

HYUNDAI MOTOR COMPANY

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

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

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

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

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

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

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

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

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

November 1, 2006

Notice to Readers

This report is effective as of November 1, 2006, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2006 AND DECEMBER 31, 2005

ASSETS	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Current assets:				
Cash and cash equivalents	₩ 1,258,896	₩ 1,803,282	\$ 1,331,883	\$ 1,907,831
Short-term financial instruments (Note 13)	2,112,799	3,860,735	2,235,293	4,084,569
Short-term investment securities (Note 4)	335,284	342,292	354,723	362,137
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩21,430 million as of September 30, 2006 and ₩21,589 million as of December 31, 2005	1,506,638	1,312,163	1,593,989	1,388,238
Inventories (Note 3)	1,313,268	1,008,086	1,389,408	1,066,532
Deferred income tax assets (Note 19)	111,507	24,929	117,972	26,374
Advances and other current assets	646,968	651,878	684,476	689,673
Total current assets	<u>7,285,360</u>	<u>9,003,365</u>	<u>7,707,744</u>	<u>9,525,354</u>
Non-current assets:				
Long-term investment securities (Notes 5 and 13)	517,060	441,008	547,038	466,576
Investment securities accounted for using the equity method (Notes 6 and 13)	6,511,034	6,115,447	6,888,525	6,470,003
Property, plant and equipment, net of accumulated depreciation of ₩5,541,382 million as of September 30, 2006 and ₩5,093,631 million as of December 31, 2005 (Notes 7, 8 and 13)	9,174,581	8,945,562	9,706,497	9,464,200
Intangibles (Note 9)	962,105	920,395	1,017,885	973,757
Deferred income tax assets (Note 19)	-	27,199	-	28,776
Other assets (Notes 10 and 13)	704,586	1,108,244	745,436	1,172,498
Total non-current assets	<u>17,869,366</u>	<u>17,557,855</u>	<u>18,905,381</u>	<u>18,575,810</u>
Total assets	<u>₩ 25,154,726</u>	<u>₩ 26,561,220</u>	<u>\$ 26,613,125</u>	<u>\$ 28,101,164</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF SEPTEMBER 30, 2006 AND DECEMBER 31, 2005

	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings (Notes 11 and 13)	₩ 474,340	₩ 780,445	\$ 501,841	\$ 825,693
Current maturities of long-term debt and debentures (Notes 12 and 13)	118,227	464,163	125,081	491,074
Trade notes and accounts payable	2,374,000	3,443,993	2,511,638	3,643,666
Accounts payable-other	1,093,087	1,613,236	1,156,461	1,706,767
Accrued warranties (Note 14)	740,353	734,750	783,277	777,349
Income tax payable	223,622	41,846	236,587	44,272
Accrued expenses	301,182	43,037	318,644	45,532
Withholdings and other current liabilities	463,856	495,175	490,748	523,883
Total current liabilities	<u>5,788,667</u>	<u>7,616,645</u>	<u>6,124,277</u>	<u>8,058,236</u>
Long-term liabilities:				
Long-term debt and debentures, net of current maturities and discount on debentures issued of ₩1,567 million as of September 30, 2006 and ₩4,605 million as of December 31, 2005 (Notes 12 and 13)	812,234	935,049	859,325	989,260
Accrued severance benefits, net of National Pension payments for employees of ₩24,745 million as of September 30, 2006 and ₩29,550 million as of December 31, 2005, and individual severance insurance deposits of ₩799,085 million as of September 30, 2006 and ₩835,383 million as of December 31, 2005 (Note 2)	465,252	367,052	492,226	388,333
Long-term accrued warranties (Note 14)	2,344,886	2,433,533	2,480,836	2,574,622
Deferred income tax liabilities (Note 19)	194,448	-	205,722	-
Other long-term liabilities	104,978	256,083	111,064	270,931
Total long-term liabilities	<u>3,921,798</u>	<u>3,991,717</u>	<u>4,149,173</u>	<u>4,223,146</u>
Total liabilities	<u>9,710,465</u>	<u>11,608,362</u>	<u>10,273,450</u>	<u>12,281,382</u>
Commitments and contingencies (Note 13)				
Shareholders' equity:				
Capital stock (Note 15)	1,482,905	1,482,905	1,568,880	1,568,880
Capital surplus (Note 16)	5,395,327	5,391,620	5,708,133	5,704,211
Retained earnings (Note 17) (Net income of ₩988,910 million for the nine months ended September 30, 2006 and ₩2,314,647 million for the year ended December 31, 2005)	9,540,692	8,888,352	10,093,834	9,403,673
Capital adjustments (Note 18)	(974,663)	(810,019)	(1,031,172)	(856,982)
Total shareholders' equity	<u>15,444,261</u>	<u>14,952,858</u>	<u>16,339,675</u>	<u>15,819,782</u>
Total liabilities and shareholders' equity	<u>₩ 25,154,726</u>	<u>₩ 26,561,220</u>	<u>\$ 26,613,125</u>	<u>\$ 28,101,164</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2006	2005	2006	2005	2006	2005
	(In millions, except per share amounts)				(In thousands, except per share amounts)	
Sales (Note 22):						
Domestic sales	₩ 2,710,413	₩ 2,705,199	₩ 8,510,882	₩ 7,577,945	\$ 9,004,319	\$ 8,017,293
Export sales	<u>3,176,522</u>	<u>3,444,548</u>	<u>11,240,373</u>	<u>11,688,507</u>	<u>11,892,057</u>	<u>12,366,173</u>
	<u>5,886,935</u>	<u>6,149,747</u>	<u>19,751,255</u>	<u>19,266,452</u>	<u>20,896,376</u>	<u>20,383,466</u>
Cost of sales	<u>4,889,039</u>	<u>5,005,071</u>	<u>16,108,194</u>	<u>15,555,505</u>	<u>17,042,101</u>	<u>16,457,369</u>
Gross profit	997,896	1,144,676	3,643,061	3,710,947	3,854,275	3,926,097
Selling and administrative expenses (Note 23)	<u>814,581</u>	<u>876,612</u>	<u>2,715,281</u>	<u>2,662,309</u>	<u>2,872,705</u>	<u>2,816,662</u>
Operating income	<u>183,315</u>	<u>268,064</u>	<u>927,780</u>	<u>1,048,638</u>	<u>981,570</u>	<u>1,109,435</u>
Other income (expenses), net:						
Interest income, net	18,697	15,933	63,365	49,740	67,039	52,624
Foreign exchange gain, net	15,815	1,797	26,570	128,707	28,110	136,169
Gain on valuation of investment securities accounted for using the equity method, net (Note 6)	188,771	211,149	512,052	542,303	541,739	573,744
Gain (loss) on valuation of derivatives, net	(17,661)	133,915	(226,624)	217,708	(239,763)	230,330
Royalty income	66,367	47,658	188,859	153,609	199,809	162,515
Loss on disposal of trade notes and accounts receivable	(16,107)	(15,108)	(56,142)	(44,607)	(59,397)	(47,193)
Loss on disposal of property, plant and equipment, net	(10,026)	(7,838)	(31,730)	(37,003)	(33,570)	(39,148)
Impairment loss on property, plant and equipment	(31,800)	-	(31,800)	-	(33,644)	-
Gain on disposal of short-term investment securities, net	4,229	1,022	14,089	7,974	14,906	8,436
Gain on disposal of long-term investment securities, net	-	1,665	2,969	1,665	3,141	1,762
Other, net	<u>(72,818)</u>	<u>7,567</u>	<u>(50,064)</u>	<u>44,287</u>	<u>(52,966)</u>	<u>46,854</u>
	<u>145,467</u>	<u>397,760</u>	<u>411,544</u>	<u>1,064,383</u>	<u>435,404</u>	<u>1,126,093</u>
Ordinary income	328,782	665,824	1,339,324	2,113,021	1,416,974	2,235,528
Income tax expense (Note 19)	<u>45,988</u>	<u>130,936</u>	<u>350,414</u>	<u>455,161</u>	<u>370,730</u>	<u>481,550</u>
Net income	<u>₩ 282,794</u>	<u>₩ 534,888</u>	<u>₩ 988,910</u>	<u>₩ 1,657,860</u>	<u>\$ 1,046,244</u>	<u>\$ 1,753,978</u>
Earnings per common share (Note 2)	<u>₩ 1,261</u>	<u>₩ 2,489</u>	<u>₩ 4,462</u>	<u>₩ 7,611</u>	<u>\$ 4.72</u>	<u>\$ 8.05</u>
Earnings per common share - assuming dilution (Note 2)	<u>₩ 1,257</u>	<u>₩ 2,477</u>	<u>₩ 4,444</u>	<u>₩ 7,575</u>	<u>\$ 4.70</u>	<u>\$ 8.01</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-COLSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Cash flows from operating activities:						
Net income	₩ 282,794	₩ 534,888	₩ 988,910	₩1,657,860	\$ 1,046,244	\$ 1,753,978
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation	199,901	190,540	588,763	566,359	622,897	599,195
Amortization of intangibles	78,705	48,331	214,806	130,901	227,260	138,490
Loss (gain) on foreign currency translation, net	(1,300)	2,415	(9,566)	191	(10,121)	202
Gain on valuation of investment securities accounted for using the equity method, net	(188,771)	(211,149)	(512,052)	(542,303)	(541,739)	(573,744)
Loss (gain) on valuation of derivatives, net	17,661	(133,915)	226,624	(217,708)	239,763	(230,330)
Loss on disposal of trade notes and accounts receivable	16,107	15,108	56,142	44,607	59,397	47,193
Loss on disposal of property, plant and equipment, net	10,026	7,838	31,730	37,003	33,570	39,148
Impairment loss on property, plant and equipment	31,800	-	31,800	-	33,644	-
Gain on disposal of short-term investment securities, net	(4,229)	(1,022)	(14,089)	(7,974)	(14,906)	(8,436)
Gain on disposal of long-term investment securities, net	-	(1,665)	(2,969)	(1,665)	(3,141)	(1,762)
Provision for severance benefits	57,308	84,963	225,642	205,724	238,724	217,651
Provision for warranties	23,390	15,487	171,221	260,791	181,148	275,911
Other	1,677	2,412	9,475	8,700	10,025	9,204
Changes in operating assets and liabilities:						
Decrease (increase) in trade notes and accounts receivable	(103,893)	51,497	(252,894)	(218,248)	(267,556)	(230,901)
Decrease (increase) in inventories	(89,013)	281,078	(419,578)	56,008	(443,904)	59,255
Decrease (increase) in advances and other current assets	(45,351)	125,149	32,280	113,241	34,152	119,806
Decrease (increase) in deferred income tax assets	(16,879)	(190,396)	(87,218)	116,495	(92,275)	123,249
Decrease in trade notes and accounts payable	(432,000)	(590,254)	(1,069,089)	(1,000,442)	(1,131,072)	(1,058,445)
Increase (decrease) in accounts payable-other	107,090	87,734	(545,527)	169,673	(577,155)	179,510
Increase (decrease) in income tax payable	43,883	36,467	181,777	(389,485)	192,316	(412,066)
Increase (decrease) in accrued expenses	(40,961)	(86,381)	258,145	154,526	273,112	163,485
Increase in deferred income tax liabilities	7,557	-	194,448	-	205,722	-
Increase (decrease) in withholdings and other current liabilities	6,219	52,859	(29,021)	96,771	(30,704)	102,382
Decrease in accrued warranties	(97,635)	(101,682)	(254,264)	(294,191)	(269,006)	(311,247)
Payment of severance benefits	(23,813)	(42,222)	(169,047)	(186,950)	(178,848)	(197,789)
Decrease (increase) in individual severance insurance deposits	(12,354)	6,952	36,298	2,094	38,402	2,215
Other	2,349	11,022	20,936	26,539	22,150	28,079
	<u>(169,732)</u>	<u>196,054</u>	<u>(96,317)</u>	<u>788,517</u>	<u>(101,901)</u>	<u>834,233</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-COLSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Cash flows from investing activities:						
Cash inflows from investing activities:						
Proceeds from withdrawal of short-term financial instruments	₩1,734,111	₩1,102,332	₩4,400,074	₩3,250,936	\$ 4,655,178	\$ 3,439,416
Proceeds from disposal of short-term investment securities	64,328	31,969	244,701	190,381	258,888	201,419
Proceeds from disposal of long-term investment securities	500	3,649	49,280	3,649	52,137	3,861
Proceeds from disposal and dividends of investment securities accounted for using the equity method	62,186	28,523	146,165	174,256	154,639	184,359
Proceeds from disposal of property, plant and equipment	8,630	4,261	22,112	43,664	23,394	46,196
Proceeds from disposal of intangibles	-	-	-	-	-	-
Reduction in other current assets	1,740	74,629	11,220	117,829	11,871	124,660
Reduction in other assets	11,773	48,121	95,767	203,209	101,319	214,990
	<u>1,883,268</u>	<u>1,293,484</u>	<u>4,969,319</u>	<u>3,983,924</u>	<u>5,257,426</u>	<u>4,214,901</u>
Cash outflows from investing activities:						
Purchase of short-term financial instruments	(761,903)	(1,690,299)	(2,652,138)	(3,032,787)	(2,805,901)	(3,208,619)
Acquisition of short-term investment securities	(100,099)	(80,827)	(230,366)	(181,243)	(243,722)	(191,751)
Acquisition of long-term investment securities	-	-	(3,829)	(17,232)	(4,051)	(18,231)
Acquisition of investment securities accounted for using the equity method	(123,233)	(198,536)	(271,635)	(622,810)	(287,384)	(658,919)
Acquisition of property, plant and equipment	(317,013)	(333,518)	(796,245)	(741,025)	(842,409)	(783,988)
Expenditures for development costs	(91,910)	(102,997)	(249,437)	(265,306)	(263,899)	(280,688)
Additions to other current assets	-	(112,193)	(6,300)	(154,793)	(6,665)	(163,767)
Additions to other assets	(14,186)	(47,347)	(95,876)	(123,942)	(101,435)	(131,128)
	<u>(1,408,344)</u>	<u>(2,565,717)</u>	<u>(4,305,826)</u>	<u>(5,139,138)</u>	<u>(4,555,466)</u>	<u>(5,437,091)</u>
	<u>474,924</u>	<u>(1,272,233)</u>	<u>663,493</u>	<u>(1,155,214)</u>	<u>701,960</u>	<u>(1,222,190)</u>
Cash flows from financing activities:						
Cash inflows from financing activities:						
Proceeds from short-term borrowings	3,220,808	611,093	8,952,899	6,270,543	9,471,963	6,634,091
Proceeds from the issuance of debentures	-	299,107	-	299,107	-	316,448
Proceeds from disposal of treasury stock	-	-	-	53,617	-	56,726
	<u>3,220,808</u>	<u>910,200</u>	<u>8,952,899</u>	<u>6,623,267</u>	<u>9,471,963</u>	<u>7,007,265</u>
Cash outflows from financing activities:						
Repayment of short-term borrowings	(3,376,171)	(454,159)	(9,258,697)	(6,212,955)	(9,795,490)	(6,573,164)
Repayment of current maturities of long-term debt	(211,724)	(907)	(463,464)	(5,674)	(490,334)	(6,003)
Payment of cash dividends	-	-	(342,300)	(326,833)	(362,146)	(345,782)
Purchase of treasury stock	-	-	-	(660,571)	-	(698,869)
	<u>(3,587,895)</u>	<u>(455,066)</u>	<u>(10,064,461)</u>	<u>(7,206,033)</u>	<u>(10,647,970)</u>	<u>(7,623,818)</u>
	<u>(367,087)</u>	<u>455,134</u>	<u>(1,111,562)</u>	<u>(582,766)</u>	<u>(1,176,007)</u>	<u>(616,553)</u>

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HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Net decrease in cash and cash equivalents	₩ (61,895)	₩ (621,045)	₩ (544,386)	₩ (949,463)	\$ (575,948)	\$(1,004,510)
Cash and cash equivalents, beginning of period	<u>1,320,791</u>	<u>678,282</u>	<u>1,803,282</u>	<u>1,006,700</u>	<u>1,907,831</u>	<u>1,065,065</u>
Cash and cash equivalents, end of period	<u>₩1,258,896</u>	<u>₩ 57,237</u>	<u>₩1,258,896</u>	<u>₩ 57,237</u>	<u>\$ 1,331,883</u>	<u>\$ 60,555</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

1. THE COMPANY:

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

The Company owns and operates three principal automobile production bases in Korea: the Ulsan factory, the Asan factory and the Jeonju factory. In addition, the Company has invested in 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 September 30, 2006, the major shareholders of the Company are Hyundai MOBIS (15.03%), Hyundai Steel (5.87%) and Chung, Mong Koo (5.20%).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

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

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. dollar amounts is included solely for the convenience of readers outside of the Republic of Korea and has been made at the rate of ₩945.20 to US\$1.00 at September 30, 2006, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. dollars at that or any other rate.

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

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

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

Revenue Recognition

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

Allowance for Doubtful Accounts

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

Inventories

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

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

Classification of Securities

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

Valuation of Securities

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

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

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

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

Investment Securities Accounted for Using the Equity Method

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

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

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

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

Property, Plant and Equipment and Related Depreciation

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

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

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

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

Intangibles

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

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

Valuation of Receivables and Payables at Present Value

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

Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees were to resign amount to ₩1,289,082 million (US\$1,363,819 thousand) and ₩1,231,985 million (US\$1,303,412 thousand) as of September 30, 2006 and December 31, 2005, respectively.

Accrued severance benefits are approximately 62 percent and 68 percent funded at September 30, 2006 and December 31, 2005, respectively, through an individual severance insurance plan. Individual severance insurance deposits, in which the beneficiaries are respective employees, are presented as deduction from accrued severance benefits.

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

Actual payments of severance benefits amounted to ₩169,047 million (US\$178,848 thousand) and ₩186,950 million (US\$197,789 thousand) for the nine months ended September 30, 2006 and 2005, respectively.

Accrued Warranties

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

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

Stock Options

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

Derivative Instruments

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

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

The Company entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of September 30, 2006 and December 31, 2005 the Company deferred the net gain of ₩23,743 million (US\$25,120 thousand) and ₩24,352 million (US\$25,764 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 47 months from September 30, 2006. Of the net gain on valuation recorded as capital adjustments as of September 30, 2006 amounting to ₩8,605 million (US\$9,104 thousand) is expected to be realized and charged to current operations within one year from September 30, 2006.

For the nine months ended September 30, 2006 and 2005, the Company recognized the net loss of ₩226,624 million (US\$239,763 thousand) and the net gain of ₩217,708 million (US\$230,330 thousand), respectively, on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations.

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

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

(*) The Company has the position of seller.

The gain or loss on valuation of these derivatives related to the fair value of Kia shares is recognized in current operations.

As of September 30, 2006 and December 31, 2005, all premiums to be paid by the Company are recorded as accounts payable - other of ₩21,885 million (US\$23,154 thousand) and ₩23,455 million (US\$ 24,815 thousand), respectively, and other long-term liabilities of ₩21,776 million (US\$23,039 thousand) and ₩46,793 million (US\$49,506 thousand), respectively, after deducting the present value discount of ₩3,450 million (US\$3,650 thousand) and ₩6,584 million (US\$6,966 thousand), respectively. Also, as of September 30, 2006 and December 31, 2005, all premiums to be received by the Company are recorded as other current assets of ₩3,588 million (US\$3,796 thousand) and ₩3,845 million (US\$4,068 thousand), respectively, and long-term other accounts receivable of ₩3,588 million (US\$3,796 thousand) and ₩7,690 million (US\$8,136 thousand), respectively, after deducting the present value discount of ₩594 million (US\$628 thousand) and ₩1,154 million (US\$1,221 thousand), respectively.

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums of ₩377,435 million (US\$399,318 thousand) and ₩751,995 million (US\$795,594 thousand) in current and non-current assets as of September 30, 2006 and December 31, 2005, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums of ₩76,068 million (US\$80,478 thousand) and ₩205,504 million (US\$217,419 thousand) is recorded in current and long-term liabilities as of September 30, 2006 and December 31, 2005, respectively.

Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korea Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing rates of exchange on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Base Rate announced by Seoul Money Brokerage Service, Ltd, which was ₩945.20 and ₩1,013.00 to US\$1.00 at September 30, 2006 and December 31, 2005, respectively, and translation gains or losses are reflected in current operations.

Income Tax Expense

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets or liabilities. In addition, current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets or liabilities for financial reporting and according to the expected reversal date of the specific temporary difference if they are not related to an asset or liability for financial reporting, including deferred tax assets related to carryforwards. Deferred tax assets and liabilities in the same current or non-current classification are offset if these relate to income tax levied by the same tax jurisdictions.

Earnings per Common Share

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

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Ordinary and net income	₩ 282,794	₩ 534,888	₩ 988,910	₩ 1,657,860	\$ 1,046,244	\$ 1,753,978
Expected dividends on preferred stock	(20,689)	(19,133)	(62,068)	(57,399)	(65,667)	(60,727)
Ordinary and net income available to common share	262,105	515,755	926,842	1,600,461	980,577	1,693,251
Weighted average number of common shares outstanding (*)	<u>207,772,556</u>	<u>207,185,676</u>	<u>207,736,808</u>	<u>210,270,903</u>	<u>207,736,808</u>	<u>210,270,903</u>
Ordinary and net income per common share	<u>₩ 1,261</u>	<u>₩ 2,489</u>	<u>₩ 4,462</u>	<u>₩ 7,611</u>	<u>\$ 4.72</u>	<u>\$ 8.05</u>

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

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

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Ordinary and net income available to common share	₩ 262,105	₩ 515,755	₩ 926,842	₩ 1,600,461	\$ 980,577	\$ 1,693,251
Stock option compensation expense	-	-	-	43	-	45
Ordinary and net income available to diluted common share	262,105	515,755	926,842	1,600,504	980,577	1,693,296
Weighted average number of common shares and diluted securities outstanding	<u>208,581,696</u>	<u>208,215,582</u>	<u>208,565,250</u>	<u>211,300,809</u>	<u>208,565,250</u>	<u>211,300,809</u>
Diluted ordinary and net income per common share	<u>₩ 1,257</u>	<u>₩ 2,477</u>	<u>₩ 4,444</u>	<u>₩ 7,575</u>	<u>\$ 4.70</u>	<u>\$ 8.01</u>

Ordinary and net income per common share and diluted ordinary and net income per common share for the three months ended March 31, 2006 are ₩1,436 (US\$1.52) and ₩1,429 (US\$1.51), and for the three months ended June 30, 2006 are ₩1,768 (US\$1.87) and ₩1,761 (US\$1.86), respectively, and ordinary and net income per common share and diluted ordinary and net income per common share for the year ended December 31, 2005 are ₩10,652 (US\$11.27) and ₩10,599 (US\$11.21), respectively.

3. INVENTORIES:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Finished goods and merchandise	₩ 336,292	₩ 224,273	\$ 355,789	\$ 237,276
Semi finished goods and work in process	544,201	407,247	575,752	430,858
Raw materials and supplies	357,924	305,972	378,675	323,711
Materials in transit	74,851	70,594	79,192	74,687
	<u>₩ 1,313,268</u>	<u>₩ 1,008,086</u>	<u>\$ 1,389,408</u>	<u>\$ 1,066,532</u>

4. SHORT-TERM INVESTMENT SECURITIES:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Beneficiary certificates	₩ 335,274	₩ 342,282	\$ 354,712	\$ 362,126
Government bonds	10	10	11	11
	<u>₩ 335,284</u>	<u>₩ 342,292</u>	<u>\$ 354,723</u>	<u>\$ 362,137</u>

The unrealized gain increased by ₩7,344 million (US\$7,770 thousand) and gain of ₩14,107 million (US\$14,925 thousand) is realized mainly due to disposal of investments for the nine months ended September 30, 2006.

5. LONG-TERM INVESTMENT SECURITIES:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Available-for-sale securities	₩ 468,560	₩ 392,508	\$ 495,726	\$ 415,264
Held-to-maturity securities	48,500	48,500	51,312	51,312
	<u>₩ 517,060</u>	<u>₩ 441,008</u>	<u>\$ 547,038</u>	<u>\$ 466,576</u>

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Equity securities stated at fair value	₩ 373,630	₩ 251,701	\$ 395,292	\$ 266,294
Equity securities stated at acquisition cost	94,930	140,807	100,434	148,970
	<u>₩ 468,560</u>	<u>₩ 392,508</u>	<u>\$ 495,726</u>	<u>\$ 415,264</u>

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

Name of company	Korean Won		Translation into U.S. Dollars (Note 2)		Ownership percentage (%)
	Acquisition cost	Book value	Book value		
	(In millions)		(In thousands)		
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 286,890	\$ 303,523		2.88
Hyundai Corporation	13,626	1,874	1,983		0.37
KT Freetel	10,800	9,681	10,242		0.17
Hyundai Information Technology Co., Ltd.	10,000	2,053	2,172		2.21
LG Telecom	9,795	20,774	21,978		0.68
Hyundai Development Company	9,025	18,990	20,091		0.60
Hyundai Merchant Marine Co., Ltd.	9,161	12,682	13,417		0.52
Jin Heung Mutual Savings Bank	2,166	2,101	2,223		2.28
Korea Environment Technology Co., Ltd.	1,500	3,135	3,317		6.00
Dong Yang Investment Bank	282	130	138		0.01
Treasury Stock Fund (*)		15,320	16,208		-
		<u>₩ 373,630</u>	<u>\$ 395,292</u>		

(*) The acquisition cost of Treasury Stock Fund is ₩26,647 million (US\$28,192 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩21,345 million (US\$22,583 thousand) is recorded as treasury stock in capital adjustments.

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

Name of company	Korean Won		Translation into U.S. Dollars (Note 2)	Ownership percentage (%)
	Acquisition cost (In millions)	Book value	Book value (In thousands)	
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 168,411	\$ 178,175	2.88
Hyundai Corporation	13,626	1,513	1,601	1.08
KT Freetel	10,800	8,229	8,706	0.18
Hyundai Information Technology Co., Ltd.	10,000	2,790	2,952	2.21
LG Telecom	9,795	12,483	13,207	0.68
Hyundai Development Company	9,025	20,610	21,805	0.60
Hyundai Merchant Marine Co., Ltd.	7,329	7,645	8,088	0.55
Jin Heung Mutual Savings Bank	2,166	3,097	3,277	3.33
Korea Environment Technology Co., Ltd.	1,500	4,455	4,713	6.00
Dong Yang Investment Bank	282	115	121	0.01
Treasury Stock Fund (*)		22,353	23,649	-
		<u>₩ 251,701</u>	<u>\$ 266,294</u>	

(*) The acquisition cost of Treasury Stock Fund is ₩35,547 million (US\$37,608 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩38,023 million (US\$40,227 thousand) is recorded as treasury stock in capital adjustments.

As of September 30, 2006 and December 31, 2005, the difference between the book value and the acquisition cost of equity securities stated at fair value in long-term investment securities consists of gain on valuation of available-for-sale securities in capital adjustments and impairment loss on long-term investment securities of ₩21,165 million (US\$22,392 thousand) reflected before 2005.

The unrealized gain increased by ₩121,674 million (US\$128,728 thousand) and gain of ₩9,355 million (US\$9,897 thousand) is realized mainly due to disposal of investments for the nine months ended September 30, 2006.

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

Affiliated company	Korean Won		Translation into U.S. Dollars (Note 2)	Ownership percentage (%)
	Acquisition cost (In millions)	Book value	Book value (In thousands)	
Hyundai Oil Refinery Co., Ltd.	₩ 53,314	₩ 53,314	\$ 56,405	4.35
Hyundai Asan Corporation	22,500	5,405	5,718	4.61
Yonhap Capital Co., Ltd.	10,000	10,000	10,580	9.99
Hyundai Unicorns Co., Ltd.	5,795	137	145	14.90
Hankyoreh Plus Inc.	4,800	284	300	5.43
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,750	14.97
Industry Otomotif Komersial	4,439	4,439	4,696	15.00
Kihyup Finance	3,000	3,000	3,174	10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,645	13.66
ENOVA System	2,204	2,204	2,332	3.80
NESSCAP Inc.	1,997	1,997	2,113	12.29
Hyundai Research Institute	1,359	1,271	1,345	14.90
The Sign Corporation (Formerly Mobil.Com Co., Ltd.)	1,200	1,200	1,270	11.59
Heesung PM Tech Corporation	1,194	1,194	1,263	19.90
ROTIS Inc.	1,000	8	8	1.33
Micro Infinity	607	608	643	9.76
NGVTEK.com (*)	571	571	604	53.66
Clean Air Technology Inc.	500	500	529	16.13

Affiliated company	Korean Won		Translation into U.S. Dollars (Note 2)	Ownership percentage (%)
	Acquisition cost	Book value	Book value	
	(In millions)		(In thousands)	
Carnes Co., Ltd. (*)	250	250	264	49.99
Jinil MVC Co., Ltd.	180	180	190	18.00
Other	1,379	1,379	1,460	
	<u>₩ 123,279</u>	<u>₩ 94,930</u>	<u>\$ 100,434</u>	

(*) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$7,406 thousand), are not material.

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

Affiliated company	Korean Won		Translation into U.S. Dollars (Note 2)	Ownership percentage (%)
	Acquisition cost	Book value	Book value	
	(In millions)		(In thousands)	
Hyundai Oil Refinery Co., Ltd.	₩ 88,857	₩ 88,857	\$ 94,009	7.24
Hyundai Asan Corporation	22,500	5,405	5,718	4.61
Yonhap Capital Co., Ltd.	10,000	10,000	10,580	9.99
Hyundai Unicorns Co., Ltd.	5,795	137	145	14.90
Hankyoreh Plus Inc.	4,800	284	300	7.41
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,750	14.97
Industry Otomotif Komersial	4,439	4,439	4,696	15.00
Kihyup Finance	3,000	3,000	3,174	10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,645	13.66
ENOVA System	2,204	2,204	2,332	3.80
Hyundai Research Institute	1,359	1,271	1,345	14.90
The Sign Corporation (Formerly Mobil.Com Co., Ltd.)	1,200	1,200	1,270	11.59
Heesung PM Tech Corporation	1,194	1,194	1,263	19.90
ROTIS Inc.	1,000	8	8	1.33
Mando Map & Soft Co., Ltd.	778	778	823	13.97
Micro Infinity	607	607	642	10.51
NGVTEK.com (*)	571	571	604	53.66
Novelis Korea Co., Ltd.	502	502	531	0.03
Clean Air Technology Inc.	500	500	529	16.13
Carnes Co., Ltd. (*)	250	250	264	49.99
Jinil MVC Co., Ltd.	180	180	190	18.00
Hyundai Motor Hungary (*)	5,415	5,415	5,729	100.00
Hyundai Motor Norway AS (*)	5,636	5,636	5,964	100.00
Other	1,379	1,379	1,459	
	<u>₩ 169,156</u>	<u>₩ 140,807</u>	<u>\$ 148,970</u>	

(*) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$ 7,406 thousand), are not material.

As of September 30, 2006 and December 31, 2005, the difference between the book value and the acquisition cost of equity securities consists of impairment loss on long-term investment securities of ₩28,349 million (US\$29,993 thousand) reflected before 2005.

- (3) Debt securities included in held-to-maturity of long-term investment securities as of September 30, 2006 and December 31, 2005 are subordinate debt securities of ₩48,500 million (US\$51,312 thousand) with the maturity on July 19, 2008, issued by Hyundai Capital Service Inc.

6. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

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

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Ownership percentage (%)
	Acquisition	Net equity	Book value	Acquisition	Net equity	Book value	
	cost	value (In millions)		cost	value (In thousands)		
Hyundai Motor America	₩ 1,134,406	₩ 1,186,111	₩ 951,367	\$ 1,200,176	\$ 1,254,878	\$ 1,006,525	100.00
Hyundai Motor India	244,017	488,519	476,651	258,164	516,842	504,286	100.00
Beijing-Hyundai Motor Company	232,410	369,752	361,625	245,884	391,189	382,591	50.00
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	91,315	31,678	12,724	96,609	33,515	13,462	70.00
Hyundai Translead	74,977	77,689	104,240	79,324	82,193	110,284	100.00
Hyundai Motor Europe Technical Center GmbH	53,496	51,575	51,575	56,598	54,565	54,565	100.00
China Millennium Corporations	53,466	13,339	53,515	56,566	14,112	56,618	59.60
Hyundai Motor Manufacturing Czech, Ltd	48,034	47,926	47,926	50,819	50,705	50,705	100.00
Hyundai Motor Japan Co. (*1)	42,292	(41,410)	-	44,744	(43,811)	-	100.00
Hyundai Motor (UK) Ltd. (*1)	36,681	(1,601)	-	38,808	(1,694)	-	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	14,973	30,006	25,539	15,841	31,746	100.00
Beijing Mobis Transmission Co., Ltd.	22,790	26,380	26,380	24,111	27,909	27,909	24.08
Hyundai Motor Europe GmbH	17,529	27,429	27,429	18,545	29,019	29,019	100.00
Hyundai Motor Group China Ltd.	15,371	13,361	13,074	16,262	14,136	13,832	50.00
Hyundai Motor Company Australia	12,382	42,783	42,641	13,100	45,263	45,113	100.00
Hyundai America Technical Center Inc.	9,635	16,650	16,650	10,194	17,615	17,615	100.00
Hyundai Motor Deutschland GmbH	6,761	16,995	16,463	7,153	17,980	17,417	30.00
Hyundai Motor Norway AS	5,636	5,494	2,830	5,963	5,813	2,994	100.00
Hyundai Motor Hungary	5,415	2,076	2,076	5,729	2,196	2,196	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,907	3,223	3,091	5,191	3,410	3,270	91.75
HMJ R&D Center Inc.	1,510	1,836	1,836	1,598	1,942	1,942	100.00
Kia Motors Corporation	923,957	1,959,875	2,026,034	977,525	2,073,503	2,143,498	38.67
Hyundai Capital Service Inc.	500,325	676,115	505,618	529,332	715,314	534,932	56.47
Hyundai Card Co., Ltd.	435,571	285,034	292,902	460,824	301,559	309,884	33.27
ROTEM	270,222	272,128	337,253	285,889	287,905	356,806	78.36
Hyundai HYSKO	200,768	258,332	248,599	212,408	273,309	263,012	26.13
Korea Aerospace Industries, Ltd.	159,800	74,733	74,521	169,065	79,066	78,842	22.94
Hyundai Powertech	120,000	150,382	143,319	126,957	159,101	151,628	50.00
Hyundai Autonet Co., Ltd. (*2)	118,554	74,673	121,605	125,427	79,002	128,655	16.77
Dymos Inc.	68,872	113,331	111,150	72,865	119,903	117,593	47.27
WIA Corporation	34,357	160,182	134,949	36,349	169,470	142,773	39.46
Korea Economy Daily	29,973	21,006	24,346	31,711	22,224	25,758	20.55
Eukor Car Carriers Inc. (*2)	29,347	77,790	68,609	31,048	82,300	72,587	12.00
Partecs Co.	22,400	22,586	22,586	23,699	23,895	23,895	56.00
KEFICO	20,911	112,778	110,376	22,123	119,317	116,775	50.00
Autoever Systems Corp.	5,947	13,221	13,221	6,292	13,988	13,988	29.90
Haevichi Leisure Co., Ltd.	9,000	9,142	9,142	9,522	9,672	9,672	50.00
Iljin Bearing Co., Ltd.	826	14,592	14,592	874	15,438	15,438	20.00
Mando Map & Soft Co., Ltd.	778	1,194	1,288	823	1,263	1,363	13.97
Daesung Automotive Co., Ltd.	400	8,825	8,825	423	9,337	9,337	20.00
	<u>₩ 5,089,177</u>	<u>₩ 6,700,697</u>	<u>₩ 6,511,034</u>	<u>\$ 5,384,233</u>	<u>\$ 7,089,184</u>	<u>\$ 6,888,525</u>	

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

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

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

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Acquisition cost (%)
	Acquisition cost	Net equity value	Book value	Acquisition cost	Net equity value	Book value	
	(In millions)			(In thousands)			
Hyundai Motor America	₩ 1,134,406	₩1,281,492	₩ 999,839	\$1,200,176	\$ 1,355,789	\$ 1,057,807	100.00
Hyundai Motor India	244,017	425,840	416,611	258,164	450,529	440,765	100.00
Beijing-Hyundai Motor Company	201,179	370,079	357,744	212,843	391,535	378,485	50.00
Hyundai Assan Otomotive							
Sannayi Ve Ticaret A.S.	91,315	138,242	122,906	96,609	146,257	130,032	70.00
Hyundai Translead	74,977	68,771	96,769	79,324	72,758	102,379	100.00
China Millennium Corporations	53,466	11,212	53,039	56,566	11,862	56,114	59.60
Hyundai Motor Europe							
Technical Center GmbH	47,634	43,458	43,458	50,396	45,978	45,978	100.00
Hyundai Motor Japan Co. (*1)	42,292	(32,540)	-	44,744	(34,427)	-	100.00
Hyundai Motor (UK) Ltd. (*1)	36,681	16,682	-	38,808	17,649	-	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	12,290	28,118	25,539	13,003	29,748	100.00
Hyundai Motor Europe GmbH	17,529	22,002	22,002	18,545	23,278	23,278	100.00
Hyundai Motor Group China Ltd.	15,371	14,068	14,068	16,262	14,884	14,884	50.00
Beijing Mobis Transmission Co., Ltd.	13,518	16,697	16,696	14,302	17,665	17,664	21.04
Hyundai Motor Company Australia	12,382	36,390	26,305	13,100	38,500	27,830	100.00
Hyundai America Technical Center Inc.	9,635	16,375	16,375	10,194	17,324	17,324	100.00
Hyundai Motor Deutschland GmbH	6,761	13,985	11,045	7,153	14,796	11,685	30.00
Beijing Jinxian Motor							
Safeguard Service Co., Ltd.	4,907	4,222	4,222	5,191	4,467	4,467	91.75
HMJ R&D Center Inc.	1,510	1,941	1,941	1,598	2,054	2,054	100.00
Kia Motors Corporation	923,957	1,987,587	2,053,260	977,525	2,102,822	2,172,302	38.67
Hyundai Capital Service Inc.	500,325	447,942	346,834	529,332	473,912	366,942	56.12
Hyundai Card Co., Ltd.	293,031	96,653	104,858	310,020	102,257	110,937	31.04
ROTEM	270,222	235,974	304,341	285,889	249,655	321,986	78.36
Hyundai HYSCO	200,768	261,259	246,740	212,408	276,406	261,045	26.13
Korea Aerospace Industries, Ltd.	129,800	82,291	82,075	137,325	87,062	86,833	33.33
Hyundai Powertech	120,000	147,505	139,089	126,957	156,057	147,153	50.00
Hyundai Autonet Co., Ltd.	118,554	69,192	117,970	125,427	73,204	124,810	21.62
Dymos Inc.	68,872	108,234	105,983	72,865	114,509	112,128	47.27
WIA Corporation	34,357	151,117	124,665	36,349	159,877	131,892	39.46
Korea Economy Daily	29,973	20,824	24,378	31,711	22,031	25,791	20.55
Eukor Car Carriers Inc. (*2)	29,347	73,596	63,989	31,048	77,863	67,699	12.00
Partecs Co.	22,400	22,400	22,400	23,699	23,699	23,699	56.00
KEFICO	20,911	112,004	109,487	22,123	118,497	115,835	50.00
Haevichi Leisure Co., Ltd.	9,000	9,097	9,097	9,522	9,624	9,624	50.00
Autoever Systems Corp.	1,250	8,998	8,998	1,322	9,520	9,520	25.00
Iljin Bearing Co., Ltd.	826	14,128	14,128	874	14,947	14,947	20.00
Daesung Automotive Co., Ltd.	400	6,017	6,017	423	6,366	6,366	20.00
	<u>₩ 4,805,712</u>	<u>₩ 6,316,024</u>	<u>₩ 6,115,447</u>	<u>\$ 5,084,333</u>	<u>\$ 6,682,209</u>	<u>\$ 6,470,003</u>	

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

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

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

Affiliated company	Korean Won					Translation into
	Beginning of period	Acquisition / Disposition	Gain (loss) on valuation	Other changes (*)	End of period	U.S. Dollars
						(Note 2)
			(In millions)			(In thousands)
Hyundai Motor America	₩ 999,839	₩ -	₩ 101,555	₩ (150,027)	₩ 951,367	\$ 1,006,525
Hyundai Motor India	416,611	-	100,940	(40,900)	476,651	504,286
Beijing-Hyundai Motor Company	357,744	31,231	52,316	(79,666)	361,625	382,591
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	122,906	-	(58,843)	(51,339)	12,724	13,462
Hyundai Translead	96,769	-	12,297	(4,826)	104,240	110,284
Hyundai Motor Europe Technical Center GmbH	43,458	5,863	2,088	166	51,575	54,565
China Millennium Corporations	53,039	-	1,007	(531)	53,515	56,618
Hyundai Motor Manufacturing Czech, Ltd	-	48,034	(999)	891	47,926	50,705
Hyundai Motor Japan Co.	-	-	-	-	-	-
Hyundai Motor (UK) Ltd.	-	-	106	(106)	-	-
Hyundai Motor Poland Sp.zo.o.	28,118	-	2,224	(336)	30,006	31,746
Beijing Mobis Transmission Co., Ltd.	16,696	9,272	716	(304)	26,380	27,909
Hyundai Motor Europe GmbH	22,002	-	5,396	31	27,429	29,019
Hyundai Motor Group China Ltd.	14,068	-	(332)	(662)	13,074	13,832
Hyundai Motor Company Australia	26,305	-	19,796	(3,460)	42,641	45,113
Hyundai America Technical Center Inc.	16,375	-	1,395	(1,120)	16,650	17,615
Hyundai Motor Deutschland GmbH	11,045	-	8,042	(2,624)	16,463	17,417
Hyundai Motor Norway AS	-	5,636	(1,997)	(809)	2,830	2,994
Hyundai Motor Hungary	-	5,415	(2,314)	(1,025)	2,076	2,196
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,222	-	(936)	(195)	3,091	3,270
HMJ R&D Center Inc.	1,941	-	27	(132)	1,836	1,942
Kia Motors Corporation	2,053,260	-	23,748	(50,974)	2,026,034	2,143,498
Hyundai Capital Service Inc.	346,834	-	152,750	6,034	505,618	534,932
Hyundai Card Co., Ltd.	104,858	142,539	47,189	(1,684)	292,902	309,884
ROTEM	304,341	-	32,730	182	337,253	356,806
Hyundai HYSCO	246,740	-	6,535	(4,676)	248,599	263,012
Korea Aerospace Industries, Ltd.	82,074	30,000	(37,554)	1	74,521	78,842
Hyundai Powertech	139,089	-	4,202	28	143,319	151,628
Hyundai Autonet Co., Ltd.	117,971	-	3,974	(340)	121,605	128,655
Dymos Inc.	105,983	-	5,213	(46)	111,150	117,593
WIA Corporation	124,665	-	12,233	(1,949)	134,949	142,773
Korea Economy Daily	24,378	-	152	(184)	24,346	25,758
Eukor Car Carriers Inc.	63,989	-	4,620	-	68,609	72,587
Partecs Co.	22,400	-	186	-	22,586	23,895
KEFICO	109,487	-	9,661	(8,772)	110,376	116,775
Autoever Systems Corp.	8,998	4,697	2,061	(2,535)	13,221	13,988
Haevichi Leisure Co., Ltd.	9,097	-	45	-	9,142	9,672
Iljin Bearing Co., Ltd.	14,128	-	690	(226)	14,592	15,438
Mando Map & Soft Co., Ltd.	-	778	510	-	1,288	1,363
Daesung Automotive Co., Ltd.	6,017	-	623	2,185	8,825	9,337
	<u>₩ 6,115,447</u>	<u>₩ 283,465</u>	<u>₩ 512,052</u>	<u>₩ (399,930)</u>	<u>₩ 6,511,034</u>	<u>\$ 6,888,525</u>

(*) Other changes consist of the decrease by ₩146,165 million (US\$154,639 thousand) due to receipt of the dividends, increase of retained earnings by ₩7,021 million (US\$7,428 thousand) and decrease of capital adjustments by ₩260,786 million (US\$275,906 thousand).

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

Affiliated company	Korean Won					Translation into U.S. Dollars (Note 2)	
	Beginning of period	Acquisition / Disposition	Gain (loss) on valuation	Other changes (*)	End of period	End of period	End of period
	(In millions)					(In thousands)	
Hyundai Motor America	₩ 711,431	₩ 309,605	₩ 4,938	₩ 10,244	₩ 1,036,218	\$ 1,096,295	
Hyundai Motor India	359,233	-	99,888	(36,893)	422,228	446,708	
Beijing-Hyundai Motor Company	304,040	-	56,493	(83,037)	277,496	293,584	
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	24,765	43,301	43,309	200	111,575	118,044	
Hyundai Translead	61,278	-	17,476	183	78,937	83,514	
Hyundai Motor Europe Technical Center GmbH	-	47,634	1,697	(4,461)	44,870	47,471	
China Millennium Corporations	53,450	16	(171)	220	53,515	56,618	
Hyundai Motor Japan Co.	-	9,813	-	(9,813)	-	-	
Hyundai Motor (UK) Ltd.	-	36,681	(17,115)	323	19,889	21,042	
Hyundai Motor Poland Sp.zo.o.	25,543	-	2,222	(683)	27,082	28,652	
Hyundai Motor Europe GmbH	35,044	-	(7,850)	(3,684)	23,510	24,873	
Beijing Mobis Transmission Co., Ltd.	13,205	-	3,225	231	16,661	17,627	
Hyundai Motor Group China Ltd.	-	15,371	(1,590)	532	14,313	15,143	
Hyundai Motor Company Australia	30,932	-	(1,633)	(734)	28,565	30,221	
Hyundai America Technical Center Inc.	15,148	-	1,142	(63)	16,227	17,168	
Hyundai Motor Deutschland GmbH	12,588	-	599	(1,933)	11,254	11,906	
Beijing Jinxian Motor Safeguard Service Co., Ltd.	-	4,907	(1,137)	646	4,416	4,672	
HMJ R&D Center Inc.	2,244	-	16	(213)	2,047	2,166	
Hyundai-Kia Machine Europe GmbH	9,288	(9,288)	-	-	-	-	
Kia Motors Corporation	1,960,439	-	140,536	(128,379)	1,972,596	2,086,961	
Hyundai Capital Service Inc.	259,656	-	109,330	(93,361)	275,625	291,605	
Hyundai Card Co., Ltd.	97,706	-	24,272	33,994	155,972	165,015	
ROTEM	288,532	-	(15,221)	980	274,291	290,194	
Hyundai HYSCO	243,925	-	19,160	(4,187)	258,898	273,908	
Korea Aerospace Industries, Ltd.	81,827	-	(1,243)	17	80,601	85,274	
Hyundai Powertech	134,475	-	(568)	2,589	136,496	144,410	
Hyundai Autonet Co., Ltd.	-	118,554	-	-	118,554	125,427	
Dymos Inc.	93,620	-	9,185	(39)	102,766	108,724	
Korea Economy Daily	14,247	10,000	(596)	(73)	23,578	24,945	
Eukor Car Carriers Inc.	50,008	-	16,482	-	66,490	70,345	
KEFICO	93,566	-	17,915	(3,848)	107,633	113,873	
Haevichi Leisure Co., Ltd.	-	9,000	47	-	9,047	9,572	
WIA Corporation	88,604	25,368	18,850	(13,484)	119,338	126,257	
Autoever Systems Corp.	5,968	-	1,963	-	7,931	8,391	
Iljin Bearing Co., Ltd.	13,102	-	699	337	14,138	14,958	
Daesung Automotive Co., Ltd.	6,094	-	(17)	(120)	5,957	6,301	
	<u>₩ 5,089,958</u>	<u>₩ 620,962</u>	<u>₩ 542,303</u>	<u>₩ (334,509)</u>	<u>₩ 5,918,714</u>	<u>\$ 6,261,864</u>	

(*) Other changes consist of the decrease by ₩168,349 million (US\$178,109 thousand) due to receipt of the dividends, increase of retained earnings by ₩30,459 million (US\$32,225 thousand) and decrease of capital adjustments by ₩196,619 million (US\$208,018 thousand).

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

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

Affiliated company	Korean Won				Translation into U.S. Dollars (Note 2)			
	Assets	Liabilities	Sales	Net income (loss)	Assets	Liabilities	Sales	Net income (loss)
	(In millions)				(In thousands)			
Hyundai Motor America	₩3,326,260	₩2,140,149	₩6,394,845	₩ 41,984	\$ 3,519,107	\$ 2,264,229	\$6,765,600	\$ 44,418
Hyundai Motor India	1,072,733	584,214	1,377,999	100,754	1,134,927	618,085	1,457,891	106,595
Beijing-Hyundai Motor Company	1,598,713	859,209	2,590,698	96,053	1,691,402	909,023	2,740,899	101,622
Hyundai Assan Otomotive								
Sannayi Ve Ticaret A.S.	436,432	391,178	687,456	(77,728)	461,735	413,857	727,313	(82,234)
Hyundai Translead	292,896	215,207	324,284	14,809	309,877	227,684	343,085	15,668
Hyundai Motor Europe Technical								
Center GmbH	114,986	63,410	34,102	2,170	121,653	67,086	36,079	2,296
China Millennium Corporations	82,269	59,888	12,831	4,208	87,039	63,360	13,575	4,452
Hyundai Motor Manufacturing								
Czech, Ltd	48,150	224	-	(999)	50,942	237	-	(1,057)
Hyundai Motor Japan Co.	19,076	60,486	17,189	(4,906)	20,182	63,993	18,186	(5,190)
Hyundai Motor (UK) Ltd.	348,405	350,007	500,264	(18,808)	368,605	370,299	529,268	(19,898)
Hyundai Motor Poland Sp.zo.o.	30,081	15,108	109,322	3,085	31,825	15,984	115,660	3,264
Beijing Mobis Transmission								
Co., Ltd.	195,580	86,028	174,297	2,973	206,919	91,016	184,402	3,145
Hyundai Motor Europe GmbH	445,843	418,414	901,011	3,641	471,692	442,672	953,249	3,852
Hyundai Motor Group China Ltd.	76,856	50,134	14,492	(822)	81,312	53,041	15,332	(870)
Hyundai Motor Company								
Australia	218,990	176,207	503,411	4,317	231,686	186,423	532,597	4,567
Hyundai America Technical								
Center Inc.	40,099	23,449	61,197	1,256	42,424	24,809	64,745	1,329
Hyundai Motor Deutschland								
GmbH	173,210	116,560	701,850	3,783	183,252	123,318	742,541	4,002
Hyundai Motor Norway AS	36,946	31,452	63,181	780	39,088	33,275	66,844	825
Hyundai Motor Hungary	14,587	12,510	18,713	(903)	15,433	13,235	19,798	(955)
Beijing Jinxian Motor Safeguard								
Service Co., Ltd.	9,219	5,850	17,598	(107)	9,753	6,189	18,618	(113)
HMJ R&D Center Inc.	6,335	4,499	9,343	80	6,702	4,760	9,885	85
Kia Motors Corporation	11,588,700	6,391,500	12,349,600	39,600	12,260,580	6,762,061	13,065,595	41,896
Hyundai Capital Service Inc.	11,558,356	10,282,388	1,745,228	436,955	12,228,477	10,878,532	1,846,411	462,288
Hyundai Card Co., Ltd.	3,204,706	2,348,085	668,701	149,163	3,390,506	2,484,220	707,470	157,811
ROTEM	1,500,914	1,133,067	1,124,052	63,936	1,587,933	1,198,759	1,189,221	67,643
Hyundai HYSCO	2,596,710	1,607,972	2,172,009	5,267	2,747,260	1,701,198	2,297,936	5,572
Korea Aerospace Industries, Ltd.	1,369,600	971,100	423,300	(131,100)	1,449,006	1,027,402	447,842	(138,701)
Hyundai Powertech	907,997	607,236	627,011	4,011	960,640	642,442	663,363	4,244
Hyundai Autonet Co., Ltd.	625,415	180,117	561,233	36,178	661,675	190,560	593,772	38,275
Dymos Inc.	698,151	458,393	867,561	12,072	738,628	484,969	917,860	12,772
WIA Corporation	1,600,427	1,194,518	2,078,171	17,921	1,693,215	1,263,773	2,198,657	18,960
Korea Economy Daily	197,305	95,102	79,648	1,664	208,744	100,616	84,266	1,760
Eukor Car Carriers Inc.	1,630,883	982,632	1,141,479	72,880	1,725,437	1,039,602	1,207,659	77,105
Partecs Co.	43,218	2,886	1,007	389	45,724	3,053	1,065	412
KEFICO	339,818	114,263	345,531	17,526	359,520	120,888	365,564	18,542
Autoever Systems Corp.	140,190	95,973	266,604	8,387	148,318	101,537	282,061	8,873
Haevichi Leisure Co., Ltd.	18,345	61	-	91	19,409	65	-	96
Iljin Bearing Co., Ltd.	130,952	57,991	144,011	3,046	138,544	61,353	152,360	3,223
Mando Map & Soft Co., Ltd.	15,116	6,570	19,226	3,675	15,992	6,951	20,341	3,888
Daesung Automotive Co., Ltd.	68,799	24,672	55,014	1,521	72,788	26,102	58,204	1,609

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

Transaction type	Korean Won				Translation into
	Beginning of period	Increase	Decrease	End of period	U.S. Dollars (Note 2)
	(In millions)				End of period (In thousands)
Inventories	₩ 202,968	₩ 153,480	₩ (202,968)	₩ 153,480	\$ 162,378
Property	100,908	96,588	(23,956)	173,540	183,601
Accrued warranties	(37,354)	(55,481)	37,354	(55,481)	(58,697)
	<u>₩ 266,522</u>	<u>₩ 194,587</u>	<u>₩ (189,570)</u>	<u>₩ 271,539</u>	<u>\$ 287,282</u>

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

Transaction type	Korean Won				Translation into
	Beginning of period	Increase	Decrease	End of period	U.S. Dollars (Note 2)
	(In millions)				End of period (In thousands)
Inventories	₩ 300,989	₩ 126,675	₩ (300,989)	₩ 126,675	\$ 134,019
Property	41,008	54,498	(10,808)	84,698	89,609
Accrued warranties	(67,920)	(39,094)	67,920	(39,094)	(41,361)
	<u>₩ 274,077</u>	<u>₩ 142,079</u>	<u>₩ (243,877)</u>	<u>₩ 172,279</u>	<u>\$ 182,267</u>

- (5) The significant differences of accounting treatments between the Company and investees for similar transactions and accounting events are adjusted. Such adjustments of the difference of accounting treatments increased the gain on equity method valuation included in current operations by ₩9,375 million (US\$9,919 thousand) for the nine months ended September 30, 2006 and decreased the gain on equity method valuation included in current operations by ₩23,532 million (US\$24,896 thousand) and increased retained earnings by ₩15,814 million (US\$16,731 thousand) for the nine months ended and as of September 30, 2005.
- (6) The unamortized (or unreversed) balance of goodwill and negative goodwill as of September 30, 2006 are ₩286,962 million (US\$303,599 thousand) and ₩51,099 million (US\$54,062 thousand), respectively. In addition, the unamortized (or unreversed) balance of goodwill and negative goodwill as of September 30, 2005 are ₩313,839 million (US\$332,034 thousand) and ₩54,506 million (US\$57,666 thousand), respectively.
- (7) The market price of listed equity securities as of September 30, 2006 is as follows:

Affiliated company	Korean Won			Translation into
	Price per share	Number of shares	Market value	U.S. Dollars (Note 2)
	(In millions)			Market value (In thousands)
Kia Motors Corporation	₩ 15,350	₩ 134,285,491	₩ 2,061,282	\$ 2,180,789
Hyundai HYSKO	10,550	20,954,188	221,067	233,884

- (8) The cumulative losses not recognized by the Company due to the suspension of the valuation of equity securities using the equity method as of September 30, 2006 and 2005 are ₩59,200 million (US\$62,632 thousand) and ₩34,652 million (US\$36,661 thousand), respectively.

7. PROPERTY, PLANT AND EQUIPMENT:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Buildings and structures	₩ 3,500,659	₩ 3,254,559	\$ 3,703,617	\$ 3,443,249
Machinery and equipment	5,272,912	4,746,662	5,578,620	5,021,860
Vehicles	75,482	72,101	79,858	76,281
Dies, molds and tools	2,494,269	2,451,778	2,638,880	2,593,925
Other equipment	642,951	600,039	680,228	634,828
	11,986,273	11,125,139	12,681,203	11,770,143
Less accumulated depreciation	5,541,382	5,093,631	5,862,656	5,388,945
	6,444,891	6,031,508	6,818,547	6,381,198
Land	1,928,267	1,899,548	2,040,062	2,009,678
Construction in progress	801,423	1,014,506	847,888	1,073,324
	<u>₩ 9,174,581</u>	<u>₩ 8,945,562</u>	<u>\$ 9,706,497</u>	<u>\$ 9,464,200</u>

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

	Korean Won						Translation into U. S. Dollars (Note 2)	
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other changes (*)	End of period	End of period
	(In millions)						(In thousands)	
Land	₩ 1,899,548	₩ -	₩ 29,390	₩ (671)	₩ -	₩ -	₩ 1,928,267	\$ 2,040,062
Buildings and structures	2,555,048	-	254,258	(7390)	(80,708)	-	2,721,208	2,878,976
Machinery and equipment	2,620,856	-	626,568	(58,450)	(280,899)	-	2,908,075	3,076,677
Vehicles	35,003	-	6,153	(637)	(6,826)	-	33,693	35,646
Dies, molds and tools	583,581	-	138,251	(4,913)	(157,897)	-	559,022	591,433
Other equipment	237,020	-	49,553	(1,247)	(62,433)	-	222,893	235,816
Construction in progress	1,014,506	796,245	(1,104,173)	(12,473)	-	107,318	801,423	847,887
End of the period	<u>₩ 8,945,562</u>	<u>₩ 796,245</u>	<u>₩ -</u>	<u>₩ (85,781)</u>	<u>₩ (588,763)</u>	<u>₩ 107,318</u>	<u>₩ 9,174,581</u>	<u>\$ 9,706,497</u>

(*) Other changes consist of decrease in transfer of ₩7,079 million (US\$7,489 thousand) from construction in progress to industrial property rights and increase in transfer of ₩114,397 million (US\$121,029 thousand) from inventories to construction in progress.

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

	Korean Won						Translation into U. S. Dollars (Note 2)	
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other changes (*)	End of period	End of period
	(In millions)						(In thousands)	
Land	₩ 1,895,016	₩ -	₩ 2,003	₩ (786)	₩ -	₩ -	₩ 1,896,233	\$ 2,006,171
Buildings and structures	2,509,746	-	150,704	(1,819)	(75,951)	-	2,576,680	2,726,069
Machinery and equipment	2,548,219	-	345,532	(57,653)	(257,811)	-	2,578,287	2,727,769
Vehicles	39,980	-	3,938	(2,033)	(6,663)	-	35,222	37,264
Dies, molds and tools	596,484	-	132,850	(2,870)	(165,151)	-	561,313	593,856
Other equipment	263,800	-	48,659	(10,180)	(60,783)	-	241,496	255,497
Construction in progress	886,158	741,025	(683,686)	(5,410)	-	104,040	1,042,127	1,102,547
End of the period	<u>₩ 8,733,403</u>	<u>₩ 741,025</u>	<u>₩ -</u>	<u>₩ (80,751)</u>	<u>₩ (566,359)</u>	<u>₩ 104,040</u>	<u>₩ 8,931,358</u>	<u>\$ 9,449,173</u>

(*) Other changes consist of decrease in transfer of ₩5,369 million (US\$5,680 thousand) from construction in progress to industrial property rights and increase in transfer of ₩109,409 million (US\$115,752 thousand) from inventories to construction in progress.

As of September 30, 2006, a substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩855,630 million (US\$905,237 thousand) (see Note 13).

As of September 30, 2006, the published value of the Company-owned land (12,957 thousand square meters) totals ₩2,266,204 million (US\$2,397,592 thousand) in terms of land prices officially announced by the Korean government.

8. INSURANCE:

As of September 30, 2006, property, plant and equipment are insured for ₩5,408,704 million (US\$5,722,285 thousand) with Hyundai Fire & Marine Insurance Co. In addition, the Company carries products and completed operations liability insurance with a maximum coverage of US\$155,000 thousand and ₩1,000 million (US\$1,058 thousand), general insurance for vehicles and workers' compensation and casualty insurance for employees.

9. INTANGIBLES:

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

Description	Korean Won			Translation into U. S. Dollars (Note 2)		
	September 30, 2006			December 31, 2005	September 30, 2006	December 31, 2005
	Acquisition cost	Accumulated amortization	Book value	Book value	Book value	Book value
	(In millions)			(In thousands)		
Industrial property rights	₩ 29,429	₩ (12,151)	₩ 17,278	₩ 15,573	\$ 18,280	\$ 16,476
Development costs	1,968,214	(1,033,528)	934,686	893,309	988,876	945,101
Other	37,532	(27,391)	10,141	11,513	10,729	12,180
	<u>₩ 2,035,175</u>	<u>₩ (1,073,070)</u>	<u>₩ 962,105</u>	<u>₩ 920,395</u>	<u>\$ 1,017,885</u>	<u>\$ 973,757</u>

The changes in intangibles for the nine months ended September 30, 2006 are as follows:

Description	Korean Won				Translation into U. S. Dollars (Note 2)
	Industrial property rights	Development costs	Other	Total	Total
	(In millions)				(In thousands)
Beginning of period	₩ 15,573	₩ 893,309	₩ 11,513	₩ 920,395	\$ 973,757
Addition: Expenditures	7,079	249,437	-	256,516	271,388
Deduction: Amortization	(5,374)	(208,060)	(1,372)	(214,806)	(227,260)
End of period	<u>₩ 17,278</u>	<u>₩ 934,686</u>	<u>₩ 10,141</u>	<u>₩ 962,105</u>	<u>\$ 1,017,885</u>

The changes in intangibles for the nine months ended September 30, 2005 are as follows:

Description	Korean Won				Translation into U. S. Dollars (Note 2)
	Industrial property rights	Development costs	Other	Total	Total
	(In millions)				(In thousands)
Beginning of period	₩ 14,485	₩ 628,640	₩ 13,363	₩ 656,488	\$ 694,549
Addition: Expenditures	5,369	265,306	-	270,675	286,368
Deduction: Amortization	(5,093)	(124,419)	(1,389)	(130,901)	(138,490)
End of period	<u>₩ 14,761</u>	<u>₩ 769,527</u>	<u>₩ 11,974</u>	<u>₩ 796,262</u>	<u>\$ 842,427</u>

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

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Nine months		Nine-month	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Development costs	₩ 91,910	₩ 102,997	₩ 249,437	₩ 265,306	\$ 263,899	\$ 280,688
Ordinary development (manufacturing cost)	28,090	22,501	82,347	73,542	87,121	77,806
Research costs (SG&A)	<u>123,453</u>	<u>116,092</u>	<u>353,197</u>	<u>302,618</u>	<u>373,674</u>	<u>320,163</u>
	<u>₩ 243,453</u>	<u>₩ 241,590</u>	<u>₩ 684,981</u>	<u>₩ 641,466</u>	<u>\$ 724,694</u>	<u>\$ 678,657</u>

10. OTHER ASSETS:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Long-term financial instruments	₩ 40	₩ 40	\$ 42	\$ 42
Long-term notes and accounts receivable, less unamortized present value discount of ₩1,360 million as of September 30, 2006 and ₩1,471 million as of December 31, 2005	13,692	11,034	14,486	11,674
Long-term other accounts receivable, less unamortized present value discount of ₩594 million as of September 30, 2006 and ₩1,154 million as of December 31, 2005	82,717	86,260	87,513	91,261
Long-term loans	14,890	18,786	15,753	19,875
Lease and rental deposits	188,601	192,531	199,536	203,693
Long-term deposits	53,348	49,732	56,441	52,615
Deferred gain on valuation of derivatives	<u>351,298</u>	<u>749,861</u>	<u>371,665</u>	<u>793,338</u>
	<u>₩ 704,586</u>	<u>₩ 1,108,244</u>	<u>\$ 745,436</u>	<u>\$ 1,172,498</u>

As of September, 2006 and December 31, 2005, an interest rate of 8.25 percent is used in valuing the receivables at present value.

11. SHORT-TERM BORROWINGS:

Short-term borrowings as of September 30, 2006 and December 31, 2005 amount to ₩474,340 million (US\$ 501,841 thousand) and ₩780,445 million (US\$ 825,693 thousand), respectively, and consist primarily of overdrafts and export financing loans with annual interest rates ranging from Libor + 0.16 percent to 6.86 percent.

12. LONG-TERM DEBT AND DEBENTURES:

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

Description	Annual interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
		September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
		(In millions)		(In thousands)	
Debentures	3.75 ~ 7.60	₩ 914,480	₩ 1,381,196	\$ 967,499	\$ 1,461,274
Local currency loans:					
General loans	3.00 ~ 5.42	15,981	17,917	16,907	18,956
Foreign currency loans:					
Capital lease	Libor + 0.98	-	99	-	104
		930,461	1,399,212	984,406	1,480,334
Less: current maturities		118,227	464,163	125,081	491,074
		₩ 812,234	₩ 935,049	\$ 859,325	\$ 989,260

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

Description	Maturity	Interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
			September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
			(In thousands)		(In thousands)	
Non-guaranteed debentures	10 Nov., 2008 ~ 11 Aug., 2010	3.75 ~ 5.52	₩ 800,000	₩ 1,150,000	\$ 846,382	\$ 1,216,674
Overseas debentures	15 Jul., 2007	7.60	116,047	235,801	122,775	249,472
			916,047	1,385,801	969,157	1,466,146
Less discount on debentures			1,567	4,605	1,658	4,872
			₩ 914,480	₩ 1,381,196	₩ 967,499	₩ 1,461,274

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

Description	Debtentures	Korean Won		Translation into U.S. Dollars (Note 2)	
		Local currency loans	Total	Total	Total
		(In millions)		(In thousands)	
Oct. 1, 2007~Sep. 30, 2008	₩ -	₩ 1,684	₩ 1,684	\$ 1,782	
Oct. 1, 2008~Sep. 30, 2009	200,000	705	200,705	212,341	
Oct. 1, 2009~Sep. 30, 2010	600,000	1,531	601,531	636,406	
Thereafter	-	9,881	9,881	10,454	
	800,000	13,801	813,801	860,983	
Less: discount on debentures	1,567	-	1,567	1,658	
	₩ 798,433	₩ 13,801	₩ 812,234	\$ 859,325	

13. COMMITMENTS AND CONTINGENCIES:

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

Description	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Hyundai Merchant Marine	₩ 215,309	\$ 227,792
Hyundai Card Co., Ltd.	3,781	4,000
Hyundai Capital Co., Ltd	320,280	338,849
Hyundai Motor Manufacturing Alabama LLC	638,010	675,000
Hyundai Motor Finance Company	680,544	720,000
Smart Alabama LLC	113,424	120,000
ROTEM	68,311	72,271
Hyundai Motor Europe GmbH	28,815	30,486
Hyundai Translead	93,575	99,000
Hyundai Auto Canada Captive Insurance Incorporation	14,151	14,971
Hyundai Motor Poland Sp.zo.o.	6,003	6,351
Hyundai Motor Japan Co.	40,111	42,437
HMJ R&D Center Inc.	4,412	4,668
Beijing Hines Millennium Real Estate Development Co., Ltd.	14,178	15,000
Beijing Jingxian Motor Safeguard Service Co., Ltd	2,363	2,500
Hyundai America Technical Center Inc.	18,904	20,000
UTS	226,848	240,000
Hyundai Motor Europe Technical Center GmbH	72,038	76,215
Equus Cayman Finance Ltd.	378,080	400,000
	₩ 2,939,137	\$ 3,109,540

(*) Guaranteed amounts in foreign currency are translated using the Base Rate of ₩945.20 to US\$1.00 at September 30, 2006 (Note 2).

- (2) As of September 30, 2006, 7,987,466 shares of Kia Motors Corporation, 2,640,000 shares of Eukor Car Carriers Inc., 12,000 shares of Eukor Car Carriers Singapore Pte Ltd. and 150 investment certificates of Machinery Insurance Cooperative in long-term investment securities and investment securities accounted for using the equity method, 4 blank promissory notes, 1 check amounting to ₩2,624 million (US\$ 2,776 thousand) and property, plant and equipment (see Note 7) are pledged as collateral for short-term borrowings, long-term debt and other payables. Certain bank deposits of ₩21,238 million (US\$ 22,469 thousand) in short-term and long-term financial instruments are restricted for use due to guarantees for customer financing transactions, research and development, and other obligations.
- (3) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩64,922 million (US\$68,686 thousand) to the banks concerned as of September 30, 2006. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.
- (4) As of September 30, 2006, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,017,845 million (US\$ 1,076,857 thousand), including discounted overseas accounts receivable translated using the foreign exchange rate at September 30, 2006.
- (5) The Company accrues estimated product liabilities expenses and carries the products and completed operations liability insurance (see Note 8) in order to cover the potential loss, which may occur due to the lawsuits related to its operation such as product liabilities. The Company expects that the resolution of pending cases against the Company as of September 30, 2006 will not have any material effect on its financial position.
- (6) The Company made an agreement with its European sales subsidiaries and agents for them to be responsible for projected costs for dismantling and recycling vehicles sold in corresponding countries to comply with European Parliament directive regarding End-of-Life vehicles (ELV).

- (7) Some directors of the Company are sued in the Seoul District Court with respect to certain money transactions of the prior years. Currently, it is impossible to reasonably measure the effect of this trial on the Company's financial statements; accordingly, no adjustment is reflected in the accompanying financial statements.

14. ACCRUED WARRANTIES:

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

<u>Description</u>	<u>Korean Won</u>		<u>Translation into</u>	
	<u>(In millions)</u>		<u>U.S. Dollars (Note 2)</u>	
			<u>(In thousands)</u>	
Beginning of year	₩	3,168,283	\$	3,351,971
Accrual		171,221		181,148
Used		<u>(254,265)</u>		<u>(269,007)</u>
End of year	₩	<u>3,085,239</u>	\$	<u>3,264,112</u>

15. CAPITAL STOCK:

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

	<u>Authorized</u>	<u>Issued</u>	<u>Par value</u>	<u>Translation into</u>	
				<u>Korean Won</u>	<u>U.S. Dollars (Note 2)</u>
				<u>(In thousands)</u>	
				<u>(In millions)</u>	
Common stock	450,000,000 shares	219,058,702 shares	₩ 5,000	₩ 1,151,894	\$ 1,218,678
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	<u>331,011</u>	<u>350,202</u>
				<u>₩ 1,482,905</u>	<u>\$ 1,568,880</u>

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

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

16. CAPITAL SURPLUS:

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

<u>Description</u>	<u>Translation into</u>			
	<u>Korean Won</u>		<u>U.S. Dollars (Note 2)</u>	
	<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>	<u>December 31,</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Paid-in capital in excess of par value	₩ 3,280,839	₩ 3,280,839	\$ 3,471,053	\$ 3,471,053
Asset revaluation surplus	1,852,871	1,852,871	1,960,295	1,960,295
Other	<u>261,617</u>	<u>257,910</u>	<u>276,785</u>	<u>272,863</u>
	<u>₩ 5,395,327</u>	<u>₩ 5,391,620</u>	<u>\$ 5,708,133</u>	<u>\$ 5,704,211</u>

On January 1, 1981, January 1, 1993 and July 1, 1998, the Company revalued its property, plant and equipment at their respective appraised values (which were appraised by the Korea Appraisal Board and approved by the relevant tax office). The resultant cumulative appraisal gains, amounting to ₩2,547,417 million (US\$2,695,109 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US\$16,951 thousand), a deferred foreign currency translation loss of ₩594,275 million (US\$628,729 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US\$71,463 thousand) and adjustment of ₩16,702 million (US\$17,670 thousand) due to the disposal of revalued assets within 1 year after revaluation.

17. RETAINED EARNINGS

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Appropriated:				
Legal reserve	₩ 223,370	₩ 188,870	\$ 236,320	\$ 199,820
Reserve for business rationalization	545,800	545,800	577,444	577,444
Reserve for improvement of financial structure	98,947	98,947	104,684	104,684
Reserve for overseas market development	48,800	48,800	51,629	51,629
Reserve for technology development	<u>7,628,100</u>	<u>5,358,100</u>	<u>8,070,356</u>	<u>5,668,747</u>
	8,545,017	6,240,517	9,040,433	6,602,324
Before appropriation	<u>995,675</u>	<u>2,647,835</u>	<u>1,053,401</u>	<u>2,801,349</u>
	<u>₩ 9,540,692</u>	<u>₩ 8,888,352</u>	<u>\$ 10,093,834</u>	<u>\$ 9,403,673</u>

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

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

Appropriations of retained earnings for the year ended December 31, 2005 were approved at the shareholders' meeting on March 10, 2006 and the appropriations including the cash dividends of ₩342,310 million (US\$362,156 thousand) are reflected in retained earnings on that date.

18. CAPITAL ADJUSTMENTS:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
	(In millions)		(In thousands)	
Treasury stock	₩ (719,435)	₩ (736,113)	\$ (761,146)	\$ (778,791)
Gain on valuation of available-for-sale securities, net	196,830	120,301	208,242	127,276
Gain on valuation of investment securities accounted for using the equity method	258,498	268,109	273,485	283,653
Loss on valuation of investment securities accounted for using the equity method	(748,429)	(500,899)	(791,821)	(529,940)
Stock option cost	14,130	14,231	14,949	15,056
Gain on valuation of derivatives	23,743	24,352	25,119	25,764
	<u>₩ (974,663)</u>	<u>₩ (810,019)</u>	<u>\$ (1,031,172)</u>	<u>\$ (856,982)</u>

(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 ₩719,435 million (US\$761,146 thousand) as of September 30, 2006, 11,416,470 common shares and 2,950,960 preferred shares with a carrying value of ₩736,113 million (US\$778,791 thousand) as of December 31, 2005, which were acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund.

(2) Stock option cost

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

The Company calculates the total compensation expense using an option-pricing model, in which the risk-free rate of 4.94%, an expected exercise period of 5.5 years and an expected variation rate of stock price of 63.29 percent are used. Total compensation expenses amounting to ₩14,130 million (US\$14,949 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 ₩101 million (US\$107 thousand), which were expensed before 2006, have been reversed due to cancellation of 8,777 shares of stock options and there is no compensation cost for the Company to recognize as expense after September 30, 2006.

(3) Gain on valuation of derivatives

As of September 30, 2006 and December 31, 2005, net gain of ₩23,743 million (US\$25,120 thousand) and ₩24,352 million (US\$25,764 thousand), after deducting the deferred income tax effect, respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports is included in capital adjustments on the basis set forth in Note 2.

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

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Income tax currently payable	₩ 243,183	₩ 333,948	\$ 257,282	\$ 353,309
Changes in deferred income taxes due to:				
Temporary differences	133,733	335,320	141,486	354,761
Carry forward of unused tax credits	1,337	-	1,415	-
Items directly charged to equity	(27,839)	(214,107)	(29,453)	(226,520)
Income tax expense	<u>₩ 350,414</u>	<u>₩ 455,161</u>	<u>\$ 370,730</u>	<u>\$ 481,550</u>

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Income before tax	₩ 1,339,324	₩ 2,113,021	\$ 1,416,974	\$ 2,235,528
Addition	2,003,407	2,498,928	2,119,559	2,643,809
Deduction	(2,004,142)	(3,087,632)	(2,120,336)	(3,266,644)
Taxable income	<u>₩ 1,338,589</u>	<u>₩ 1,524,317</u>	<u>\$ 1,416,197</u>	<u>\$ 1,612,693</u>

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Current	Non current	Current	Non current
	(In millions)		(In thousands)	
Allowance for doubtful accounts	₩ 553	₩ -	\$ 585	\$ -
Investment securities accounted for using the equity method	-	(673,801)	-	(712,866)
Accrued warranties	186,781	661,660	197,610	700,021
Long-term investment securities		(61,039)	-	(64,578)
Reserve for research and manpower development	(55,229)	(26,813)	(58,431)	(28,368)
Depreciation	24	(82,824)	25	(87,626)
Development cost	(3,059)	-	(3,236)	-
Derivative instruments	(8,145)	(68,663)	(8,617)	(72,644)
Accrued income	(10,362)	-	(10,963)	-
Other	944	57,032	999	60,339
	<u>₩ 111,507</u>	<u>₩ (194,448)</u>	<u>\$ 117,972</u>	<u>\$ (205,722)</u>

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Current	Non current	Current	Non current
	(In millions)		(In thousands)	
Allowance for doubtful accounts	₩ 729	₩ -	\$ 771	\$ -
Investment securities accounted for using the equity method	-	(483,630)	-	(511,669)
Accrued warranties	202,056	669,222	213,771	708,022
Long-term investment securities	-	(32,011)	-	(33,867)
Reserve for research and manpower development	(64,167)	(66,000)	(67,887)	(69,826)
Depreciation	24	(58,413)	25	(61,800)
Development cost	(7,368)	-	(7,795)	-
Derivative instruments	(104,071)	(35,340)	(110,105)	(37,389)
Accrued income	(16,025)	-	(16,954)	-
Other	13,751	33,371	14,548	35,305
	<u>₩ 24,929</u>	<u>₩ 27,199</u>	<u>\$ 26,374</u>	<u>\$ 28,776</u>

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Temporary differences	Tax effect	Temporary differences	Tax effect
	(In millions)		(In thousands)	
Income tax of gain on disposal of treasury stock	₩ 5,112	₩ 1,406	\$ 5,408	\$ 1,488
Deferred tax charged or credited to:				
Retained earnings	₩ (4,659)	₩ (1,281)	\$ (4,929)	\$ (1,355)
Capital adjustments	(91,463)	(25,152)	(96,766)	(26,610)
	<u>₩ (96,122)</u>	<u>₩ (26,433)</u>	<u>\$ (101,695)</u>	<u>\$ (27,965)</u>

The components of items charged to equity as of September 30, 2005 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Temporary differences	Tax effect	Temporary differences	Tax effect
	(In millions)		(In thousands)	
Income tax of gain on disposal of treasury stock	₩ 32,909	₩ 9,050	\$ 34,817	\$ 9,575
Deferred tax charged or credited to:				
Retained earnings	₩ (678,312)	₩ (186,535)	\$ (717,639)	\$ (197,350)
Capital adjustments	(67,351)	(18,522)	(71,255)	(19,595)
	<u>₩ (745,663)</u>	<u>₩ (205,057)</u>	<u>\$ (788,894)</u>	<u>\$ (216,945)</u>

The deferred income tax assets related to the deductible temporary differences arising from investments in subsidiaries and associates of ₩1,029,326 million (US\$1,089,033 thousand), and other of ₩70,054 million (US\$74,116 thousand) as of September 30, 2006 were not recognized since it is not probable that the temporary difference will be reversed in the foreseeable future. Also, the deferred income tax liabilities related to the gain on revaluation of land of ₩444,109 million (US\$469,857 thousand) as of September 30, 2006 were not recognized since the land may not be disposed of in the foreseeable future.

The deferred income tax assets related to the deductible temporary differences arising from investments in subsidiaries and associates of ₩811,452 million (US\$858,498 thousand), constructive dividends of ₩101,133 million (US\$106,996 thousand) and other of ₩18,665 million (US\$19,747 thousand) as of September 30, 2005 were not recognized since it is not probable that the temporary difference will be reversed in the foreseeable future. Also, the deferred income tax liabilities related to the gain on revaluation of land of ₩446,641 million (US\$472,536 thousand) as of September 30, 2005 were not recognized since the land may not be disposed of in the foreseeable future.

The Company believes average taxable income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. Effective tax rate used in calculating deferred tax assets or liabilities arising from temporary differences is 27.5% including resident tax. The effective tax rates are 26.2 percent and 21.5 percent for the nine months ended September 30, 2006 and 2005, respectively.

20. RELATED PARTY TRANSACTIONS:

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

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

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

The companies	2006			
	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 460,251	₩ 483,459	\$ 486,935	\$ 511,489
Dymos Inc.	3,086	432,843	3,265	457,938
Hyundai Capital Service Inc.	336,543	35,503	356,055	37,561
WIA Corporation	104,049	174,092	110,081	184,185
KEFICO Corporation	79	221,565	84	234,411
Hyundai Powertech	13,922	110,503	14,729	116,910
Hyundai Autonet Co., Ltd.	88	108,341	93	114,622
Hyundai HYSCO	1,361	108,014	1,440	114,276
Autoever Systems Corp.	107	101,766	113	107,666
Hyundai Card Co., Ltd.	178	47,070	188	49,799
METIA Co., Ltd. (Formerly Aju Metal Co., Ltd.)	1,531	19,584	1,620	20,719
ROTEM	232	30,529	245	32,299
Hyundai Motor America	2,551,611	-	2,699,546	-
Hyundai Motor Europe GmbH	1,741,389	-	1,842,350	-
HAOSVT	486,311	-	514,506	-
Hyundai Motor Company Australia	362,524	-	383,542	-
Hyundai Motor India	354,862	3,599	375,436	3,808
Hyundai Motor Manufacturing Alabama, LLC	157,896	4	167,050	4
Hyundai Motor Poland Sp. Zo.O	93,706	-	99,139	-
Hyundai Motor Norway AS	52,240	-	55,269	-
Hyundai America Technical Center Inc.	14	45,230	15	47,852
Hyundai Motor Europe Technical Center GmbH	7,211	19,225	7,629	20,340
Hyundai Motor Hungary	8,336	-	8,819	-
Hyundai Motor Japan Co.	5,224	-	5,527	-
Others	1,070	2,915	1,132	3,084
Affiliates:				
Hyundai MOBIS	354,403	1,912,039	374,950	2,022,894
Hyundai Steel Company	1,177	11,615	1,245	12,288
EUKOR Car Carriers, Inc.	1,162	240,001	1,229	253,916
Iljin Bearing Co., Ltd.	12	24,949	13	26,395
Beijing-Hyundai Motor Company	431,330	34,212	456,337	36,196
HMJ R&D Center Inc.	3	5,997	3	6,345
GEA	-	800	-	846
Glovis Co., Ltd.	3,216	240,274	3,402	254,204
Amco Corp.	1,047	253,495	1,108	268,192
Innotion Corp.	93	25,051	98	26,503
IHL Corp.	1,331	62,699	1,408	66,334
Wisco Co., Ltd.	426	22,993	451	24,326
Korea Automotive Systems Co., Ltd.	3	37,759	3	39,948
BNG Steel Co., Ltd.	8	48,267	8	51,065
Ecoplastic Corp.	5,931	149,567	6,275	158,238
Others	54	-	57	-

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

The companies	2006			
	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 111,123	₩ 121,232	\$ 117,566	\$ 128,261
Dymos Inc.	1,833	129,503	1,939	137,011
Hyundai Capital Service Inc.	110,344	12,285	116,741	12,997
WIA Corporation	28,842	50,207	30,514	53,118
KEFICO Corporation	6	70,247	6	74,320
Hyundai Powertech	3,914	27,041	4,141	28,609
Hyundai Autonet Co., Ltd.	11	25,983	12	27,489
Hyundai HYSCO	436	36,699	461	38,827
Autoever Systems Corp.	34	41,863	36	44,290
Hyundai Card Co., Ltd.	49	15,654	52	16,562
METIA Co., Ltd. (Formerly Aju Metal Co., Ltd.)	291	6,608	308	6,991
ROTEM	51	24,005	54	25,397
Hyundai Motor America	598,074	-	632,749	-
Hyundai Motor Europe GmbH	266,698	-	282,160	-
HAOSVT	121,629	-	128,681	-
Hyundai Motor Company Australia	131,948	-	139,598	-
Hyundai Motor India	133,773	595	141,529	629
Hyundai Motor Manufacturing Alabama, LLC	57,542	4	60,878	4
Hyundai Motor Poland Sp. Zo.O	27,092	-	28,663	-
Hyundai Motor Norway AS	20,190	-	21,361	-
Hyundai America Technical Center Inc.	-	14,204	-	15,028
Hyundai Motor Europe Technical Center GmbH	7,176	7,176	7,592	7,592
Hyundai Motor Hungary	2,504	-	2,649	-
Hyundai Motor Japan Co.	622	-	658	-
Others	116	2,829	123	2,993
Affiliates:				
Hyundai MOBIS	75,076	557,992	79,429	590,343
Hyundai Steel Company	387	353	409	373
EUKOR Car Carriers, Inc.	333	103,142	352	109,122
Iljin Bearing Co., Ltd.	-	7,645	-	8,088
Beijing-Hyundai Motor Company	143,956	34,212	152,302	36,196
HMJ R&D Center Inc.	-	2,375	-	2,513
GEA	-	187	-	198
Glovis Co., Ltd.	2,180	74,194	2,306	78,496
Amco Corp.	367	78,148	388	82,679
Innotion Corp.	37	8,543	39	9,038
IHL Corp.	311	18,627	329	19,707
Wisco Co., Ltd.	20	8,007	21	8,471
Korea Automotive Systems Co., Ltd.	1	11,025	1	11,664
BNG Steel Co., Ltd.	6	10,703	6	11,324
Ecoplastic Corp.	942	44,073	997	46,628

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

Affiliated company	2005					
	Korean won				Translation into U.S. dollars (Note 2)	
	Three months		Nine months		Nine months	
	Sales /proceeds	Purchases /expense	Sales /proceeds	Purchases /expense	Sales /proceeds	Purchases /expenses
	(In millions)				(In thousands)	
Hyundai Motor America	₩ 899,071	₩ -	₩ 3,474,909	₩ -	\$ 3,676,374	\$ -
Hyundai Motor India	96,858	4,105	297,830	13,518	315,097	14,302
Hyundai Motor Poland Sp.zo.o.	17,030	-	78,380	-	82,924	-
Hyundai Motor Japan	8,646	-	16,595	-	17,557	-
Hyundai Motor Europe GmbH	363,737	-	1,534,871	-	1,623,858	-
Hyundai Motor Europe Technical Center GmbH	-	4,777	14,422	-	15,258	-
Hyundai Motor Manufacturing Alabama, LLC	38,487	87	38,387	87	40,613	92
Hyundai Motor UK	159,273	-	159,273	-	168,507	-
Hyundai America Technical Center Inc.	12,390	-	32,606	-	34,496	-
HAOSVT	150,295	-	439,548	-	465,032	-
Beijing-Hyundai Motor Company	183,312	-	520,857	-	551,055	-
Kia Motors Corporation	221,400	87,686	481,093	272,549	508,985	288,351
Hyundai MOBIS	144,273	493,893	434,687	1,564,574	459,889	1,655,284
Hyundai Powertech	7,065	59,951	10,903	165,018	11,535	174,585
Hyundai Capital Service Inc.	99,593	8,653	215,890	26,725	228,407	28,274
Hyundai HYSCO	517	33,595	1,526	120,943	1,614	127,955
Dymos Inc.	912	97,444	4,614	357,054	4,882	377,755
WIA Corporation	29,532	50,632	129,351	177,896	136,850	188,210
Hyundai Autonet Co., Ltd.	-	39,453	-	133,857	-	141,618
Hyundai Card Co., Ltd.	-	33,230	-	34,263	-	36,249
Glovis Co., Ltd.	-	69,915	-	239,778	-	253,680
Hyundai Steel Company	-	8,880	-	36,462	-	38,576
Autoever Systems Corp.	-	63,377	-	88,514	-	93,646
Amco Corp.	-	65,029	-	202,673	-	214,423
KEFICO	-	58,887	-	212,304	-	224,613

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

The companies	2006			
	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Hyundai HYSCO	₩ 742	₩ 34,914	\$ 785	\$ 36,938
KEFICO Corporation	1,236	46,068	1,308	48,739
Autoever Systems Corp.	12	46,342	13	49,029
Dymos Inc.	10,158	79,438	10,747	84,044
Kia Motors Corporation	177,594	120,345	187,890	127,322
Hyundai Capital Service Inc.	67,763	6,581	71,692	6,963
Hyundai Card Co., Ltd.	35,040	35,656	37,072	37,723
WIA Corporation	19,383	31,447	20,507	33,270
Hyundai Powertech	2,859	17,969	3,025	19,011
ROTEM	250	1,057	264	1,118
METIA Co., Ltd. (Formerly Aju Metal Co., Ltd.)	572	5,641	605	5,968
Hyundai Autonet Co., Ltd.	217	20,856	230	22,065
HAOSVT	29,209	200	30,902	212
Hyundai Motor America	91,594	16,024	96,904	16,953

The companies	2006							
	Korean Won		Translation into U.S. Dollars (Note 2)					
	Receivables	Payables	Receivables	Payables				
	(In millions)		(In thousands)					
Hyundai America Technical Center Inc.	₩	16	₩	4,324	\$	17	\$	4,575
Hyundai Motor Manufacturing Alabama, LLC		39,136		162		41,405		171
Hyundai Motor India		59,743		28		63,207		30
Hyundai Motor Poland Sp. Zo.O		5,637		980		5,964		1,037
Hyundai Motor Company Australia		27,664		326		29,268		345
Hyundai Motor Europe GmbH		101,351		1,944		107,227		2,057
Hyundai Motor Europe Technical Center GmbH		30		1,845		32		1,952
Hyundai Motor Norway AS		1,153		-		1,220		-
Hyundai Steel Company		377		345		399		365
Hyundai MOBIS		102,677		410,126		108,630		433,904
EUKOR Car Carriers, Inc.		-		37,775		-		39,965
Iljin Bearing Co., Ltd.		1		4,095		1		4,332
Beijing-Hyundai Motor Company		65,446		2,767		69,240		2,927
Innotion Corp.		-		48,478		-		51,289
Wisco Co., Ltd.		780		6,105		825		6,459
Korea Automotive Systems Co., Ltd.		25		7,617		26		8,059
BNG Steel Co., Ltd.		-		8,797		-		9,307
Ecoplastic Corp.		427		29,500		452		31,210
Glovis Co., Ltd.		1,841		42,969		1,948		45,460
Amco Corp.		471		116,993		498		123,776
IHL Corp.		149		13,444		158		14,223
Others		1,497		1,113		1,584		1,178

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

The companies	2005							
	Korean Won		Translation into U.S. Dollars (Note 2)					
	Receivables	Payables	Receivables	Payables				
	(In millions)		(In thousands)					
Hyundai HYSKO	₩	1,478	₩	29,244	\$	1,564	\$	30,939
KEFICO Corporation		1,059		51,346		1,120		54,323
Autoever Systems Corp.		-		38,077		-		40,285
Dymos Inc.		10,408		127,408		11,011		134,795
Kia Motors Corporation		165,081		201,858		174,652		213,561
Hyundai Capital Service Inc.		48,500		5,602		51,312		5,927
Hyundai Card Co., Ltd.		44,292		52,501		46,860		55,545
WIA Corporation		17,506		95,182		18,521		100,700
Hyundai Powertech		12,910		74,958		13,658		79,304
ROTEM		-		26,127		-		27,642
Hyundai Autonet Co., Ltd.		-		47,894		-		50,671
HAOSVT		19,547		7,823		20,680		8,277
Hyundai Motor America		130,554		15,374		138,123		16,265
Hyundai Motor Manufacturing Alabama, LLC		60,997		-		64,533		-
Hyundai Motor India		31,132		-		32,937		-
Hyundai Motor Poland Sp. Zo.O		2,646		-		2,799		-
Hyundai Motor Company Australia		30,539		-		32,310		-
Hyundai Motor Europe GmbH		57,589		-		60,928		-
Hyundai MOBIS		112,481		632,193		119,002		668,846
Glovis Co., Ltd.		-		49,599		-		52,475
Amco Corp.		-		188,196		-		199,107

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

Description	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Short-term salaries	₩ 42,693	\$ 45,168
Severance benefits	6,595	6,977
Compensation expenses associated with stock options	-	-
	<u>₩ 49,288</u>	<u>\$ 52,145</u>

Accrued severance benefits and stock option costs for the directors as of September 30, 2006 amount to ₩68,897 million (US\$72,891 thousand) and ₩8,795 million (US\$52,146 thousand), respectively.

21. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

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

	Foreign currencies				Korean Won			
	September 30, 2006		December 31, 2005		September 30, 2006		December 31, 2005	
	(In millions)							
Assets	US\$	532,509,566	US\$	459,845,839	₩	503,328	₩	465,824
	JP ¥	3,501,261	JP ¥	521,943,349		28		4,489
	GBP	6,683,215	GBP	5,842,779		11,851		10,197
	CAD	28,028,278	CAD	12,841,782		23,836		11,189
	EUR	239,485,458	EUR	173,259,828		287,536		207,938
	AUD	27,783,892	AUD	28,008,337		19,650		20,835
					₩	<u>846,229</u>	₩	<u>720,472</u>
Liabilities	US\$	418,244,724	US\$	620,674,146	₩	395,325	₩	628,743
	JP ¥	24,232,427,047	JP ¥	23,720,378,695		194,395		204,005
	GBP	6,073,119	GBP	10,390,825		10,769		18,134
	CAD	3,600,779	CAD	2,976,134		3,062		2,593
	AUD	6,598,660	AUD	7,838,317		4,667		5,831
	EUR	208,988,050	EUR	250,169,891		250,920		300,241
	SGD	161,315	SGD	123,995		96		76
	CHF	743,536	CHF	2,358,819		563		1,819
	DKK	991,958	DKK	-		160		-
	HKD	6,971	HKD	-		1		-
	SEK	-	SEK	442,000		-		56
					₩	<u>859,958</u>	₩	<u>1,161,498</u>

22. REGIONAL SALES INFORMATION

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

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Domestic sales	₩ 2,710,413	₩ 2,705,199	₩ 8,510,882	₩ 7,577,945	\$ 9,004,319	\$ 8,017,293
Export sales – Vehicle Products:						
North America	598,074	899,015	2,551,618	3,474,827	2,699,554	3,676,288
Europe	908,111	855,795	3,237,887	2,956,148	3,425,610	3,127,537
South America	268,709	190,356	811,905	565,837	858,977	598,643
Asia & Pacific	241,050	275,382	782,048	922,680	827,389	976,174
Middle Asia & Africa	429,621	432,399	1,507,584	1,277,498	1,594,989	1,351,563
	2,445,565	2,652,947	8,891,042	9,196,990	9,406,519	9,730,205
Export sales - Other	730,957	791,601	2,349,331	2,491,517	2,485,539	2,635,968
Export sales	3,176,522	3,444,548	11,240,373	11,688,507	11,892,058	12,366,173
Total sales	₩ 5,886,935	₩ 6,149,747	₩ 19,751,255	₩ 19,266,452	\$ 20,896,376	\$ 20,383,466

23. SELLING AND ADMINISTRATIVE EXPENSES

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

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2006	2005	2006	2005	2006	2005
	(In millions)				(In thousands)	
Salary-related costs	₩ 229,153	₩ 251,704	₩ 721,299	₩ 677,703	\$ 763,118	\$ 716,994
Export costs	141,635	152,840	499,525	511,091	528,486	540,723
Sales promotion and advertisements	63,833	112,939	286,477	277,075	303,086	293,139
Sales commissions	97,290	89,835	286,400	240,842	303,005	254,805
Sales warranties	32,006	27,529	199,932	293,705	211,523	310,733
Taxes and dues	11,536	10,186	20,246	24,969	21,420	26,417
Communications	4,567	5,099	14,116	15,588	14,934	16,492
Utilities	4,912	5,059	15,778	16,153	16,693	17,090
Freight and warehousing	16,606	16,685	52,109	50,699	55,130	53,638
Rent	4,873	4,970	14,617	14,427	15,465	15,263
Travel	11,180	11,274	36,070	33,473	38,161	35,414
Service charges	41,355	38,925	119,473	102,009	126,400	107,923
Maintenance	2,784	4,311	8,491	13,485	8,983	14,267
Supplies	3,359	4,161	11,210	13,669	11,860	14,462
Research	123,453	116,092	353,197	302,618	373,674	320,163
Depreciation	17,799	16,267	52,108	49,092	55,129	51,938
Amortization	2,315	2,115	6,746	6,466	7,137	6,841
Stock option cost	-	-	-	60	-	63
Other	5,925	6,621	17,487	19,185	18,501	20,297
	₩ 814,581	₩ 876,612	₩ 2,715,281	₩ 2,662,309	\$ 2,872,705	\$ 2,816,662