of December 31, 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.

## 17. CAPITAL ADJUSTMENTS:

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

Description	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006	2005	2006	2005
Treasury stock	₩(716,316)	₩(743,692)	\$(770,564)	\$(800,013)
Discounts on stock issuance	338	(1,688)	364	(1,816)
Gain on valuation of available-for-sale securities	199,777	358,400	214,906	385,542
Loss on valuation of investment securities accounted for using the equity method	(39,270)	(246,220)	(42,244)	(264,867)
Stock option cost	9,271	14,528	9,973	15,628
Cumulative translation adjustments	(455,081)	(292,525)	(489,545)	(314,678)
Gain (loss) on valuation of derivatives, net	(3,305)	9,000	(3,555)	9,682
	<b>₩(1,004,586)</b>	<b>₩(902,197)</b>	<b>\$(1,080,665)</b>	<b>\$(970,522)</b>



(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 11,287,470 common shares and 2,950,960 preferred shares with a carrying value of ₩716,316 million (US\$770,564 thousand) as of December 31, 2006, and 11,416,470 common shares and 2,950,960 preferred shares with a carrying value of ₩743,692 million (US\$800,013 thousand) as of December 31, 2005, which were acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund.

In 2006, gain on disposal of treasury stock amounting to ₩3,707 million (US\$3,988 thousand), after deducting the deferred income tax effect of ₩1,406 million (US\$1,512 thousand), is reflected to capital surplus.

(2) Stock option cost

The Company granted directors stock options at an exercise price of ₩26,800 (grant date: February 14, 2003, beginning date for exercise: February 14, 2006, expiry date for exercise: February 13, 2011). These stock options all require at least two-year continued service starting from the grant date. If all stock options as of December 31, 2006 are exercised, 815,224 shares will be issued as new shares or treasury stock or will be compensated by cash, according to the decision of the Board of Directors. As of December 5, 2006, 407,553 shares of stock options were exercised and issued as new shares.

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 ₩9,271 million (US\$9,973 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.

Compensation expenses of ₩227 million (US\$244 thousand), which were expensed before 2006, have been reversed due to cancellation of 19,777 shares of stock options and there is no compensation cost for the Company to recognize as expense after December 31, 2006.

(3) Cumulative translation adjustments

Cumulative translation debits of ₩455,081 million (US\$489,545 thousand) and ₩292,525 million (US\$314,678 thousand) as of December 31, 2006 and 2005, respectively, which result from the translation of financial statements of overseas subsidiaries and a branch located in Canada, are included in capital adjustments on the basis set forth in Note 2.

## 18. PLEDGED ASSETS, CHECKS AND NOTES:

As of December 31, 2006, the following assets, checks and notes are pledged as collateral:

- (1) The Company's and its domestic subsidiaries' property, plant and equipment are pledged as collateral for various loans to a maximum of ₩3,032,148 million (US\$3,261,777 thousand).
- (2) The Company's and its domestic subsidiaries' certain bank deposits and investment securities, including 7,538,466 shares of Kia Motors Corporation, 4,400,000 shares of Eukor Car Carriers Inc., 20,000 shares of Eukor Car Carriers Singapore Pte Ltd., 8,355,767 shares of Seoul Metro 9th Line and some government bonds are pledged as collateral to financial institutions and others.
- (3) Certain overseas subsidiaries' receivables, inventories and other financial business assets are pledged as collateral for their borrowings.
- (4) 47 blank checks, 1 check amounting to ₩2,624 million (US\$2,823 thousand), 122 blank promissory notes and 9 promissory notes amounting to ₩31,070 million (US\$33,423 thousand) are pledged as collateral for short-term borrowings, long-term debt and other payables.

**19. SELLING AND ADMINISTRATIVE EXPENSES:**

Selling and administrative expenses in 2006 and 2005 are as follows:

	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006	2005	2006	2005
Salaries	₩2,196,904	₩1,984,507	\$2,363,279	\$2,134,797
Export related expenses	1,313,587	1,356,056	1,413,067	1,458,752
Sales promotion	3,329,762	2,811,283	3,581,930	3,024,186
Sales commission	572,865	574,628	616,249	618,145
Sales warranties	908,657	1,119,949	977,471	1,204,764
Taxes and dues	128,984	84,947	138,752	91,380
Communications	64,668	47,753	69,565	51,369
Utilities	54,661	47,150	58,801	50,721
Freight and warehousing	214,971	223,047	231,251	239,939
Rent	128,296	105,959	138,012	113,983
Travel	136,406	132,563	146,736	142,602
Service charges	657,115	255,692	706,879	275,056
Maintenance	75,047	58,656	80,730	63,098
Supplies	56,200	37,748	60,456	40,607
Research	636,611	620,621	684,823	667,622
Depreciation	434,600	222,823	467,513	239,698
Amortization	94,238	70,546	101,375	75,889
Stock option cost	-	1	-	1
Provision for bad debt	324,764	612,588	349,359	658,980
Other	284,742	216,851	306,306	233,274
	<b>₩11,613,078</b>	<b>₩10,583,368</b>	<b>\$12,492,554</b>	<b>\$11,384,863</b>

**20. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS (LIABILITIES):**

Income tax expense in 2006 and 2005 consists of the following:

Description	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2006	2005	2006	2005
Income tax currently payable	₩504,699	₩482,488	\$542,921	\$519,028
Changes in deferred taxes due to:				
Temporary differences	(44,093)	239,479	(47,432)	257,615
Carry forward of unused tax loss	193,652	42,376	208,318	45,585
Carry forward of unused tax credits	(124,802)	(69,765)	(134,254)	(75,048)
Items directly charged to equity	186,446	(245,512)	200,565	(264,106)
<b>Income tax expense</b>	<b>₩715,902</b>	<b>₩449,066</b>	<b>\$770,118</b>	<b>\$483,074</b>

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

Description	Accumulated temporary differences	Korean Won	Accumulated tax assets differences	Translation into
		(In millions)		U.S. Dollars (Note 2)
		(liabilities)		(In thousands)
Accrued warranties	₩4,186,016	₩1,151,154	\$4,503,029	\$1,238,333
Long-term investment securities	253,414	(16,770)	272,605	(18,040)
Allowance for doubtful accounts	254,688	70,039	273,976	75,343
Other non-current assets	(1,805,122)	(628,300)	(1,941,827)	(675,882)
Reserve for research and manpower				
Development	(685,799)	(188,595)	(737,736)	(202,878)
Derivative assets (liabilities)	(158,598)	(43,614)	(170,609)	(46,917)
Development cost	(16,574)	(4,558)	(17,829)	(4,903)
Depreciation	(322,151)	(106,456)	(346,548)	(114,518)
Accrued income	(272,258)	(74,871)	(292,877)	(80,540)
Dividends	7,745	2,130	8,332	2,291
Advanced depreciation provisions	(509,786)	(8,352)	(548,393)	(8,985)
Other	781,439	329,119	840,620	354,043
Accumulated temporary differences	1,713,014	480,926	1,842,743	517,347
Carry over tax deduction	396,445	416,730	426,468	448,290
	<b>₩2,109,459</b>	<b>₩897,656</b>	<b>\$2,269,211</b>	<b>\$965,637</b>

The temporary differences of ₩35,809 million (US\$38,521 thousand) and ₩523,704 million (US\$563,365 thousand) as of December 31, 2006 and 2005, respectively, were not recognized since it is not probable that the temporary difference will be reversed in the foreseeable future.

Effective tax rate used in calculating deferred tax assets or liabilities arising from temporary differences is 27.5% including resident tax.

## 21. DIVIDENDS:

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

	Number of shares	Dividend rate (%)	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common shares, net of treasury shares	208,178,785	20%	₩208,179	\$223,944
Preferred shares, net of treasury shares:				
First and Third preferred shares	25,637,321	21%	26,919	28,958
Second preferred shares	36,613,865	22%	40,275	43,325
			<b>₩275,373</b>	<b>\$296,227</b>

The computation of the proposed dividends for 2005 is as follows:

	Number of shares	Dividend rate (%)	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common shares, net of treasury shares	207,642,232	25	₩259,553	\$279,210
Preferred shares, net of treasury shares:				
First and Third preferred shares	25,637,321	26	33,328	35,852
Second preferred shares	36,613,865	27	49,429	53,172
			<b>₩342,310</b>	<b>\$368,234</b>

## 22. ELIMINATION OF UNREALIZED PROFITS AND LOSSES:

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

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

	Korean Won (In millions)			Translation into U.S. Dollars (Note 2) (In thousands)		
	Inventories	Property, plant and equipment	Others	Inventories	Property, plant and equipment	Others
Upstream sales	₩3,440	₩ -	₩93	\$3,701	\$ -	\$100
Downstream sales	119,876	204,164	(51,598)	128,954	219,626	(55,506)
Sales between consolidated subsidiaries	220,585	17,691	(26,655)	237,290	19,031	(28,674)

Unrealized profits and losses related to sales of inventories and property, plant and equipment in 2005 are as follows:

	Korean Won (In millions)			Translation into U.S. Dollars (Note 2) (In thousands)		
	Inventories	Property, plant and equipment	Others	Inventories	Property, plant and equipment	Others
Upstream sales	₩10,010	₩ -	₩ -	\$10,768	\$ -	\$ -
Downstream sales	217,366	92,644	(67,113)	233,827	99,660	(72,196)
Sales between consolidated subsidiaries	391,567	1,686	(15,478)	421,221	1,814	(16,650)

23. INTER-COMPANY TRANSACTIONS:

Significant transactions in 2006 and 2005 between the Company and consolidated subsidiaries are as follows:

	Korean Won (In millions)				Translation into U.S. Dollars (Note 2) (In thousands)			
	2006		2005		2006		2005	
	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses
Kia Motors Corporation	₩623,330	₩651,530	₩654,236	₩447,228	\$670,536	\$700,871	\$703,782	\$481,097
Dymos Inc.	3,888	453,225	7,634	507,485	4,182	487,548	8,212	545,918
Hyundai Capital Service Inc.	475,404	46,701	340,174	37,915	511,407	50,238	365,936	40,786
WIA Corporation	145,944	253,820	163,099	292,699	156,997	273,042	175,451	314,866
KEFICO Corporation	93	293,153	245	293,907	100	315,354	264	316,165
Hyundai Powertech	18,317	150,671	27,025	238,863	19,704	162,082	29,072	256,952
Hyundai Autonet Co., Ltd.	230	142,653	-	-	247	153,456	-	-
Hyundai HYSICO	1,846	171,530	2,033	160,856	1,986	184,520	2,187	173,038
Autoever Systems Corp.	172	154,967	5,349	124,265	185	166,703	5,754	133,676
Hyundai Card Co., Ltd.	286	70,844	1,707	54,632	308	76,209	1,836	58,769
METIA Co., Ltd.	1,892	30,323	4,640	25,086	2,035	32,619	4,991	26,986
ROTEM	569	43,548	185	43,767	612	46,846	199	47,082
Automobile Industrial Ace Corporation	42	1,002	-	-	45	1,078	-	-
Haevichi Resort	53	5,565	-	-	57	5,986	-	-
Mseat Co., Ltd.	-	-	-	7,737	-	-	-	8,323
Partecs Co.	1,425	739	-	-	1,533	795	-	-
Mando Map & Soft Co., Ltd.	1	885	-	-	1	952	-	-
Hyundai Motor America	2,918,600	-	5,008,656	-	3,139,630	-	5,387,969	-
Hyundai Motor Europe GmbH	2,650,542	-	2,595,567	-	2,851,272	-	2,792,133	-
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	635,142	-	636,653	-	683,242	-	684,868	-
Hyundai Auto Canada	567,818	-	732,668	-	610,820	-	788,154	-
Hyundai Motor Company Australia	460,393	-	464,399	-	495,259	-	499,569	-
Hyundai Motor India	516,389	3,781	446,790	13,963	555,496	4,067	480,626	15,020
Hyundai Motor Manufacturing Alabama, LLC	265,596	-	88,354	88	285,710	-	95,045	95
Hyundai Motor Poland Sp.Zo. O	135,275	-	110,950	-	145,520	-	119,352	-
Hyundai Motor Norway	66,037	-	-	-	71,038	-	-	-
Hyundai America Technical Center Inc.	27	60,602	-	49,811	29	65,191	-	53,583
Hyundai Motor Europe Technical Center GmbH	7,268	28,465	-	22,769	7,818	30,621	-	24,493
Hyundai Motor Hungary	13,541	-	-	-	14,566	-	-	-
Hyundai Motor Japan Co.	7,123	-	30,708	-	7,662	-	33,034	-
Hyundai Motor Finance Company	1,378	-	-	-	1,482	-	-	-

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As of December 31, 2006 and 2005, significant balances related to the transactions between the Company and consolidated subsidiaries are as follows:

	Korean Won (In millions)				Translation into U.S. Dollars (Note 2) (In thousands)			
	2006		2005		2006		2005	
	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable
Kia Motors Corporation	₩221,427	₩133,366	₩228,440	₩176,820	\$238,196	\$143,466	\$245,740	\$190,211
Dymos Inc.	8,545	93,343	10,408	129,819	9,192	100,412	11,196	139,650
Hyundai Capital								
Service Inc.	34,188	10,043	27,143	17,202	36,777	10,804	29,199	18,505
WIA Corporation	33,564	80,492	17,979	202,159	36,106	86,588	19,341	217,469
KEFICO Corporation	902	43,211	1,089	-	970	46,483	1,171	-
Hyundai Powertech	2,964	33,995	13,342	75,088	3,188	36,569	14,352	80,775
Hyundai Autonet Co., Ltd	261	27,389	11	48,941	281	29,463	12	52,647
Hyundai HYSKO	3,210	51,669	1,568	32,414	3,453	55,582	1,687	34,869
Autoever Systems Corp.	30	69,512	30	42,520	32	74,776	32	45,740
Hyundai Card	53,780	48,678	44,573	51,634	57,853	52,364	47,949	55,544
METIA Co., Ltd.	89	12,969	9,073	8,901	96	13,951	9,760	9,575
ROTEM	187	53,262	444	42,536	201	57,296	478	45,757
Haevichi Resort	13,110	1,163	-	-	14,103	1,251	-	-
Hyundai Motor America	926,886	19,973	1,026,664	20,077	997,080	21,486	1,104,415	21,597
Hyundai Motor Europe								
GmbH	355,901	-	443,402	-	382,854	-	476,981	-
Hyundai Assan Otomotive								
Sannayi Ve Ticaret A.S.	215,215	62	156,741	-	231,514	67	168,611	-
Hyundai Motor Company								
Australia	101,238	103	127,678	297	108,905	111	137,347	319
Hyundai Motor India	50,196	281	16,428	1,417	53,997	302	17,672	1,524
Hyundai Motor								
Manufacturing								
Alabama, LLC	68,674	1,516	57,985	56	73,875	1,631	62,376	60
Hyundai Motor Poland								
Sp. Zo. O	43,342	1,465	24,038	493	46,624	1,576	25,858	530
Hyundai Motor Norway	34,170	4	-	-	36,758	4	-	-
Hyundai America								
Technical Center Inc.	17	7,131	-	8,507	18	7,671	-	9,151
Hyundai Motor Europe								
Technical Center GmbH	49	4,234	-	4,307	53	4,555	-	4,633
Hyundai Motor Japan Co.	16,532	104	30,905	211	17,784	112	33,245	227

Significant transactions in 2006 and 2005 between the consolidated subsidiaries are as follows:

Subsidiaries	Counterpart subsidiaries	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2006 Subsidiary's income	2005 Subsidiary's income	2006 Subsidiary's income	2005 Subsidiary's income
Kia Motors Corporation	Hyundai Capital Service Inc.	₩122,219	₩ -	\$131,475	\$-
	WIA Corporation	8,281	3,886	8,908	4,180
	Autoever Systems Corp.	4,062	3,135	4,370	3,372
	METIA Co., Ltd.	5,411	3,189	5,821	3,431
	Hyundai Powertech	1,472	2,100	1,583	2,259
	Dymos Inc.	1,718	-	1,848	-
	Hyundai HYSCO	145	7,228	156	7,775
	Hyundai Card	111	1,161	119	1,249
	KEFICO Corporation	181	3,193	195	3,435
	Mseat Co., Ltd.	44	736	47	792
	ROTEM	433	172	466	185
	Kia Motors America Inc.	4,124,897	3,929,627	4,437,282	4,227,224
	Kia Motors Europe GmbH	3,258,681	2,572,566	3,505,466	2,767,390
	Kia Canada, Inc.	424,924	367,698	457,104	395,544
	Dong Feng Yueda Kia Motor Co., Ltd.	235,748	232,285	253,602	249,876
	Kia Motors Polska Sp.z.o.o.	57,565	63,134	61,924	67,915
	Kia Motors Slovakia. s.r.o	42,225	23,647	45,423	25,438
	Hyundai Motor America	531,123	-	571,346	-
	Kia Motors Australia Pty. Ltd.	217,046	-	233,483	-
	Hyundai Auto Canada	63,286	-	68,079	-
Hyundai Motor Group (China) Ltd.	36,778	-	39,563	-	
Autoever Systems Corp.	Kia Motors Corporation	46,666	47,924	50,200	51,553
	Hyundai Capital Service Inc.	30,393	31,932	32,695	34,350
	Hyundai Card	24,600	26,791	26,463	28,820
	Hyundai HYSCO	11,756	22,751	12,646	24,474
	WIA Corporation	5,617	15,041	6,042	16,180
	Dymos Inc.	3,168	3,272	3,408	3,520
	ROTEM	7,786	6,874	8,376	7,395
	Hyundai Autonet Co., Ltd.	7,580	-	8,154	-
	KEFICO Corporation	1,684	1,087	1,812	1,169
	Hyundai Powertech	2,645	2,847	2,845	3,063
	Kia Motors Slovakia. s.r.o	7,475	-	8,041	-
	Hyundai Motor India	2,541	-	2,733	-
	Hyundai Information Service				
	North America	1,024	-	1,102	-
Dong Feng Yueda Kia Motor Co., Ltd.	2,975	-	3,200	-	
Hyundai Capital Service Inc.	Kia Motors Corporation	20,968	19,475	22,556	20,950
	Hyundai Card	14,209	11,814	15,285	12,709
	Hyundai Powertech	-	1,008	-	1,084

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Significant transactions in 2006 and 2005 between the consolidated subsidiaries are as follows:

Subsidiaries	Counterpart subsidiaries	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)		
		2006	2005	2006	2005	
		Subsidiary's income	Subsidiary's income	Subsidiary's income	Subsidiary's income	
Hyundai Card	Hyundai Capital Service Inc.	₩38,344	₩5,258	\$41,248	\$5,656	
	Kia Motors Corporation	21,405	18,228	23,026	19,608	
	Autoever Systems Corp.	3,919	3,575	4,216	3,846	
	Hyundai HYSKO	407	4,829	438	5,195	
KEFICO Corporation	Kia Motors Corporation	86,426	87,411	92,971	94,031	
	Hyundai Powertech	-	49,829	-	53,603	
Dymos Inc.	Kia Motors Corporation	141,951	134,124	152,701	144,281	
	ROTEM	32,339	34,517	34,788	37,131	
	Mseat Co., Ltd.	22,803	5,183	24,530	5,576	
	WIA Corporation	1,575	16,834	1,694	18,109	
	Hyundai Powertech	4,305	-	4,631	-	
WIA Corporation	Kia Motors Corporation	1,149,524	974,813	1,236,579	1,048,637	
	ROTEM	16,102	34,475	17,321	37,086	
	Dymos Inc.	10,140	6,874	10,908	7,395	
	METIA Co., Ltd.	5,762	5,392	6,198	5,800	
	Hyundai Powertech	3,118	375	3,354	403	
	Partecs Co.	2,172	-	2,336	-	
	Hyundai HYSKO	318	1,365	342	1,468	
	Hyundai-Kia Machine America Corp	58,910	40,329	63,371	43,383	
	Hyundai-Kia Machine Europe GmbH	61,521	33,276	66,180	35,796	
	Wia Automotive Parts	13,761	7,857	14,803	8,452	
	Hyundai Motor India	2,048	-	2,203	-	
	Hyundai Powertech	Kia Motors Corporation	356,269	300,304	383,250	323,046
		ROTEM	14,712	103,219	15,826	111,036
ROTEM	WIA Corporation	7,795	-	8,385	-	
	Autoever Systems Corp	1,463	-	1,574	-	
	Dymos Inc.	-	7	-	8	
	Hyundai HYSKO	Kia Motors Corporation	42,453	53,886	45,668	57,967
		WIA Corporation	4,610	-	4,959	-
Hyundai Hysco USA, Inc.		137,339	-	147,740	-	
Beijing Hyundai Hysco Steel Process Co., Ltd.		95,723	-	102,972	-	
Hysco America Company, Inc.		53,013	-	57,028	-	
Hysco Slovakia, s.r.o.		7,809	-	8,400	-	
Hyundai Motor Manufacturing Alabama, LLC		-	21,686	-	23,328	
Dong Feng Yueda Kia Motor Co., Ltd.		11,473	-	12,342	-	
Hyundai Motor India		2,285	-	2,458	-	



Subsidiaries	Counterpart subsidiaries	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2006	2005	2006	2005
		Subsidiary's income	Subsidiary's income	Subsidiary's income	Subsidiary's income
METIA Co., Ltd.	WIA Corporation	₩52,061	₩113,617	\$56,004	\$122,221
	Kia Motors Corporation	12,038	3,096	12,950	3,330
	Dymos Inc.	2,655	2,488	2,856	2,676
Automobile Industrial					
Ace Corporation	WIA Corporation	57,822	170,994	62,201	183,944
	Kia Motors Corporation	49,727	-	53,493	-
	Dymos Inc.	135	-	145	-
Mseat Co., Ltd.	Dymos Inc.	223,549	286,158	240,479	307,829
	Kia Motors Corporation	-	3,550	-	3,819
Hyundai Autonet Co., Ltd.	Kia Motors Corporation	31,384	-	33,761	-
Haevichi Resort	Kia Motors Corporation	1,422	-	1,530	-
	Hyundai Card	226	-	243	-
	Hyundai HYSCO	228	-	245	-
Mando Map & Soft Co., Ltd.	Kia Motors Corporation	16	-	17	-
	Autoever Systems Corp	37	-	40	-
Hyundai America					
Technical Center Inc.	Kia Motors Corporation	40,162	21,762	43,204	23,410
Hyundai Motor America	Hyundai America				
	Technical Center Inc.	29,582	10,126	31,822	10,893
	Hyundai Motor Finance Company	3,848	-	4,139	-
	Hyundai Motor Manufacturing				
	Alabama, LLC	1,210	-	1,302	-
	World Marketing Group LLC	3,708	-	3,989	-
	Kia Motors America Inc.	2,550	2,648	2,743	2,849
World Marketing					
Group LLC	Hyundai Motor America	8,229	7,141	8,852	7,682
	Kia Motors America Inc.	-	11,967	-	12,873
Hyundai Motor Europe					
Technical Center GmbH	Kia Motors Corporation	22,703	16,266	24,422	17,498
	Hyundai Motor Europe GmbH	1,154	-	1,241	-
Kia Motors America Inc.	Kia Motors Corporation	477,983	-	514,181	-
	Hyundai Motor America	2,932	2,701	3,154	2,906
Hyundai Motor					
Europe GmbH	Hyundai Motor (UK) Ltd.	403,106	178,375	433,634	191,884
	Hyundai Motor Europe				
	Technical Center GmbH	1,471	1,386	1,582	1,491
	Kia Motors Europe GmbH	1,756	-	1,889	-
Hyundai Motor					
Finance Company	Hyundai Motor America	3,066	-	3,298	-
Hyundai Translead, Inc.	Hyundai Motor America	8,221	10,494	8,844	11,289
	Kia Motors America Inc.	-	8,254	-	8,879

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Subsidiaries	Counterpart subsidiaries	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2006	2005	2006	2005
		Subsidiary's income	Subsidiary's income	Subsidiary's income	Subsidiary's income
Hyundai Motor India	WIA Corporation	₩36,972	₩34,886	\$39,772	\$37,528
	Hyundai Assan Otomotive				
	Sannayi Ve Ticaret A.S.	-	9,595	-	10,322
Kia Motors Europe GmbH	Kia Motors Corporation	103,773	-	111,632	-
	Kia Motors (UK) Ltd.	527,092	650,864	567,009	700,155
	Kia Motors Belgium	126,685	87,123	136,279	93,721
	Kia Motors Austria GmbH	81,448	127,045	87,616	136,666
	Kia Motors Polska Sp.z.o.o.	50,664	-	54,501	-
	Kia Motors Hungary Kft	30,492	23,665	32,801	25,457
	Kia Motors Deutschland GmbH	538,269	649,741	579,033	698,947
	Kia Motors Iberia	629,793	621,302	677,488	668,354
	Kia Automobiles France	228,881	312,017	246,215	335,647
	Kia Motors Czech s.r.o.	48,005	41,387	51,640	44,521
	Kia Motors Sweden AB	41,896	46,177	45,069	49,674
	KIA Motors Slovensko S.r.o.	22,045	-	23,715	-
Kia Canada, Inc.	Kia Motors Corporation	18,078	-	19,447	-
Hyundai Motor Manufacturing Alabama, LLC	Hyundai Motor America	3,292,806	-	3,542,175	-

As of December 31, 2006 and 2005, significant balances related to the transactions between the consolidated subsidiaries are as follows:

Subsidiaries	Counterpart subsidiaries	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2006	2005	2006	2005
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable
Kia Motors Corporation	Hyundai Capital Service Inc.	₩24,154	₩ -	\$25,983	\$ -
	WIA Corporation	54,640	-	58,778	-
	Autoever Systems Corp.	320	285	344	307
	Hyundai Powertech	115	188	124	202
	Dymos Inc.	250	804	269	865
	Hyundai HYSCO	1,098	-	1,181	-
	Hyundai Card	15,149	6,506	16,296	6,999
	KEFICO Corporation	1	225	1	242
	ROTEM	19	172	20	185
	Kia Motors America Inc.	1,125,670	1,237,206	1,210,919	1,330,901
	Kia Motors Europe GmbH	1,969,044	1,028,576	2,118,163	1,106,472
	Kia Canada, Inc.	161,253	163,504	173,465	175,886
	Dong Feng Yueda Kia Motor Co., Ltd.	52,891	38,617	56,897	41,542
	Kia Motors Polska Sp.z.o.o.	11,475	1,170	12,344	1,259
	Kia Motors Slovakia. s.r.o	8,454	5,356	9,094	5,762
	Hyundai Motor America	47,098	-	50,665	-

Subsidiaries	Counterpart subsidiaries	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2006	2005	2006	2005
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable
	Kia Motors Australia Pty. Ltd.	85,466	-	91,938	-
	Hyundai Auto Canada	498	-	536	-
	Hyundai Motor Group (China) Ltd.	30,080	-	32,358	-
Autoever Systems Corp.	Kia Motors Corporation	12,224	11,883	13,150	12,783
	Hyundai Capital Service Inc.	148	-	159	-
	Hyundai Card	9,655	8,162	10,386	8,780
	Hyundai HYSCO	3,314	7,868	3,565	8,464
	WIA Corporation	960	1,708	1,033	1,837
	Dymos Inc.	1,350	1,470	1,452	1,581
	ROTEM	4,159	1,337	4,474	1,438
	Hyundai Autonet Co., Ltd.	4,084	236	4,393	254
	KEFICO Corporation	432	270	465	290
	Hyundai Powertech	1,790	1,768	1,926	1,902
	Kia Motors Slovakia. s.r.o	1,568	-	1,687	-
	Hyundai Motor India	2,143	-	2,305	-
	Hyundai Information Service				
	North America	373	-	401	-
	Dong Feng Yueda Kia Motor Co., Ltd.	1,995	-	2,146	-
Hyundai Capital Service Inc.	Kia Motors Corporation	32,253	-	34,696	-
	Hyundai Card	894	-	962	-
	Hyundai Powertech	3,307	7,322	3,557	7,877
Hyundai Card	Hyundai Capital Service Inc.	64,389	59,874	69,265	64,408
	Kia Motors Corporation	11,530	14,834	12,403	15,957
	Autoever Systems Corp	24,029	10,280	25,849	11,059
	Hyundai HYSCO	263	5,651	283	6,079
	WIA Corporation	2,107	30,579	2,267	32,895
KEFICO Corporation	Kia Motors Corporation	13,222	11,192	14,223	12,040
	Hyundai Powertech	7,479	11,640	8,045	12,522
Dymos Inc.	Kia Motors Corporation	26,359	12,170	28,355	13,092
	ROTEM	15,964	6,971	17,173	7,499
	M.Seat Co., Ltd.	660	-	710	-
	WIA Corporation	817	-	879	-
	Hyundai Powertech	4,070	-	4,378	-
WIA Corporation	Kia Motors Corporation	250,898	196,883	269,899	211,793
	ROTEM	7,455	31,292	8,020	33,662
	Dymos Inc.	4,597	-	4,945	-
	METIA Co., Ltd.	5,382	2,682	5,790	2,885
	Hyundai Powertech	2,464	412	2,651	443
	Partecs Co.	2,389	-	2,570	-
	Hyundai HYSCO	-	1,502	-	1,616
	Hyundai-Kia Machine America Corp	14,316	14,825	15,400	15,948

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Subsidiaries	Counterpart subsidiaries	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2006	2005	2006	2005
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable
	Hyundai-Kia Machine Europe Gmbh	₩10,110	₩22,674	\$10,876	\$24,391
	Wia Automotive Parts	14,913	-	16,042	-
	Hyundai Motor India	170	-	183	-
Hyundai Powertech	Kia Motors Corporation	66,322	58,874	71,345	63,333
ROTEM	Kia Motors Corporation	18,336	36,735	19,725	39,517
	Autoever Systems Corp	132	-	142	-
	Dymos Inc.	4,597	-	4,945	-
Hyundai HYSKO	Kia Motors Corporation	11,274	10,300	12,128	11,080
	Hyundai Card	12,434	12,992	13,376	13,976
	WIA Corporation	2,215	-	2,383	-
	Hyundai Hysco USA, Inc.	4,652	-	5,004	-
	Beijing Hyundai Hysco Steel Process Co., Ltd.	3,588	-	3,860	-
	Hysco America Company. Inc.	444	-	478	-
	Hysco Slovakia, s.r.o.	1,274	-	1,370	-
	Hyundai Motor Manufacturing Alabama, LLC	-	11,440	-	12,306
	Dong Feng Yueda Kia Motor Co., Ltd.	461	-	496	-
	Hyundai Motor India	411	-	442	-
METIA Co., Ltd.	WIA Corporation	29,568	14,476	31,807	15,572
	Kia Motors Corporation	9,416	719	10,129	773
	Dymos Inc.	1,269	1,258	1,365	1,353
Automobile Industrial Ace Corporation	WIA Corporation	1,703	20,178	1,832	21,706
	Kia Motors Corporation	15,922	-	17,128	-
	Dymos Inc.	133	-	143	-
Mseat Co., Ltd.	Dymos Inc.	63,518	41,571	68,328	44,719
Hyundai Autonet Co., Ltd.	Kia Motors Corporation	11,931	2,775	12,835	2,985
	Hyundai-Hitech Electronics	10,244	-	11,020	-
Haevichi Resort	Kia Motors Corporation	3,048	-	3,279	-
	Hyundai Card	111	-	119	-
	Hyundai HYSKO	33	-	35	-
Hyundai America Technical Center Inc.	Kia Motors Corporation	5,018	3,828	5,398	4,118
Hyundai Motor America	Hyundai America Technical Center Inc.	1,564	2,666	1,682	2,868
	Hyundai Motor Manufacturing Alabama, LLC	4,805	-	5,169	-
	World Marketing Group LLC	4	-	4	-
	Kia Motors America Inc.	410	-	441	-

Subsidiaries	Counterpart subsidiaries	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2006	2005	2006	2005
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable
World Marketing					
Group LLC	Hyundai Motor America	₩15,175	₩9,962	\$ 16,324	\$ 10,716
	Kia Motors America Inc.	6,367	10,308	6,849	11,089
Hyundai Motor Europe					
Technical Center GmbH	Kia Motors Corporation	5,696	-	6,127	-
Hyundai-Kia Machine					
America Corp	WIA Corporation	288	69	310	74
Kia Motors America Inc.	Kia Motors Corporation	151,524	-	162,999	-
Hyundai Motor					
Europe GmbH	Hyundai Motor (UK) Ltd.	178,045	145,121	191,529	156,111
	Hyundai Motor Europe Technical Center GmbH	-	1,182	-	1,272
Hyundai Motor Finance					
Company	Kia Motors Corporation	-	8,389	-	9,024
	Hyundai Motor America	308,972	-	332,371	-
Hyundai Translead, Inc.	Hyundai Motor America	791	-	851	-
	Hyundai Motor Finance Company	10,656	10,826	11,463	11,646
	Kia Motors America Inc.	1,040	-	1,119	-
Hyundai Motor India	WIA Corporation	2,492	1,472	2,681	1,583
	Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	1,049	1,141	1,128	1,227
	Hyundai Motor (UK) Ltd.	19,894	-	21,401	-
Kia Motors Europe GmbH	Kia Motors (UK) Ltd.	509,475	382,638	548,058	411,616
	Kia Motors Belgium	91,036	44,392	97,930	47,754
	Kia Motors Austria GmbH	85,763	70,968	92,258	76,343
	Kia Motors Polska Sp.z.o.o.	51,386	-	55,278	-
	Kia Motors Hungary Kft	32,573	12,728	35,040	13,692
	Kia Motors Deutschland GmbH	460,572	348,825	495,452	375,242
	Kia Motors Iberia	403,044	84,731	433,567	91,148
	Kia Automobiles France	252,817	169,094	271,963	181,900
	Kia Motors Czech s.r.o.	17,479	14,913	18,803	16,042
	Kia Motors Sweden AB	36,800	25,609	39,587	27,548
	KIA Motors Slovensko S.r.o.	13,056	-	14,045	-
Kia Canada, Inc.	Kia Motors Corporation	3,268	-	3,515	-
Hyundai Motor					
Manufacturing					
Alabama, LLC	Hyundai Motor America	255,501	-	274,850	-
	Hyundai Auto Canada	37,460	-	40,297	-
	Hyundai Motor Finance Company	219,505	-	236,128	-

**24. RELATED PARTY TRANSACTIONS:**

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

Companies	Related party	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		Sales/ revenues	Purchases/ expenses	Sales/ revenues	Purchases/ expenses
Hyundai Motor Company	Hyundai Mobis	₩467,897	₩2,703,705	\$503,332	\$2,908,461
	Asset Management Co., Ltd.	352	348,064	379	374,423
	Glovis Co., Ltd.	24,522	347,910	26,379	374,258
	Beijing-Hyundai Motor Company	566,300	53,998	609,187	58,087
	Hyundai Steel Company	1,683	12,039	1,810	12,951
	Iljin Bearing Co., Ltd.	12	33,898	13	36,465
	Eukor Car Carriers Inc.	1,505	457,403	1,619	492,043
Kia Motors Corporation	Hyundai Mobis	41,357	1,850,066	44,489	1,990,174
	Asset Management Co., Ltd.	843	74,896	907	80,568
	Glovis Co., Ltd.	11,606	190,593	12,485	205,027
	Donghui Auto Co., Ltd.	571	85,567	614	92,047
	Eukor Car Carriers Inc.	-	435,692	-	468,688

In 2005, significant transactions with related parties other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		Sales/ revenues	Purchases/ expenses	Sales/ revenues	Purchases/ expenses
Hyundai Motor Company	Hyundai Mobis	₩577,796	₩2,348,197	\$621,553	\$2,526,029
	Asset Management Co., Ltd.	-	347,440	-	373,752
	Glovis Co., Ltd.	-	337,307	-	362,852
	Beijing-Hyundai Motor Company	688,867	-	741,036	-
	Hyundai Steel Company	3,106	41,715	3,341	44,874
	Iljin Bearing Co., Ltd.	124	39,214	133	42,184
	Eukor Car Carriers Inc.	1,512	553,446	1,627	595,359
Kia Motors Corporation	Hyundai Mobis	46,598	1,914,575	50,127	2,059,569
	Asset Management Co., Ltd.	600	173,919	645	187,090
	Glovis Co., Ltd.	54,969	176,325	59,132	189,678
	Donghui Auto Co., Ltd.	19	85,297	20	91,757
	Eukor Car Carriers Inc.	33	437,366	35	470,488

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

Companies	Related party	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		Receivables	Payables	Receivables	Payables
Hyundai Motor Company	Hyundai Mobis	₩84,416	₩498,272	\$90,809	\$536,007
	Asset Management Co., Ltd.	527	144,466	567	155,407
	Glovis Co., Ltd.	9,946	47,177	10,699	50,750
	Hyundai Steel Company	558	22,625	600	24,338
	Iljin Bearing Co., Ltd.	66	3,300	71	3,550
	EUKOR Car Carriers Inc.	17	39,939	18	42,964
Kia Motors Corporation	Hyundai Mobis	15,739	217,980	16,931	234,488
	Asset Management Co., Ltd.	-	31,209	-	33,573
	Glovis Co., Ltd.	823	27,525	885	29,610
	EUKOR Car Carriers Inc.	-	45,417	-	48,856

As of December 31, 2005, significant balances related to the transactions other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		Receivables	Payables	Receivables	Payables
Hyundai Motor Company	Hyundai Mobis	₩112,481	₩632,193	\$120,999	\$680,070
	Amco Corp.	-	188,196	-	202,448
	Glovis Co., Ltd.	-	49,599	-	53,355
	Hyundai Steel Company	713	3,152	767	3,391
	Iljin Bearing Co., Ltd.	19	4,000	20	4,303
	EUKOR Car Carriers Inc.	38	15,352	41	16,515
Kia Motors Corporation	Hyundai Mobis	13	239,132	14	257,242
	Amco Corp.	-	92,103	-	99,078
	Glovis Co., Ltd.	357	25,707	384	27,654
	EUKOR Car Carriers Inc.	-	39,583	-	42,581

**25. COMMITMENTS AND CONTINGENCIES:**

(1) The Company and its consolidated subsidiaries are contingently liable for guarantees of indebtedness of related parties including subsidiaries as of December 31, 2006 as follows:

Company providing guarantee of indebtedness	Beneficiary companies	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Hyundai Motor Company	Hyundai Capital Co., Ltd	₩314,994	\$338,849
	Hyundai Merchant Marine	199,559	214,672
	ROTEM	64,355	69,229
	Hyundai Card Co., Ltd.	3,718	4,000
	Hyundai Motor Manufacturing Alabama LLC	627,480	675,000
	Hyundai Auto Canada Captive Insurance Incorporation	13,444	14,462
	Hyundai Motor Finance Company	669,312	720,000
	Hyundai Motor Europe GmbH	29,334	31,556
	HMI	92,960	100,000
	Hyundai Motor Europe Technical Center GmbH	73,334	78,888
	Hyundai Motor Poland Sp.zo.o.	6,111	6,574
	Hyundai Motor Japan Co.	39,092	42,052
	HMJ R&D Center Inc.	4,300	4,626
	Hyundai Translead	92,030	99,000
	Smart Alabama LLC	111,552	120,000
	Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,324	2,500
	Beijing Hines Millennium Real Estate Development Co., Ltd.	13,944	15,000
	Equus Cayman Finance Ltd.	371,840	400,000
	Hyundai America Technical Center Inc.	18,592	20,000
	UTS	223,104	240,000
HMUK	HM Revenue and Customs	10,945	11,774
ROTEM	The Export-Import Bank of Korea	41,514	44,658
Hyundai HYSKO	Hyundai Hysco USA, Inc.	18,592	20,000
	Beijing Hyundai Hysco Steel Process Co., Ltd.	29,988	32,259
	Hysco America Company, Inc	27,888	30,000
	Hysco Slovakia S.R.O	15,278	16,435
	Jiangsu Hyundai Hysco Steel Process Co., Ltd.	10,314	11,095
Dymos Inc.	Beijing Lear Dymos Automotive Systems Co.	2,975	3,200
	Amco town Contractors	48,971	52,680
MSEAT Corp.	Dymos Inc.	19,643	21,131
WIA Corp.	WIA Automotive Parts	9,296	10,000
	Hyundai-Kia Machine America Corp.	24,170	26,000
	Hyundai-Kia Machine Europe GmbH	5,500	5,917



Company providing guarantee of indebtedness	Beneficiary companies	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Kia Motors Corporation	Kia Motors Slovakia	₩424,202	\$456,327
	Kia Motors (UK) Ltd.	31,632	34,028
	Kia Motors Europe GmbH	55,000	59,165
Hyundai Autonet	Hyundai Hi-Tech Electronics (Tianjin) Co. Ltd.	11,155	12,000
<b>Total</b>		<b>₩3,758,442</b>	<b>\$4,043,077</b>

(2) As of December 31, 2006, the outstanding balance of accounts receivable discounted with recourse amounts to ₩3,724,587 million (US\$4,006,656 thousand), including discounted overseas accounts receivable translated using the foreign exchange rate at December 31, 2006.

(3) The Company offered financial institutions 48 checks including one check amounting to ₩2,624 million (US\$2,823 thousand) and 131 promissory notes including 9 checks amounting to ₩31,070 million (US\$33,423 thousand) that were issued by the Company as collateral to guarantee the payment of borrowings.

(4) The Company uses a customer financing system related to a long-term instalment sales system and has provided guarantees of ₩71,411 million (US\$76,819 thousand) to the banks concerned as of December 31, 2006. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.

(5) Ongoing lawsuits

1) 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 lawsuits related to its operation such as product liabilities. The Company expects that the resolution of pending cases against the Company as of December 31, 2006 will not have any material effect on its financial position.

2) Nine significant lawsuits that Kia Motors Corporation, one of domestic subsidiaries, is facing are in progress and the potential payment for damages according to the result of the lawsuits is up to ₩7,884 million (US\$8,481 thousand). Kia Motors Corporation is involved in lawsuits, in Brazilian court, pertaining to the disputes with the Brazilian shareholders of Asia Motors Do Brazil S.A. (AMB) and AMB, which was established as a joint venture by Asia Motors with a Brazilian investor. In December 2001, Kia Motors Corporation brought the case to the International Court of Arbitration in International Chamber of Commerce (ICC) to settle the disputes pursuant to the terms of contract signed at the time of the inception of the joint venture, which stipulate that in case the business has been adversely affected by a party's failure to comply with contract terms and other reasons, the matter should be taken before the International Court of Arbitration for settlement and parties shall be held accountable according to the results. The case was decided in favour of Kia Motors Corporation in the International Court of Arbitration on July 22, 2004. In addition, Kia Motors Corporation, a shareholder of AMB, has already written off this investment of ₩14,057 million (US\$15,122 thousand). Although the outcome of this matter is not currently predictable, management believes that the resolution of these matters will not have material adverse effect on the operation or financial position of the company.

3) There exist other ongoing lawsuits related to subsidiaries that were not presented above; however, the Company expects there would not be significant effects on its consolidated financial statements.

(6) As of December 31, 2006, the Company's consolidated subsidiaries have been provided for payment guarantee by other companies as follows:

Consolidated Subsidiaries	Company providing guarantee of indebtedness	Amounts of guarantee (In thousands)	Translation into U.S. Dollars (Note 2) (In thousands)
Dymos Inc.	Seoul Guarantee Insurance Company	KRW 5,510,000	\$5,927
	Korea Housing Guarantee Co., Ltd	KRW 166,847,000	179,483
KEFICO Corporation	Korea Exchange Bank	USD 2,537	2,537
	Korea Exchange Bank	JPY 113,707	956
	Korea Exchange Bank	EUR 774	1,018
	Seoul Guarantee Insurance Company	KRW 105,000	113
ROTEM	Machinery Insurance Cooperative	KRW 1,177,819,000	1,267,017
	and other	USD 214,838	214,838
		EUR 153,916	202,370
		NTD 6,870	206
		CAD 8,033	6,922
		HKD 45,138	5,807
		SGD 11,409	7,434
	TND 1,500	1,163	
	TTD 5,000	800	
Autoever Systems Corp.	Korea Software Financial Cooperative	KRW 42,460,000	45,676
Hyundai Card Co., Ltd.	Seoul Guarantee Insurance Company	KRW 23,888,000	25,697
WIA Corp.	The Export-Import Bank of Korea	KRW 26,107,000	28,084
	Machinery Insurance Cooperative	KRW 134,180,000	144,342
Hyundai Autonet	Financial Institutions	KRW 6,286,000	6,762

(7) The Company and Kia Motors Corporation made an agreement with its European sales subsidiaries and agents for them to be responsible for projected costs for dismantling and recycling vehicles sold in corresponding countries to comply with European Parliament directive regarding End-of-Life vehicles (ELV).

(8) In 2006, the Company sold 10,658,367 shares of ROTEM to MSPE Metro Investment AB and entered into a shareholders' agreement. MSPE Metro Investment AB is entitled to put option to sell those shares back to the Company in certain events (as defined) in accordance with the agreement.

(9) Some directors of the Company and certain subsidiaries are sued in the Seoul District Court with respect to certain money transactions of the prior years. Currently, it is impossible to reasonably measure the probability and amount of an outflow of resources required to settle the consequence of this trial; however, the management estimates that the effect of this trial on the financial statements will not be material. Therefore, no adjustment is reflected in the accompanying financial statements.

(10) The Company has been investigated by the Fair Trade Commission (FTC) in connection with business activities of the prior years. Currently, it is impossible to reasonably measure the expenditure required to settle the consequence of this investigation; however, the management estimates that the effect of this investigation on the financial statements will not be material. Therefore, no adjustment is reflected in the accompanying financial statements.

- [11] Hyundai Capital Co., Ltd., one of domestic subsidiaries of the Company, made a credit facility agreement on a US\$ 600 million renewable one-year revolving credit facility up to 3 years to be provided by General Electric Capital Corporation (the "GECC") to Hyundai Capital Co., Ltd. on January 13, 2006. Under the terms of such agreement, Hyundai Capital Co., Ltd. shall pay commitment fee of Libor+90bp for the usage of facility and 20bp for the remaining. Also, the maturity of individual draw-down is within 1 year from the time of withdrawal and in case of termination, the maturity for previous withdrawals can be extended to 1 year from the time of termination. In addition, Hyundai Capital Co., Ltd, GECC and the Company made a support agreement on credit facility agreement on the same date of the credit facility agreement. According to the support agreement, when Hyundai Capital Co., Ltd cannot redeem in a year after the withdrawal, GECC has the right of debt-to-equity swap for the relevant draw-down and has the put option that GECC can sell converted stocks to the Company within the ownership of the Company. In this case, the amount which the Company pays to GECC is the amount of withdrawal for debt-to-equity swap multiplied by the ownership of the Company. Also, the Company has the call option that it can buy converted stocks from GECC on the same condition of put option when the GECC does not exercise the put option. According to the support agreement, Hyundai Capital Co., Ltd is supposed to pay 15bp commission to the Company based on the amount on which the credit facility agreement was established multiplied by the ownership percentage of the company.
- [12] On May 12, 2006, Hyundai Capital Co., Ltd., one of domestic subsidiaries of the Company, made an agreement on the Global Medium Term Note Programme (the "Programme"). The notes issued under the Programme is listed on Singapore Exchange Securities Trading Limited (the "SGX-ST") and then traded on the SGX-ST. The maximum aggregate nominal amount of notes outstanding will not exceed USD 2 billion and the notes may be issued at any time up to the limit.
- [13] Hyundai Capital Co., Ltd made a Revolving Credit Facility Agreement with following financial institutions for Credit Line.

Financial institution		Credit Line	Commission	Contract term
ING Bank N.V., Seoul Branch	US\$	100,000,000	- committed : Libor+45bp - uncommitted : 8bp	2006.11.25 ~ 2007.11.25
Mizuho Corporate Bank, Seoul Branch	US\$	100,000,000	- committed : Libor+75bp - uncommitted : 10bp	2006. 4.12 ~ 2007. 4.12
JP Morgan Seoul Branch	US\$	50,000,000	- committed : Libor+45bp - uncommitted : 8bp	2006. 8. 4 ~ 2007. 8. 4
ABN Amro, Seoul Branch	US\$	50,000,000	- committed : Libor+45bp - uncommitted : 8bp	2006. 9.11 ~ 2007. 9.11
Citibank, Seoul	KRW	47,000million	- committed : 91day CD+0.6% - uncommitted : 8bp	2006. 9.15 ~ 2007. 9.15
MUFJ, Seoul Branch	JPY	5,000,000,000	- committed : ¥ Libor+48bp - uncommitted : 8bp	2006.11.15 ~ 2007.11.15

- [14] Hyundai Card Co., Ltd., one of domestic subsidiaries of the Company, made an agreement regarding asset backed securitization. According to the agreement, in order for the credibility of the asset-backed securities, several required provisions are made as a trigger clauses to be used for early redemption calls, thereby limiting the risk that investors will have resulting from a change in quality of the assets in the future. In the event the asset-backed securitization of the Hyundai Card Co., Ltd. is in violation of the applicable trigger clause, Hyundai Card Co., Ltd. is obliged to make early redemption for asset-backed securities.
- [15] WIA Corp., one of domestic subsidiaries of the Company, made a general instalment financing contract with Yonhap Capital Corp. in order to promote the sales of its machine tools. According to the contract, if a user of the instalment financing service is in default, WIA Corp. has to accept responsibility for the default receivable. The amount of principal that has not matured is ₩98,321 million (US\$105,767 thousand) and ceiling amount is ₩150,000 million (US\$161,360 thousand) as of December 31, 2006.

## 26. DERIVATIVE INSTRUMENTS:

(1) The Company entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of December 31, 2006 and 2005 the Company deferred the net gain of ₩20,068 million (US\$21,588 thousand) and ₩33,590 million (US\$36,134 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 44 months from December 31, 2006. Of the net loss on valuation recorded as capital adjustments as of December 31, 2006 amounting to ₩36 million (US\$39 thousand) is expected to be realized and charged to current operations within one year from December 31, 2006.

For the year ended December 31, 2006 and 2005, the Company recognized the net loss of ₩274,104 million (US\$294,862 thousand) and the net gain of ₩389,078 million (US\$418,543 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	"	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 December 31, 2006 and 2005, all premiums to be paid by the Company are recorded as accounts payable-other of ₩21,524 million (US\$23,154 thousand) and ₩23,455 million (US\$25,231 thousand), respectively, and other long-term liabilities of ₩21,417 million (US\$23,039 thousand) and ₩46,793 million (US\$50,337 thousand), respectively, after deducting the present value discount of ₩2,703 million (US\$2,908 thousand) and ₩6,584 million (US\$7,083 thousand), respectively. Also, as of December 31, 2006 and 2005, all premiums to be received by the Company are recorded as other current assets of ₩3,529 million (US\$3,796 thousand) and ₩3,845 million (US\$4,136 thousand), respectively, and long-term other accounts receivable of ₩3,529 million (US\$3,796 thousand) and ₩7,690 million (US\$8,272 thousand), respectively, after deducting the present value discount of ₩448 million (US\$482 thousand) and ₩1,154 million (US\$1,241 thousand), respectively.

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums of ₩290,925 million (US\$312,957 thousand) and ₩751,995 million (US\$808,945 thousand) in current and non-current assets as of December 31, 2006 and 2005, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums of ₩55,506 million (US\$59,710 thousand) and ₩205,504 million (US\$221,067 thousand) is recorded in current and long-term liabilities as of December 31, 2006 and 2005, respectively.

(2) The transactions of currency options and forwards belonging to subsidiaries as of December 31, 2006 consist of following:

Derivatives	Contract parties	Contract amount		Period
Currency option	CALYON Financial	EUR	20,000,000	2007.02.07~2007.03.07
	Standard Chartered First Bank Korea Ltd.	USD	120,000,000	2009.12.30
		USD	30,000,000	(*1)
		USD	30,000,000	(*1)
		USD	120,000,000	(*2)
Currency forward	BNP PARIBAS	JPY	1,800,000,000	2007.04.18
		USD	10,000,000	2007.03.30
		USD	10,000,000	2007.06.29
		USD	15,000,000	2007.09.28
		USD	15,000,000	2007.12.28

(\*1) The maturity of monthly contract amounting to US\$5,000 thousand is from July 27, 2007 to December 27, 2007.

(\*2) The maturity of monthly contract amounting to US\$10,000 thousand is from January 29, 2008 to December 29, 2008.

Gains and losses on valuation of currency options and forwards for the year ended December 31, 2006 are as follows:

Description	Gains and losses for the term		
	Korean Won (In millions)	Translation into U.S. Dollars (In thousands)	Capital adjustments
Gains on valuation of derivatives	1,975	2,125	-
Losses on valuation of derivatives	(2,973)	(3,198)	-
Total	(998)	(1,074)	-

(3) Some subsidiaries entered into currency swap contract and cross-currency swap contract to hedge the exposure to changes in foreign exchange rates and interest rates on variable-rate debentures. Gains and losses on valuation of derivatives as of December 31, 2006 are as follows:

Description	Gains and losses for the term			Capital adjustments	
	Contract amount	Korean Won (In millions)	Translation into U.S. Dollars (In thousands)	Korean Won (In millions)	Translation into U.S. Dollars (In thousands)
Valuation of derivatives	2,993,592	(575)	(619)	(40,781)	(43,869)
Valuation of derivatives	59,522	-	-	(257)	(276)
Total	3,053,114	(575)	(619)	(41,038)	(44,146)

Of the net losses on valuation of currency swap and cross-currency swap recorded as capital adjustments that are expected to be realized and charged to current operations within one year from December 31, 2006 are ₩19,458 million (US\$20,932 thousand) and ₩257 million (US\$276 thousand), respectively. In addition, due to the currency swap and cross-currency swap transactions, the maximum period exposed to changes in expected future cash flows is till November 2011.

(4) Some subsidiaries entered into seven forward exchange contracts with Shinhan Bank and others to hedge the exposure to changes in foreign exchange rates on debts and credits in foreign currency as follows:

Derivatives	Contract parties	Contract amount		Settlement date
Forward exchange	Hana Bank	USD	754,000	2007.02.28
	Shinhan Bank	USD	913,562	2007.07.30
		USD	1,755,000	2007.11.30
	Citibank Korea Inc.	USD	1,322,711	2007.02.06
		USD	11,763,500	2007.04.30
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	EUR	4,446,000	2007.03.05
		EUR	7,111,000	2007.05.21

Gains and losses on valuation of forward exchange contracts for the year ended December 31, 2006 are as follows:

Description	Gains and losses for the term		
	Korean Won (In millions)	Translation into U.S. Dollars (In thousands)	Capital adjustments
Gains on valuation of derivatives	342	368	-
Losses on valuation of derivatives	(267)	(287)	-
Total	75	81	-

## 27. SEGMENT INFORMATION:

(1) Consolidated financial statements by industry

The consolidated balance sheets as of December 31, 2006 and 2005, and consolidated statements of income for the years then ended, by industry under which the Company and its subsidiaries' business are classified, are as follows:

### Consolidated Balance Sheets as of December 31, 2006

ASSETS	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Current assets:	₩23,854,680	₩1,446,622	\$25,661,231	\$1,556,177
Non-current assets:				
Investments, net of unamortized present value discount	4,873,774	1,646,205	5,242,872	1,770,875
Property, plant and equipment, net of accumulated depreciation	23,309,614	181,781	25,074,886	195,548
Intangibles, net of amortization	2,548,243	60,222	2,741,225	64,783
Other financial business assets	-	15,144,269	-	16,291,166
Total non-current assets	30,731,631	17,032,477	33,058,983	18,322,372
<b>Total assets</b>	<b>₩54,586,311</b>	<b>₩18,479,099</b>	<b>\$58,720,214</b>	<b>\$19,878,549</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Current liabilities	₩23,883,705	₩7,736,308	\$25,692,454	\$8,322,190
Non-current liabilities	10,642,770	8,201,734	11,448,763	8,822,864
Other financial business liabilities	-	148,224	-	159,449
<b>Total liabilities</b>	<b>₩34,526,475</b>	<b>₩16,086,266</b>	<b>\$37,141,217</b>	<b>\$17,304,503</b>
Shareholders' equity:				
Capital stock	1,484,942	1,649,640	1,597,399	1,774,570
Capital surplus	5,405,773	428,463	5,815,160	460,911
Retained earnings	9,812,872	323,248	10,556,015	347,728
Capital adjustments	(794,410)	(8,518)	(854,572)	(9,163)
Minority interests	4,150,659	-	4,464,995	-
Total shareholders' equity	20,059,836	2,392,833	21,578,997	2,574,046
<b>Total liabilities and shareholders' equity</b>	<b>₩54,586,311</b>	<b>₩18,479,099</b>	<b>\$58,720,214</b>	<b>\$19,878,549</b>

Consolidated Balance Sheets as of December 31, 2005

ASSETS	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Current assets:	₩23,410,682	₩1,552,756	\$25,183,608	\$1,670,349
Non-current assets:				
Investments, net of unamortized present value discount	4,735,303	2,608,660	5,093,914	2,806,218
Property, plant and equipment, net of accumulated depreciation	21,211,029	130,657	22,817,372	140,552
Intangibles, net of amortization	2,254,645	74,735	2,425,393	80,395
Other financial business assets	-	11,295,391	-	12,150,807
Total non-current assets	28,200,977	14,109,443	30,336,679	15,177,972
<b>Total assets</b>	<b>₩51,611,659</b>	<b>₩15,662,199</b>	<b>\$55,520,287</b>	<b>\$16,848,321</b>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	₩22,709,571	₩7,572,708	\$24,429,401	\$8,146,201
Non-current liabilities	9,746,884	6,245,002	10,485,030	6,717,945
Other financial business liabilities	-	286,329	-	308,013
<b>Total liabilities</b>	<b>₩32,456,455</b>	<b>₩14,104,039</b>	<b>\$34,914,431</b>	<b>\$15,172,159</b>

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Shareholders' equity:				
Capital stock	₩1,482,905	₩1,283,800	\$1,595,208	\$1,381,024
Capital surplus	5,038,670	866,340	5,420,256	931,949
Retained earnings	9,280,764	(666,721)	9,983,610	(717,213)
Capital adjustments	(791,672)	74,741	(851,627)	80,402
Minority interests	4,144,537	-	4,458,409	-
Total shareholders' equity	19,155,204	1,558,160	20,605,856	1,676,162
<b>Total liabilities and shareholders' equity</b>	<b>₩51,611,659</b>	<b>₩15,662,199</b>	<b>\$55,520,287</b>	<b>\$16,848,321</b>

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

	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Sales	₩61,081,347	₩3,389,565	\$65,707,129	\$3,646,262
Cost of sales	49,275,977	1,785,167	53,007,721	1,920,360
Selling and administrative expenses	10,420,927	1,089,208	11,210,119	1,171,696
Operating income	1,384,443	515,190	1,489,289	554,206
Other income (expenses), net	235,052	197,675	252,853	212,645
Ordinary income	1,619,495	712,865	1,742,142	766,851
Extraordinary item	-	-	-	-
Income before income tax	1,619,495	712,865	1,742,142	766,851
Income tax expense	605,540	110,362	651,399	118,720
Income before minority interests	1,013,955	602,503	1,090,743	648,131
Minority interests	(236,829)	-	(254,765)	-
<b>Net income</b>	<b>₩1,250,784</b>	<b>₩602,503</b>	<b>\$1,345,508</b>	<b>\$648,131</b>

**Consolidated Statements of Income for the year ended December 31, 2005**

	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Sales	₩56,691,394	₩2,734,437	\$60,984,718	\$2,941,520
Cost of sales	45,205,279	1,247,642	48,628,742	1,342,128
Selling and administrative expenses	9,278,617	1,379,111	9,981,301	1,483,553
Operating income (loss)	2,207,498	107,684	2,374,675	115,839
Other income (expenses), net	913,376	350,818	982,547	377,386
Ordinary income (loss)	3,120,874	458,502	3,357,222	493,225
Extraordinary item	-	-	-	-



**Consolidated Statements of Income for the year ended December 31, 2005**

	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Income (loss) before income tax	₩3,120,874	₩458,502	\$3,357,222	\$493,225
Income tax expense	570,457	(27,617)	613,658	(29,709)
Income (loss) before minority interests	2,550,417	486,119	2,743,564	522,934
Minority interests	359,908	-	387,164	-
<b>Net income (loss)</b>	<b>₩2,190,509</b>	<b>₩486,119</b>	<b>\$2,356,400</b>	<b>\$522,934</b>

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

(2) Regional Results of Operations and Total Assets

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

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

Results of operations and total assets, by region where the Company and its subsidiaries for the year ended and as of December 31, 2005 are located, are as follows:

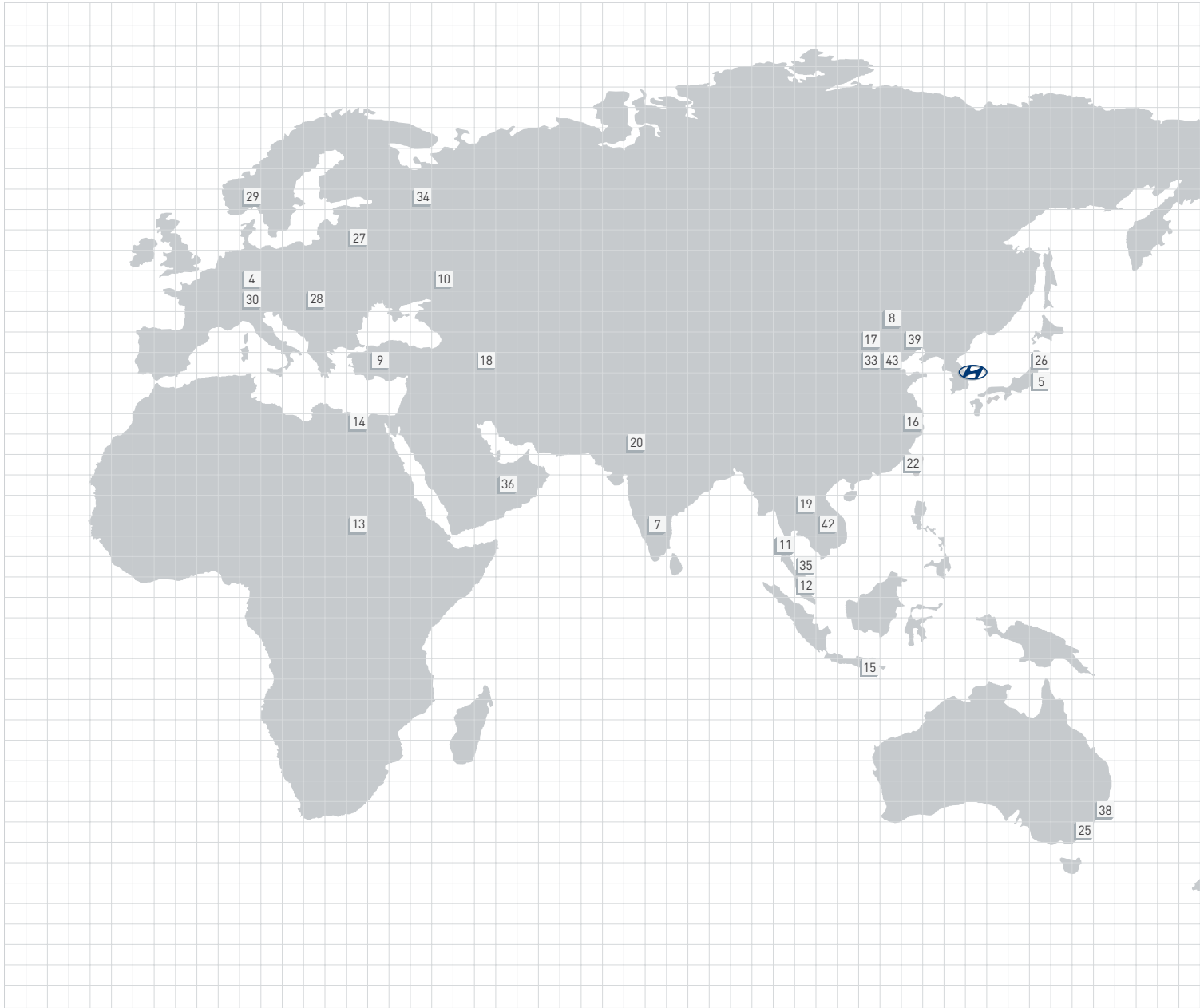
	Korean Won(In millions)					
	Domestic	North America	Asia	Europe	Consolidation adjustments	Consolidation amounts
Total sales	₩56,370,908	₩14,161,711	₩3,910,992	₩8,594,056	₩(24,207,035)	₩58,830,632
Inter-company sales	(23,670,050)	(147,223)	(168,514)	(221,248)	24,207,035	-
Net sales	32,700,858	14,014,488	3,742,478	8,372,808	-	58,830,632
Operating income	2,096,940	(4,133)	122,172	(160,681)	240,008	2,294,306
Total assets	59,518,392	8,746,236	1,950,654	4,247,009	(8,383,522)	66,078,769

**28. MERGER BETWEEN CONSOLIDATED SUBSIDIARIES:**

Effective on February 2, 2006, the Company merged with Bontec Co., Ltd. (Manufacturer of automotive electronics goods) with a merger ratio of 1:25.9965494. As a result, 51,993,098 new shares of Autonet were issued.

**29. CHANGE IN FIRM NAME OF CONSOLIDATED SUBSIDIARIES:**

Haevichi Country Club and Login Co., Ltd., domestic subsidiaries of the Company, changed their firm's names to Chasan Co., Ltd. and Haevichi Country Club, respectively, on July 1, 2006.



 Headquarters

(Ulsan Plant/Asan Plant/Jeonju Plant/  
Hyundai-Kia Corporate R&D Division/  
Commercial Vehicle R&D Center/  
Eco-Technology Research Institute)

- 2. Hyundai - Kia America Technical Center Inc. (HATCI)
- 3. Hyundai - Kia California Design & Technical Center (HKMDTC)
- 4. Hyundai Motor Europe Technical Center GmbH (HME R&D)

- 5. Hyundai Motor Japan R&D Center (HMJ R&D)
- 6. Hyundai Motor Manufacturing Alabama (HMMA)
- 7. Hyundai Motor India (HMI)
- 8. Beijing Hyundai Motor Company (BHMC)
- 9. Hyundai Assan Otomotive Sanayi (HAOS)
- 10. Taganrog Automobile Plant (TagAZ)
- 11. Oriental-Hyundai Sdn Bhd
- 12. Inokom Corporation Sdn Hbd
- 13. Sudan Master Technology (SMT)
- 14. Prima Engineering Industries S.A.E

- 15. Hyundai Indonesia Motor
- 16. Auhui Jianghuai Automotive Co., Ltd
- 17. Huatai Automobile Co., Ltd
- 18. Reyan Vehicle Manufacturing Co. (RVMCO)
- 19. Vietnam Motors Industry Corporation
- 20. Dewan Farooque Motors Ltd
- 21. MMC Automotriz S.A.
- 22. Sanyang Industry Co.,Ltd
- 23. Hyundai Motor America (HMA)
- 24. Hyundai Auto Canada (HAC)
- 25. Hyundai Motor Company Australia (HMCA)



- 26. Hyundai Motor Japan (HMJ)
- 27. Hyundai Motor Poland (HMP)
- 28. Hyundai Motor Hungary KFT (HMH)
- 29. Hyundai Motor Norway AS (HMN)
- 30. Hyundai Motor Europe (HME)
- 31. World Marketing Group (WMG)
- 32. Hyundai Motor Finance Co. (HMFC)
- 33. Beijing Jingxian Motor Safeguard Service Co., Ltd
- 34. Hyundai Motor Company (Central & Eastern Europe Regional

- Headquarters)
- 35. Hyundai Motor Company (Asia Regional Headquarters)
- 36. Hyundai Motor Company (Africa & Middle East Regional Headquarters)
- 37. Hyundai Motor Company (Central & South America Regional Headquarters)
- 38. Hyundai Motor Company (Pacific Regional Headquarters)

- 39. Hyundai Motor Beijing Office
- 40. Hyundai Washington Office
- 41. Hyundai Detroit Office
- 42. Hyundai Motor Company Hanoi Office
- 43. Hyundai Motor China Sales Center
- 44. Brazil Assembly Plant

## Domestic Facilities

### Headquarters

Yangjae-Dong Office

Site area :22,177<sup>m</sup><sup>2</sup> Total floor space: 82,750<sup>m</sup><sup>2</sup>

Address :231, Yangjae-Dong, Seocho-Gu,  
Seoul, 137-938, Korea

Tel :+82-2-3464-1114

Kye-Dong Office (Domestic Business Division)

Address :140-2, Kye-Dong, Chongro-Gu,  
Seoul, 110-793, Korea

Tel :+82-2-746-1114

### Ulsan Plant

Division :No.1 Plant, No.2 Plant, No.3 Plant,  
No.4 Plant, No.5 Plant,

Total plant site area :5,000,000<sup>m</sup><sup>2</sup>

Total floor space :2,310,000<sup>m</sup><sup>2</sup>

Production capacity :1,620,000

Vehicles produced:

\*No.1 Plant- Accent, Getz

\*No.2 Plant- Santa Fe, Centennial, Tucson,  
Veracruz

\*No.3 Plant- Elantra, Coupe

\*No.4 Plant- H-1, Trajet, H-100 Truck, H-1 Truck

\*No.5 Plant- Tucson

Address :700 Yangjong-dong, Buk-gu, Ulsan,  
Korea

Tel :+82-52-280-2114

### Asan Plant

Total plant site area :1,811,000<sup>m</sup><sup>2</sup>

Total floor space :363,000<sup>m</sup><sup>2</sup>

Production capacity :300,000

Vehicles produced :Grandeur (Azer),  
Sonata

Address :123 Kumsong-ri, Inju-myun,  
Asan-si, Chungchungnam-do,  
Korea

Tel :+82-41-530-5114

### Jeonju Plant

Total plant site area :1,322,000<sup>m</sup><sup>2</sup>

Total floor space :396,000<sup>m</sup><sup>2</sup>

Production capacity :125,000

Vehicles produced:

Medium and large size buses,

Medium and large size trucks,

Special duty cars

Address :800 Yongam-ri, Bongdong-eup,  
Wanju-gun, Jeollabuk-do, Korea

Tel :+82-63-260-5114

### Hyundai & Kia Corporate R&D Division

Address: 772-1, Changduk-dong, Hwasung-  
si, Kyunggi-do, Korea

Tel :+82-31-368-5114

### Eco-Technology Research Institute

Address: Guseong-myun, Younging-si,  
Kyunggi-do, Korea

### Commercial Vehicle R&D Center

Address :800 Yongam-ri, Bongdong-eup,  
Wanju-gun, Jeollabuk-do, Korea

Tel :+82-63-260-5114

## Overseas Facilities

### Hyundai -Kia America Technical Center Inc. (HATCI)

Address : 6800 Geddes Road, Superior  
Township, MI 48198, U.S.A.

Tel : +1-734-337-2200

### Hyundai -Kia California Design & Technical Center (HKMDTC)

Address : 81 Bunsen Irvine, CA 92608, U.S.A.

Tel : +1-949-585-7015, +1-949-585-7016

### Hyundai Motor Europe Technical Center GmbH (HMETC)

Address : Marie-Curie-Strasse 2,  
65428 Rüsselsheim, Germany

Tel : +49-6142-7889-622

### Hyundai Motor Japan R&D Center (HMJ R&D)

Address : 3-2-2 Nishinohara Inzai-City, Chiba,  
Japan #270-1334

Tel : +81-476-47-6332

### Hyundai Motor Manufacturing Alabama (HMMA)

Address : 7515 Halcyon Summit Dr.  
Montgomery Alabama 36117,  
U.S.A.

Total plant site area of 6,900,000<sup>m</sup><sup>2</sup>

Production capacity : 300,000

Vehicles produced : 2005 Sonata, 2006 Santa Fe

### Hyundai Motor India (HMI)

Address : A-30, Mohan Co-Operative  
Industrial Area, Phase-1 Mathura  
Road, New Delhi 110-044, India

Total plant site area of 2,148,000<sup>m</sup><sup>2</sup>

Production capacity : 300,000

Vehicles produced : Atos Prime(Santro), Getz,  
Accent, Sonata

### Beijing Hyundai Motor Company (BHMC)

Address : Room 601, Millennium Tower  
No.38 Xiaoyun Road, Chaoyang  
District, Beijing China

Total plant site area of 670,000<sup>m</sup><sup>2</sup>

Production capacity : 150,000

Vehicles produced : Sonata, Elantra, Tucson,  
Accent

### Hyundai Assan Otomotive Sanayi (HAOS)

Address : Sehif Mehmet Fatih Ongul Sk.  
No: 2, 34742 Kozyatagi, Istanbul,  
Turkey

Total plant site area of 1,000,000<sup>m</sup><sup>2</sup>

Production capacity : 60,000

Vehicles produced : Accent, H-1 Van, Matrix

### Taganrog Automobile Plant (TagAZ)

Address : 99, Halturinskiy, Rostov-on-don  
344011, Russia

Vehicles produced : Accent, Sonata, H-1 Truck,  
Santa Fe SM

### Oriental-Hyundai Sdn Bhd

Address : Wisma Kah Motor, 2nd Floor,  
Hq A/C, Dept. No 566, Batu 3 1/2  
Jalan Ipoh, 51200 Kuala Lumpur  
Malaysia

Vehicles produced : Accent, Elantra, Sonata

### Inokom Corporation Sdn Hbd

Address : Lot38, Mukim Padang Meha, 9400  
Padang Serai, Kulim Kedah  
Malaysia

Vehicles produced : Atos, Matrix, H-1 Truck,  
Getz

### Sudan Master Technology (SMT)

Address : P.O. Box 444 Khartoum 11111,  
Sudan

Vehicles produced : Accent

### Prima Engineering Industries S.A.E

Address : Egyptian Vehicle Manufacturing,  
Ghabbour Km3 Cairo, Alex  
Agriculture Road, Egypt

Vehicles produced : Accent

### Hyundai Indonesia Motor

Address : Jl. Sultan Iskandar Muda No.  
81 Arteri Pondok Indah Lt 2 Jakarta  
Selatan 12240, Indonesia

Vehicles produced : Atos, Accent, Trajet

## Overseas Facilities

### Auhui Jianghuai Automotive Co., Ltd

Address : 176, Donglim Road Hefei, China  
Vehicles produced : Terracan, Santa Fe SM

### Huatai Automobile Co., Ltd

Address : No.1 Anyuan Li An Dingmen Wai  
Chaoyang District, Beijing, China  
Vehicles produced : Terracan

### Reyan Vehicle Manufacturing Co. (RVMCO)

Address : Sadaf Complex, Arg Vlvd.,  
Kerman Khodro Blvd. Km 16 Karadj  
Special Road, Tehran, Iran  
Vehicles produced : Accent, Elantra XD

### Vietnam Motors Industry Corporation

Address : 120 Hang Trong, Hoan Kiem,  
Hanoi Vietnam  
Vehicles produced : H-1 Truck

### Dewan Farooque Motors Ltd

Address : Dewan City, Sujawal, District Thatta  
Vehicles produced : Atos, H-1 Truck

### MMC Automotriz S.A.

Address : Caracas, Venezuela  
Vehicles produced : Getz, Elantra XD

### Sanyang Industry Co.,Ltd

Address : 3 Chunghua Road, Hukou Hsinchu  
Taiwan R.O.C  
Vehicles produced : Getz, Matrix, Tucson,  
H-1 Truck

### Brazile Industry Co.,Ltd

Address : Anapolis, Goias

### Hyundai Motor America (HMA)

Address : 10550 Talbert Avenue, P.O. Box  
20850, Fountain Valley, CA 92728  
0850, U.S.A.  
Tel : +1-714-965-3000

### Hyundai Auto Canada (HAC)

Address : 75 Frontenac Drive, Markham,  
Ontario L3R 6H2, Canada  
Tel : +1-905-948-6786

### Hyundai Motor Company Australia (HMCA)

Address : 8 Baywater Dr. Homebush Bay,  
NSW 2127  
Tel : +61-2-9763-3571

### Hyundai Motor Japan (HMJ)

Address : Shuwa Sanbancho Building 2F 28  
Sanbancho Chiyoda-Ku, Tokyo  
Tel : +81-3-5211-4062

### Hyundai Motor Poland (HMP)

Address : Natpoll Building. No. 30, 4,  
Migdalowa Street, 02-796 Warsaw,  
Poland  
Tel : +48-22-645-1625

### Hyundai Motor Hungary KFT (HMH)

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### World Marketing Group (WMG)

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Tel : +1-949-440-2104

### Hyundai Motor Finance Co. (HMFC)

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Phone : +1-714-965-3400

### Beijing Jingxian Motor Safeguard Service Co., Ltd

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Full Line-Up



Centennial (Equus)



Azera (Grandeur)



Sonata



Elantra (Avante)



Hyundai Coupe (Tuscani)



Accent (Verna)



Getz (Click)



Atos Prime (Santro)



Matrix (Lavita)



Santa Fe



Tucson



Veracruz



H-1 Van (Starex)



H-100 Truck (Porter II)



Libero (H-1 Truck)



e-Mighty



Mega Truck



Trago Cargo Truck



Trago Dump Truck



e-County



New Super Aero city



Universe